

1990-91

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

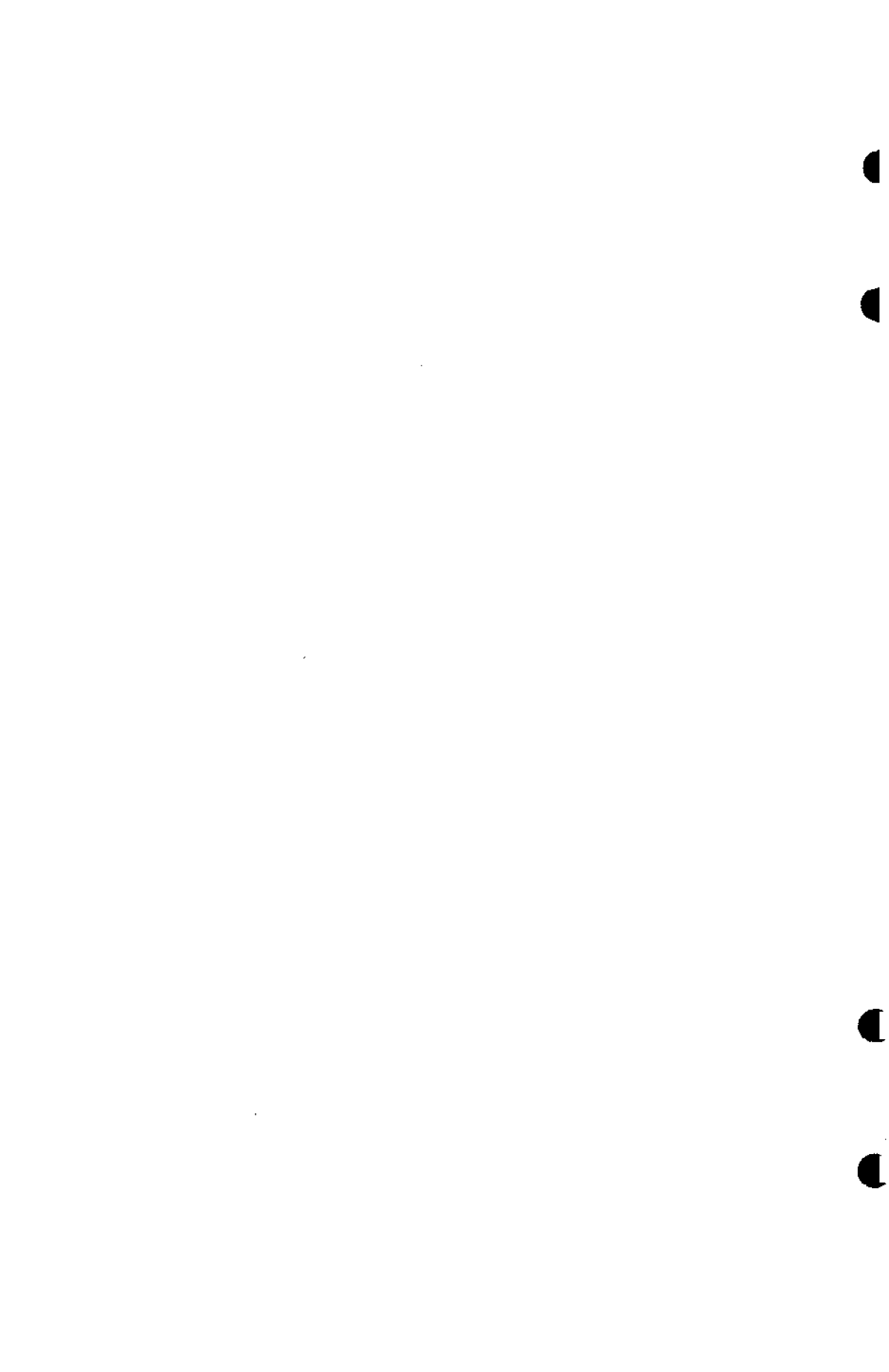
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WOOL TAX (NOS. 1-5) AMENDMENT BILLS 1991

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EXPLANATORY MEMORANDUM

(Circulated by the authority of the Treasurer,  
The Hon. P.J. Keating, M.P. and the Minister For  
Primary Industries and Energy, the Hon. John Kerin, M.P.)



## General Outline

The Wool Tax (Nos. 1-5) Amendment Bills 1991 will amend the *Wool Tax Acts (Nos. 1-5) 1964* to:

- reduce the rate at which wool tax can be imposed on all shorn wool produced in Australia, from 30% to 15%;
- reduce the actual rate at which wool tax is currently imposed on shorn wool from 25% to 15%, except for carpet wool;
- increase the rate of tax on carpet wool from 3.85% to 4%; and
- repeal the provision that allows an additional tax surcharge to be imposed on shorn wool (other than carpet wool).

The changes will apply from 1 July 1991.

## Financial Impact

The changes proposed by these Bills will have no net effect on revenue. The wool tax that is collected will be passed on to the new Australian Wool Corporation, the Wool Realisation Commission and the Wool Research and Development Corporation.

## Background

These Bills are part of a package of Bills to reform the Wool industry. The other Bills in the package are:

- Australian Wool Corporation Bill 1991;
- Australian Wool Realisation Commission Bill 1991;
- Primary Industries and Energy Research and Development Amendment Bill 1991; and
- Primary Industries (Industry Councils) Bill 1991.

Wool tax is imposed by five separate Acts, the *Wool Tax Acts (Nos. 1-5) 1964*. Each Act provides for the tax to be imposed on a particular taxable dealing with shorn wool produced in Australia. These dealings are:

- (*Wool Tax Act (No. 1) 1964*) - sale by a wool-broker.
- (*Wool Tax Act (No. 2) 1964*) - purchase by a registered wool-dealer from a person other than a wool-broker.
- (*Wool Tax Act (No. 3) 1964*) - purchase by a manufacturer from a person other than a wool-broker or a registered wool-dealer.
- (*Wool Tax Act (No. 4) 1964*) - subjecting the wool to a process of manufacture.
- *Wool Tax Act (No. 5) 1964* - export from Australia.

The Wool Tax Acts allow for a rate of tax of 30% to be imposed on shorn wool. This rate becomes the actual rate of tax. However, the Acts separately provides that the current actual rate of tax that applies to shorn wool is 25%, except for carpet wool. The rate of tax on carpet wool is 3.85%.

The Acts also authorise the Governor-General to make regulations to prescribe an actual rate of tax, below 30%.

Wool tax is used for three purposes:

- by the Australian Wool Corporation for wool promotion;
- for research and development; and
- the market support fund.

However, carpet wool was excluded from the market support fund in October 1990 and the rate of tax imposed on carpet wool equals the first two components of the tax.

The Acts can also impose an additional tax surcharge which is limited to 20% on shorn wool other than carpet wool. This provision will apply if the Governor-General makes regulations to prescribe a date from which the surcharge is imposed. However, as a date has never been prescribed no surcharge has been levied.

## Explanation of the amendments

### Change of rates

The Bills will reduce the rate of wool tax that can be imposed on shorn wool other than carpet wool from 30% to 15% and the rate for carpet wool from 30% to 4%. The Bills will also reduce the actual rate at which tax is imposed from 25% to 15% for shorn wool other than carpet wool. This rate will apply until a lower rate is prescribed by regulations. *[Clause 4(a) & (b) of each Wool Tax Amendment Act]*

Another amendment made by the Bills will increase the rate of tax imposed on carpet wool from 3.85% to 4%. This rate will also apply until a lower rate is prescribed by the regulations. *[Clause 4(c) of each Wool Tax Amendment Bill]*

The wool tax that is to be collected will be used in the following way in 1991-92:

- 3.5% to the Wool Corporation for promotional purposes;
- 0.5% to the Wool Research and Development Corporation; and
- 11.0% to the Australian Wool Realisation Commission for debt management.

Carpet wool will be taxed at a rate of 4% of the value of wool shorn. This rate is split into two components being 3.5% for promotion and 0.5% for research and development. This represents an increase in the research and development component for all wool, including carpet wool, from 0.35% to 0.5%.

The component for research and development has been increased in an effort to maintain an adequate level of funding for research and development projects.

### Summary of rate changes

	Current Possible Rate	Current Actual Rate	Proposed Actual Rate
Shorn Wool (except carpet wool)	30%	25%	15%
Carpet Wool	30%	3.85%	4%

### **Repeal of additional tax surcharge.**

Section 5A of the Wool Tax Acts which allows for an additional tax surcharge of 20% on shorn wool (other than carpet wool) will be removed from the Acts by these Bills. *[Clause 5 of each Wool Tax Amendment Bill]*

### **Regulations**

The existing Wool Tax Acts require the Governor-General to take into account recommendations made to the Minister for Primary Industries and Energy by the Wool Corporation and the Wool Council before making regulations which alter the rate at which wool tax is imposed. This package of Bills will reform the administration of wool tax by creating three new bodies. The amendments made by these Bills will require the Governor-General to consider recommendations about the rate of wool tax made to the Minister by :

- the Australian Wool Realisation Commission;
- the last annual or special general meeting of wool taxpayers held pursuant to the proposed *Australian Wool Corporation Act 1991*;
- the annual general meeting of the Wool Research and Development Corporation; and
- any views on the rate expressed by the Wool Council of Australia;

before making regulations to prescribe a lower rate of tax for shorn wool except carpet wool.

Similarly, in relation to carpet wool, the Governor-General will be required to consider any recommendations about the rate made to the Minister for Primary Industries and Energy by:

- the last annual or special general meeting of wool taxpayers held pursuant to the *Australian Wool Corporation Act 1991*;
- the annual general meeting of the Wool Research and Development Corporation.

before making regulations to prescribe a lower rate of tax for carpet wool. *[Clause 6(h) of each Wool Tax Amendment Bill]*

### **Commencement Date**

The Bill will come into operation on 1 July 1991 and will apply to all dealings on or after that date. *[Clause 2 of each Wool Tax Amendment Bill]*

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