Income Tax Amendment Regulations 2006 (No. 3)

Select Legislative Instrument 2006 No. 167

I, PHILIP MICHAEL JEFFERY, Governor-General of the Commonwealth of Australia, acting with the advice of the Federal Executive Council, make the following Regulations under the *Income Tax Assessment Act 1936*.

Dated 22 June 2006

P. M. JEFFERY
Governor-General

By His Excellency's Command

PETER DUTTON
Minister for Revenue and Assistant Treasurer

0607914A-060530EV

1 Name of Regulations

These Regulations are the *Income Tax Amendment Regulations 2006 (No. 3)*.

2 Commencement

These Regulations commence on 1 July 2006.

3 Amendment of *Income Tax Regulations 1936*

Schedule 1 amends the *Income Tax Regulations 1936*.

Schedule 1 Amendments

(regulation 3)

[1] Regulation 150AA, definition of *rebate threshold*

omit

subregulation 150AB (3).

insert

subregulations 150AB (3) and (3A).

[2] Subregulation 150AB (2A)

omit

[3] Subregulation 150AB (3)

substitute

(3) If subregulation (3A) does not apply, a taxpayer's ***rebate threshold*** for a year of income is the amount calculated using the formula:

$$D + \left(\frac{E + F}{C} \right)$$

where:

D is the tax-free threshold.

E is the maximum amount of rebate allowable under section 159N of the Act.

F is the taxpayer's rebate amount for the year of income, worked out in accordance with subregulations (2) and (2B).

C is the lowest marginal tax rate.

Note For ***lowest marginal tax rate*** and ***tax-free threshold*** — see regulation 148.

(3A) If:

(a) a taxpayer is a single person; and

(b) the taxpayer's rebate threshold, if it were calculated using the formula in subregulation (3), would be an amount that is greater than the threshold at the upper conclusion of the lowest marginal tax rate;

the taxpayer's ***rebate threshold*** for a year of income is the amount calculated using the formula:

$$\left(\frac{\left((A \times B) - C(A - D) + E + 0.04 \times A + F \right)}{0.34} \right)$$

where:

A is the threshold at the upper conclusion of the lowest marginal tax rate.

B is the rate that would be the lowest marginal tax rate, if not for the rate mentioned in factor ***C***.

C is the lowest marginal tax rate.

D is the tax-free threshold.

E is the maximum amount of rebate allowable under section 159N of the Act.

F is the taxpayer's rebate amount for the year of income, worked out in accordance with subregulations (2) and (2B).

Note For ***lowest marginal tax rate*** and ***tax-free threshold*** — see regulation 148.

[4] Subregulation 150AB (4)

omit

subregulation (1), (2) or (3)

insert

subregulation (1), (2), (3) or (3A)

[5] After subregulation 150AB (4)

insert

(5) In this regulation:

member of a couple means a person (other than a member of an illness-separated couple) who, at any time in the year of income, was the spouse of another person.

member of an illness-separated couple means a person who, at any time in the year of income:

(a) is entitled to receive an illness-separated-rate social security pension or illness-separated-rate service pension; or

(b) is the spouse of another person from whom the spouse is separated in circumstances in which, if the spouse was otherwise entitled to receive a partnered-rate social security pension, the spouse would be entitled to receive an illness-separated-rate social security pension.

single person means a person who, at any time in the year of income is not the spouse of another person.

[6] Regulation 152

substitute

152 Rebate of tax in respect of rebatable benefits

(1) If the assessable income of a taxpayer of a year of income commencing on or after 1 July 2003 includes an amount of rebatable benefit, the taxpayer is entitled in the taxpayer's assessment in respect of income of that year of income to a rebate of tax of the amount calculated using the formula in subregulation (2) or (3).

(2) If the taxpayer's benefit amount is less than or equal to the threshold at the upper conclusion of the lowest marginal tax rate, the formula is:

$$A \times \left[B - C\right]$$

where:

A is the lowest marginal tax rate.

B is the taxpayer's benefit amount, being the amount of rebatable benefit received by the taxpayer during the year of income, rounded down to the nearest whole dollar.

C is the tax-free threshold.

Note For ***lowest marginal tax rate*** and ***tax-free threshold*** — see regulation 148.

(3) If the taxpayer's benefit amount is greater than the threshold at the upper conclusion of the lowest marginal tax rate, the formula is:

$$A \times \left[B - C\right] + D \times \left[B - E\right]$$

where:

A is the lowest marginal tax rate.

B is the taxpayer's benefit amount, being the amount of rebatable benefit received by the taxpayer during the year of income, rounded down to the nearest whole dollar.

C is the tax-free threshold.

D is the rate that is calculated by subtracting the lowest marginal tax rate from the rate that is the second lowest marginal tax rate (expressed as a decimal fraction).

E is the threshold at the upper conclusion of the lowest marginal tax rate.

Note For ***lowest marginal tax rate*** and ***tax-free threshold*** — see regulation 148.

(4) If the amount worked out under subregulation (2) or (3) is not an amount of whole dollars, the amount must be rounded up to the nearest whole dollar.