



MT 2011 - Bank account debits tax : water supply authorities

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TAXATION RULING NO. MT 2011

BANK ACCOUNT DEBITS TAX : WATER SUPPLY AUTHORITIES

F.O.I. EMBARGO: May be released

REF

H.O. REF: 83/5311-5

DATE OF EFFECT:

B.O. REF: ST/BM.1 (Adel) DATE ORIG. MEMO ISSUED:
S/KC/BT1 (Hobart)
O 11/A77 (ACT)
BAT 1/2 (Perth)
SCB 2/5 (Melb)
K570 (Bris)
X.B11/6/6 (Parra)
BDT 1/3 (Syd)

F.O.I. INDEX DETAIL

REFERENCE NO: SUBJECT REFS:

LEGISLAT. REFS:

I 1199213 WATER SUPPLY
AUTHORITIES

BANK ACCOUNT DEBITS
TAX ADMINISTRATION ACT
1982; SECTION 3.

OTHER RULINGS ON TOPIC : MT 2002

PREAMBLE

Water supply authorities, whether conducted by State governments or local governments, are authorities of the kind covered by sub-paragraph (a)(vii) of the definition of "excluded debit" contained in sub-section 3(1) of the Bank Account Debits Tax Administration Act. The paragraph has the effect of exempting from bank account debits tax debits made to accounts maintained by government authorities unless the sole or principal function of the authority is to carry on an activity in the nature of a business.

FACTS

2. In Taxation Ruling MT 2002 it is stated that, as a general rule, a government activity is regarded as being an activity in the nature of a business if that activity is one which is also carried on by non-government bodies or by individuals for profit. Traditionally statutory authorities and local governing bodies provide water supply and sewerage services to the public subject to an annual rate charge. Because municipal rates are taxes and not a payment for services rendered, the provision of such services in return for a special rating charge is not regarded as an activity in the nature of a business. The imposition of excess water charges does not affect this position.

3. Some water supply authorities are gradually introducing a pay-for-use system of calculating charges for the supply of water or are levying charges on the actual amount of water used.

4. Under the pay-for-use system a low annual water usage allowance is determined for each property by dividing the annual base water rate by the price of water. The water usage

allowance is the quantity of water which may be used by a consumer without additional water rates having to be paid. If a householder's water consumption exceeds the water allowance then additional water rates, previously called excess water rates, are payable. Because the base allowance is set at a low level almost every user becomes liable to pay for the excess water used. The water rates to be paid under this system become more proportional to the amount of water consumed.

RULING

5. Notwithstanding the alteration in the manner in which some water supply authorities charge for the supply of water, the authorities are still considered to be engaged in the provision of government services and not carrying on business.

6. Debits made to accounts of water supply authorities are excluded debits within the meaning of sub-paragraph (a)(vii) and are eligible for exemption from bank account debits tax.

COMMISSIONER OF TAXATION

7 August 1985

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