

1984

PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
HOUSE OF REPRESENTATIVES

INCOME EQUALIZATION DEPOSITS (INTEREST ADJUSTMENT) BILL 1984

EXPLANATORY MEMORANDUM

(Circulated by authority of the Treasurer, the
Hon P.J. Keating, MP)

GENERAL OUTLINE

The Income Equalization Deposits (Interest Adjustment) Bill 1984 (the 'Adjustment Bill') provides for certain adjustments of interest payments (subject to commencement of the Loan (Income Equalization Deposits) Amendment Bill 1984 (the 'Loan Amendment Bill'))).

The purpose of the Adjustment Bill is to provide for backpayments of interest to certain holders of Income Equalization Deposits (IEDs). These backpayments will relate to the period between 29 June, 1984 and the commencement of this Bill, in respect of deposits accepted on or after 1 September, 1983.

BACKGROUND

Consistent with announced Government policy, and in anticipation of enactment of the Loan Amendment Bill, the interest rate on IEDs accepted on or after 1 September, 1983 was fixed by regulation at the concessional rate of 2 percentage points above the short term bond rate for the period from 1 September, 1983 to 28 June, 1984.

When the Loan Amendment Bill was not passed by the Senate, those arrangements for the payment of interest were terminated. An interest rate of 7.5 per cent per annum was regulated to apply from 29 June, 1984 in respect of all deposits accepted on or after 1 September, 1983.

SUMMARY OF PROVISIONS

The Adjustment Bill provides for the payment to depositors of the difference between 7.5 per cent per annum and the rate at which interest would have been paid on deposits lodged since 1 September, 1983, had the payment of interest been governed by the provisions of the Loan Amendment Bill for the period from 29 June, 1984 to the commencement of this Adjustment Bill. The two Bills will commence on the same date.

The retrospective application of the provisions of the Amendment Bill relates only to the payment of interest and certain provisions of the Bill are excepted from application during the period from 29 June, 1984 to the commencement of the Bills. The provisions of the Amendment Bill are applied, in respect of the payment of the interest adjustment, to the actual status of deposits during the period of the interest adjustment. The Adjustment Bill does not provide for retrospective changes to the status of deposits.

NOTES ON CLAUSES

CLAUSE 1. SHORT TITLE

Self Explanatory.

CLAUSE 2. COMMENCEMENT

Self Explanatory.

CLAUSE 3. INCORPORATION

Self Explanatory.

CLAUSE 4. PAYMENT OF INTEREST

This clause provides for certain payments in respect of IEDs to be made relating to the period between 29 June, 1984 and commencement of the Bill.

Sub-clause 1 sets out definitions of a number of expressions for the purposes of the Adjustment Bill. Those definitions not explained below are self explanatory.

'actual adjustment period interest' means the amount which was paid or is payable on IEDs accepted on or after 1 September, 1983 under regulations governing the payment of

interest during the interest adjustment period. Regulations were gazetted on 29 June, 1984 which provided for the payment of interest on these deposits at 7.5 per cent per annum.

'notional adjustment period interest' means the amount of interest which would have been payable on IEDs accepted on or after 1 September, 1983 in respect of the interest adjustment period had the Loan Amendment Bill come into operation on 29 June, 1984. Proposed section 19A is excluded from application because it allows, from commencement of the Loan Amendment Bill, for alterations to the status of deposits in certain circumstances. Those provisions were not available to alter the actual status of deposits through the interest adjustment period and are excluded in order to prevent notional, retrospective application of section 19A after the amendments have commenced.

Sub-clause 2 provides that it shall be assumed that the estimates of relevant income amounts for IED purposes were made under the terms of the Loan Amendment Act. It similarly provides that it shall be assumed that an election, made in the first two months of an income year to relate the eligibility of a deposit to the previous year's relevant income amounts, was made under the terms of the Loan Amendment Act.

Sub-clause 3 provides that in respect of deposits accepted on or after 1 September, 1983, the payment of interest shall be calculated as the difference between the paid or payable actual adjustment period interest and the notional adjustment period interest as defined in the Adjustment Bill.

Sub-clause 4 provides that for deposits made before 1 September, 1983 the same interest rates in respect of conversions under section 12A(3) of the Principal Act shall apply as are used in calculation of the notional adjustment period interest.

