

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

**SOCIAL SECURITY (PARENTING ALLOWANCE AND OTHER
MEASURES) LEGISLATION AMENDMENT BILL 1994**

SUPPLEMENTARY EXPLANATORY MEMORANDUM

Amendments to be moved on behalf of the Government

**(Circulated by authority of the Hon Janice Crosio MP
Parliamentary Secretary to the Minister of Social Security
representing the Minister for Social Security)**



SOCIAL SECURITY(PARENTING ALLOWANCE AND OTHER MEASURES) LEGISLATION AMENDMENT BILL 1994

OUTLINE AND FINANCIAL IMPACT STATEMENT

These amendments to the *Income Tax Assessment Act 1936* (ITAA) complement the replacement of partner and home child care allowances, which commenced on 20 and 29 September 1994 respectively, with parenting allowance as from 1 July 1995.

The measures have nil or negligible impact on revenue.

AMENDMENTS

1. Summary of changes

The amendments will make changes to the exemption, spouse rebate and provisional tax provisions of the ITAA consequent to the replacement of home child care allowance by either non-benefit parenting allowance or a component of benefit parenting allowance (the component). The component of benefit parenting allowance is the provisional rate of the allowance that does not exceed the maximum basic component of parenting allowance. The ITAA provisions relating to home child care allowance were introduced in the *Taxation Laws Amendment Act (No.3) 1994*.

2. Background

In limited circumstances, home child care allowance payments could still be made after 1 July 1995. Two examples are:

- payments after the resolution of a review in a claimant's favour; or
- payments through the home child care allowance backdating provisions where a claim is made in the allowable time frame after July 1995 in respect of a child born before July 1995.

Therefore, exempting the home child care allowance from tax may need to continue after 1 July 1995.

Under the current arrangements, home child care allowance payments reduce a taxpayer's entitlement to a dependent spouse rebate. The same treatment will apply to non-benefit parenting allowance and the component of benefit parenting allowance. For 1995-96 and later income years, a taxpayer whose dependent spouse receives home child care allowance is not entitled to have the previous year's entitlement to a dependent spouse rebate taken into account in the calculation of their provisional tax. Consequential amendments are required to ensure the same treatment will apply to the receipt of non-benefit parenting allowance and the component of benefit parenting allowance.

3. Clauses involved in the changes

Amendments (1) to (2) are consequential to amendments (3) to (5) to provide application dates for the changes.

Amendment (3) continues the tax exemption for home child care allowance payments after 1 July 1995.

Amendment (4) continues the home child care allowance reduction to a taxpayer's entitlement to a dependent spouse rebate. Non-benefit parenting allowance and the component of benefit parenting allowance will similarly reduce entitlement to dependent spouse rebate.

Amendment (5) continues the existing arrangements whereby a taxpayer is prevented from having the previous year's entitlement to a dependent spouse rebate taken into account in the calculation of the taxpayer's provisional tax if their dependent spouse receives home child care allowance. It also extends those arrangements in cases of receipt of non-benefit parenting allowance and the component of benefit parenting allowance.

