



## Chief Minister

Treasurer

Minister for Social Inclusion and Equality

Minister for Tourism and Special Events

Minister for Trade, Industry and Investment

Member for Kurrajong

Ms Guilia Jones MLA

Chair

Standing Committee on Justice and Community Safety (Legislative Scrutiny Role)

Legislative Assembly

London Circuit

CANBERRA ACT 2601

Dear Ms Jones

I am writing to formally respond to the Standing Committee on Justice and Community Safety's examination of the Revenue Legislation Amendment Bill 2019 (Scrutiny Report 28) and to the Committee's comments that:

In the Committee's view, the Bill's potential to increase the liability of the taxpayer to a 50% penalty for a default that occurred prior to the introduction of the Bill should be recognised in the explanatory statement and a justification provided.

The proposed amendments to section 31 of the *Taxation Administration Act 1999* re-set the 25 per cent rate as the only "default" rate. Currently, there are effectively two default rates – 25 per cent and 50 per cent. These changes will shift the 50 per cent rate from a default rate to one that is applied in specific circumstances.

New section 31 (2) ensures that for tax defaults from 1 July 2019, the 50 per cent rate is applied only if specific circumstances are satisfied. Currently the 50 per cent penalty applies where the Commissioner for ACT Revenue is satisfied that a tax defaulter has not taken reasonable care, however going forward, the Commissioner may only apply the 50 per cent penalty if satisfied of specified circumstances.

It should be noted that while the legislation allows for increases in penalty rates, it also allows for decreases in rates. For example, if the Commissioner is satisfied that a taxpayer took reasonable care to comply with a tax law – no penalty tax is payable; if a taxpayer voluntarily discloses information before an investigation is carried out, the penalty rate imposed can be reduced by 80 per cent. These provisions will continue to apply to the penalty tax rates after the law changes.

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In response to Scrutiny comments, further detail explaining the impact of the changes pre- and post- 1 July 2019 have been incorporated into the Explanatory Statement. A copy of the Revised Explanatory Statement is enclosed for your records.

Yours sincerely

Andrew Barr MLA  
Chief Minister

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