

TREASURER'S DIRECTIONS

PART 3 - RESPONSIBILITIES OF ACCOUNTABLE OFFICERS

Section 8 - Tax Equivalents Regimes

Authorities: *Financial Management Act*

Section

3. Interpretation
13. Duties of Accountable Officers
38. Treasurer's Directions

Defined Terms - *Refer to Part 1 Section 2*

- Accountable Officer
- Agency
- Consolidated Revenue Account

OVERVIEW

As part of nationwide competition policy reforms, the Northern Territory Tax Equivalents Regimes (TER) were introduced to improve competitive neutrality between public and private sector entities. The TER seek to levy the equivalent of Commonwealth Income Tax (and sales tax until it was abolished) and local government rates on certain government owned business units so that such units have the same tax and local government rates positions as comparable private sector entities. This is intended to effectively remove any competitive differences arising from the tax and general rates systems between these public sector business units and private sector businesses. The TER incorporates the National Tax Equivalents Regime (NTER).

STATEMENT OF INTENT

3.8.1 This Section provides the framework and minimum control requirements to ensure the Northern Territory Tax Equivalents Regimes are properly implemented.

REQUIREMENTS FOR ACCOUNTING AND PROPERTY MANUALS - *Refer Part 3 Section 1*

3.8.2 Accountable Officers are responsible for incorporating in their Agency's accounting and property manual, where applicable, procedures and guidelines relating to the TER to ensure:

- compliance with the requirements of the Tax Equivalents Regimes Manual;
- preparation and verification of records and working papers that document all transactions, elections, estimates and events relevant for taxation purposes;
- safe custody of all documents, records and working papers for the minimum period specified; and
- proper procedures for payment of tax equivalents liabilities payable under the Tax Equivalents Regimes.

TER MANUAL

3.8.3 The TER Manual means the Tax Equivalents Regimes Manual (as amended from time to time) which specifies the requirements of the Northern Territory Tax Equivalents Regimes. The TER Manual provides the rules for the calculation and payment of income tax equivalents and local government rates equivalents (and sales tax equivalents up until its abolition) in accordance with the Regimes and is to be read in conjunction with this Section of the Treasurer's Directions.

SUBJECT ENTITIES

3.8.4 Subject Entities comprise Income Tax Equivalents Subject Entities and Local Government Rates Equivalents Subject Entities.

3.8.5 Income Tax Equivalents Subject Entities are those entities listed in Schedules 1, 2 and 3 of the TER Manual.

3.8.6 Local Government Rates Equivalents Subject Entities are those entities listed in Schedule 4 of the TER Manual.

COMPLIANCE WITH THE TER MANUAL

3.8.7 Accountable Officers who have authority over an Income Tax Equivalents Subject Entity shall ensure that the Subject Entity complies with the requirements of the Income Tax Equivalents Regime as provided in the TER Manual.

3.8.8 Accountable Officers who have authority over a Local Government Rates Equivalents Subject Entity shall ensure that the Subject Entity complies with the requirements of the Local Government Rates Equivalents Regime as provided in the TER Manual.

APPLICATION

- 3.8.9 Income Tax Equivalents Subject Entities listed in Schedule 1 of the TER Manual shall apply the Accounting Profits Model, as defined in the TER Manual, from the commencement date specified in that Schedule.
- 3.8.10 Income Tax Equivalents Subject Entities listed in Schedule 2.1 of the TER Manual shall apply the Substantive ITAA Model, as defined in the TER Manual, from the commencement date specified in that Schedule.
- 3.8.11 Income Tax Equivalents Subject Entities listed in Schedule 3.1 of the TER Manual shall apply the NTER Model, as defined in the TER Manual, from the commencement date specified in that Schedule.
- 3.8.12 Local Government Rates Equivalents Subject Entities listed in Schedule 4 of the TER Manual shall apply the Local Government Rates Equivalents Regime, as defined in the TER Manual, from the commencement date specified in that Schedule.

TAX EQUIVALENTS RATES

- 3.8.13 The rate of income tax specified in the Commonwealth's *Rating Act* shall be the rate used to calculate the income tax equivalents liability payable by Income Tax Equivalents Subject Entities.
- 3.8.14 The Local Government Rates Equivalents Rate(s) (the LGRE Rate) shall be determined in accordance with the method specified in the TER Manual having regard to applicable local government rating scales. The LGRE Rate shall be used to calculate the local government rates equivalents liability payable by Local Government Rates Equivalents Subject Entities,

PAYMENT OF TAX EQUIVALENTS

- 3.8.15 All tax equivalents liabilities payable under the Income Tax Equivalents Regime and the Local Government Rates Equivalents Regime shall be paid into the Consolidated Revenue Account.
- 3.8.16 The timing of payment of tax equivalents shall be in accordance with the requirements of the TER Manual.

ROLE AND POWERS OF THE TAX ASSESSOR

- 3.8.17 The Tax Assessor, as described in the TER Manual, or any officer authorised by the Tax Assessor, shall administer both the Income Tax Equivalents Regime and the Local Government Rates Equivalents Regime.

- 3.8.18 An Accountable Officer who has authority over a Subject Entity shall ensure that the Subject Entity provides the Tax Assessor at all times with full and free access to all buildings, places, books, documents and other papers. The Tax Assessor may make extracts from or copies of any such books, documents or papers.
- 3.8.19 An Accountable Officer who has authority over a Subject Entity shall allow the Tax Assessor access to all financial records and related documents of the Subject Entity to conduct audits or investigations.
- 3.8.20 An Accountable Officer who has authority over a Subject Entity shall comply with all directions, instructions or determinations issued to him or her by the Tax Assessor.

APPEALS AND RULINGS

- 3.8.21 An Accountable Officer who has authority over a Subject Entity shall have the same rights and privileges, with respect to appeals and reviews and applications for rulings in relation to the Subject Entity, as those specified in the TER Manual.