

## TREASURER'S INSTRUCTION 22

### TAX EQUIVALENT PAYMENTS

Reissued 21 January 2015

Effective 26 September 2005

#### Scope

22.1 This instruction applies to public authorities and business units that are required to pay tax equivalent payments to the Treasurer.

#### Objective

22.2 To specify the requirements for the calculation, and manner of payment, of tax equivalent payments.

#### Application

22.3 This instruction will apply to the financial years commencing 1 July 2005 and following.

#### Interpretation and Definition

22.4 This instruction should be interpreted and applied in accordance with Treasurer's Instruction 1 *Interpretation and Application*.

22.5 For the purposes of this instruction:

22.5.1 "Accounting Profits Method" means the accounting profit income tax equivalent regime more particularly described in the 'Department of Treasury and Finance's Manual for the State's Tax Equivalent Regime'. This regime broadly involves the application of the companies income tax rate for the time being under the Commonwealth's *Income Tax Assessment Act 1997* to the audited accounting profit of the relevant public authority or business unit.

22.5.2 "business unit" means an administrative structure within an administrative unit that operates as an autonomous economic unit and is identified by the Department of Treasury and Finance as a trading enterprise.

22.5.3 "Tax Equivalent Payments" are payments equivalent to:

- income tax that a public authority or business unit (if a legal entity) would be liable to pay under the Commonwealth's *Income Tax Assessment Act 1997*; or
- land tax, other state taxes and local government rates that a public authority or business entity (if a legal entity) would be liable to pay;

were that public authority or business unit (if a legal entity) not an instrumentality of the Crown in right of the State of South Australia.

## Instruction

- 22.6 Where a public authority or business unit is required to pay Tax Equivalent Payments to the Treasurer those payments are to be paid to the Consolidated Account, or, if directed by the Treasurer, to a special deposit account established for that purpose, unless an applicable law of the State of South Australia requires otherwise.
- 22.7 Tax Equivalent Payments required to be paid by a public authority or a business unit to the Treasurer as the equivalent of:
- 22.7.1 land tax are to be calculated and paid in the same manner as if they were required to be calculated and paid under the *Land Tax Act* (ie using Site Value on a multiple holding basis); and
- 22.7.2 local government rates are to be calculated and paid based on applying the local government rate equivalent to the Capital Value and otherwise in the same manner as if they were required to be calculated and paid under the *Local Government Act*.
- 22.8 Tax Equivalent Payments required to be paid by a public authority or business unit to the Treasurer as the equivalent of Commonwealth income tax are to be calculated and paid on the basis of the Accounting Profit Method and otherwise in accordance with requirements of the 'Manual for the State Tax Equivalent Regime' published by the South Australian Department of Treasury and Finance.
- 22.9 The Lotteries Commission of South Australia will pay from the Lotteries Fund (as permitted by section 16(3)(e) of the *State Lotteries Act 1966*) all income tax equivalent payments into the Hospitals Fund.

For queries contact:  
Department of Treasury and Finance  
Government Accounting, Reporting and Procurement Branch  
  
Financial Management Team  
Telephone No. (08) 8226 9529