

1985

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

LOCAL GOVERNMENT (PERSONAL INCOME TAX SHARING)
AMENDMENT BILL 1985

EXPLANATORY MEMORANDUM

(Circulated by Authority of the Minister for
Local Government and Administrative Services)

THE LOCAL GOVERNMENT (PERSONAL INCOME TAX SHARING)

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OUTLINE

The Local Government (Personal Income Tax Sharing) Amendment Bill 1985, which amends the Local Government (Personal Income Tax Sharing) Act 1976, is intended to change the means of calculating the share of personal income tax that the Commonwealth Government will make available to local government in the 1985-86 financial year.

The change will involve moving from an arrangement under which local government received a fixed percentage of personal income tax collections to an arrangement where it will receive an amount equal to the grant allocated in 1984-85, adjusted to allow for both a 2% real increase and for any change in the consumer price index.

The changed arrangement will be applicable for 1985-86 only. The arrangements to apply after 1985-86 will be determined by the Government following its consideration of the report of the National Inquiry into Local Government Finance.

On the basis of available estimates, it is anticipated that the effect of this change, as compared with a situation in which the Act's present arrangements would have continued to apply, will be to reduce the grant to local government in the States by some \$52 million.

NOTES ON CLAUSES

Clauses 1 and 2

1. The first two clauses of the bill provide for the short title and commencement of the legislation.

Clause 3: Interpretation

2. Amendments are being made to provide for the revised method of calculating the grant to local government, as detailed below.

Sub Clause 3(a)

3. The new definition of "actual CPI factor for 1985" is required to determine the final amount of the grant payable to local government for 1985/86.

Sub Clause 3(b)

4. This clause provides that, for 1985/86 only, the means of calculating the grant to local government will be changed from a fixed percentage of personal income tax to an amount equal to 2% of 1983/84 personal income tax collections increased by 2% and adjusted for changes in the consumer price index.

Sub Clause 3(c)

5. This defines one of the factors required to calculate the 1985/86 grant to local government.

Clause 4

Determination by Commissioner for purposes of ascertaining base figure

6. This amendment reflects the fact that, for 1985/86, the level of personal income tax collections in the preceeding year will not be taken into account in determining the grant for local government.

Clause 5

Determination of estimated CPI factor for 1985

7. Under the arrangements for 1985/86 the Treasurer will provide, before 31st August, an estimate of the actual CPI factor in order that the grant payable to the states for local government can be calculated. Once the Treasurer's determination has been made the State Local Governments Grants Commissions will be able to determine the grant payable to each local governing body. When the Minister is advised of these determinations the grants are payable.

Determination of Actual CPI factor for 1985

8. This sub clause defines the form of the consumer price index factor which will be used to calculate the final amount of the grant being provided for local government in 1985/86.

It provides that

- (a) revisions to the index will not be taken into account;
- (b) adoption of a new reference base for the index, if one is introduced;
- (c) the actual CPI factor is defined as the change in the average level of the consumer price index for the six state capital cities in the year to the March quarter 1986 over the average in year to the March quarter 1985.

Clause 6

Special provisions for year commencing 1 July 1985.

9. This clause provides the mechanism for calculating adjustments to the amounts paid to the States for local government if the Treasurer's estimate differs from the actual CPI factor for 1985/86. 5A(1) provides that where the actual increase is greater than that estimated, an additional amount is payable and 5A(2) provides that where the actual increase is less than that estimated, an amount is owed by the States to the Commonwealth. 5A(3) permits the Commonwealth to deduct any money owed to it by a State from grants of a future year. 5A(4) requires the Minister to notify a State in writing of the due date of payment of any amount it owes the Commonwealth.

Clause 7

Allocation amongst local governing bodies.

10. This change enables any payment made under Clause 5A1 to be allocated to local government bodies without State Grants Commissions having to again propose to the Commonwealth how that second payment would be allocated amongst local government bodies in their respective states. That payment would be allocated on the same basis as the original payment (see Clause 8 below).

Clause 8

Unconditional Payments to be made to local governing bodies.

11. This clause provides that any adjustment to the payment to the States that is caused by the actual CPI factor being different from the Treasurer's estimate will be allocated among local government bodies on the same basis as the original payment.