

1981-82

THE PARLIAMENT OF THE COMMONWEALTH  
OF AUSTRALIA

HOUSE OF REPRESENTATIVES

STATES (TAX SHARING AND HEALTH GRANTS) AMENDMENT BILL 1982

EXPLANATORY MEMORANDUM

(Circulated by Authority of the Treasurer  
the Hon John Howard, MP)



**EXPLANATORY MEMORANDUM****STATES (TAX SHARING AND HEALTH GRANTS) AMENDMENT BILL 1982****General Outline and Main Purpose of the Bill**

The main purpose of this Bill is to amend the States (Tax Sharing and Health Grants) Act 1981 to provide for:-

- (a) the payment in 1981-82 of additional tax sharing grants and special allocations totalling \$69 million to New South Wales, Victoria and Queensland; and
- (b) the payment in 1981-82 of a fixed tax sharing grant of \$315.1 million to the Northern Territory in lieu of the amount which would be payable under the formula prescribed by Section 8 of the Principal Act.

**TAX SHARING**

At the Premiers' Conference on 20 June 1981, at which the Commonwealth Grants Commission's Report on State Tax Sharing Entitlements 1981 was considered, it was decided that there would be no change in the relativities contained in the States (Tax Sharing and Health Grants) Act 1981 in respect of the year 1981-82, and that the Commission should be asked to produce a further report on its assessment of States' relativities in the light of submissions to be put to it by States and by the Commonwealth. The Commission is expected to report by 31 May 1982.



In recognition of the likelihood that, following the further review, the State relativities would be adjusted in favour of the three most populous States, the Commonwealth agreed at the June 1981 Premiers' Conference, to provide additional grants to New South Wales (\$24.5 million), Victoria (\$15.0 million) and Queensland (\$20.5 million) in 1981-82. This Bill would implement that agreement. These additional grants are to be considered as being a part of whatever total contribution the Commonwealth may make towards assisting States to adjust to whatever new relativities are adopted after consideration of the further report of the Grants Commission. The additional grants for 1981-82 are on the basis that there will be no application by any State for special grants in respect of 1981-82.

As a result of an agreement between the Commonwealth and Queensland at the 20 June 1981 Premiers' Conference the Bill also makes provision for that State to receive a supplement of \$9 million to its tax sharing grant payable in 1981-82. This special addition is a once-and-for-all payment to the State to cushion it from the effect of the change in the basis for estimating States' populations to be implemented in March 1982. The impact of this change (to an estimated resident population basis) on estimates of the States' tax sharing grants in 1981-82 was to produce a relatively large reduction in Queensland's grant as compared with estimates using the soon to be superseded population estimates, 1976



basis. The \$9 million supplement will not be built into the tax base to be used in determining tax sharing grants in future years.

The Bill also gives effect to an agreement with the Northern Territory, arrived at subsequent to the June 1981 Premiers' Conference, to pay the Territory in 1981-82 a fixed tax sharing grant of \$315.1 million.

#### NOTES ON CLAUSES

Clause 1 - Short Title, etc.  
Self explanatory

Clause 2 - Commencement  
Self explanatory

Clause 3 - Tax Sharing Grants for 1981-82

(a) The effect of this sub-Clause is to prevent the Northern Territory from being entitled to a tax sharing grant under Section 8 of the Act.

(b) This amendment is to ensure that the Northern Territory's adjusted population figure is incorporated in the calculation



of States' tax sharing grants under the formula as specified in Section 8 of the Principal Act, notwithstanding the fact that under Clause 3(a) above the Northern Territory's tax sharing grant will not be derived from the same calculation.

Notwithstanding that the Northern Territory would obtain its entitlement under Clause 4 of the Bill, if the Northern Territory were to be excluded from the calculation in Section 8, the States' total basic tax share would change from that settled in May 1981.

Clause 4 - Fixed tax sharing grant to the Northern Territory for 1981-82

8A. This clause provides for the payment to the Northern Territory in 1981-82 of a fixed tax sharing grant of \$315.1 million.

Additional fixed tax sharing grant to Queensland for 1981-82

8B. This clause provides for the payment to Queensland in 1981-82 of a supplementary grant of \$9 million to compensate that State for the reduction in its basic tax sharing grant resulting from the adoption of a new basis of estimating States' populations in the tax sharing calculation. Payment is for 1981-82 only.



Clause 5   Minimum Entitlements

The section of the Principal Act which deals with minimum entitlements for the States and the Northern Territory in 1981-82 is no longer relevant in respect of the Northern Territory because Clause 4 Section 8A would entitle the Northern Territory to a fixed sum.

Clause 6   Review of Distribution of Part 11 Grants

This clause excludes the Northern Territory from Section 28 of the Principal Act because the Northern Territory's tax sharing entitlements are not the subject of a review by the Commonwealth Grants Commission.

Clause 7   Schedule 2

This clause specifies the increased special allocations to the beneficiary States in the form of a new Schedule 2. Column 2 of the new Schedule 2 has:-



. added to the special allocations in Schedule 2 of the Principal Act the \$60 million additional grants to be paid to New South Wales (\$24.5 million), Victoria (\$15.0 million) and Queensland (\$20.5 million) in lieu of the implementation in 1981-82 of new tax sharing relativities; and

. deducted from the schedule the \$9 million for the Northern Territory. This amount has been included in the fixed grant of \$315.1 million under Clause 4.

Clause 8 Application

Self explanatory.



