

1983-84

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

STATES (TAX SHARING AND HEALTH GRANTS) AMENDMENT BILL 1984

EXPLANATORY MEMORANDUM

(Circulated by Authority of the Treasurer,  
the Hon P.J. Keating, MP)



# EXPLANATORY MEMORANDUM

## STATES (TAX SHARING AND HEALTH GRANTS) AMENDMENT BILL 1984

### GENERAL PURPOSE OF THE BILL

At the May 1981 Premiers' Conference, the Commonwealth announced its intention to transfer certain pathology laboratories which it operated to the States and increased States' tax sharing grants by an amount representing the estimated cost of operating the laboratories. Except for Western Australia, however, the States have not taken over the laboratories.

At the June/July 1983 Premiers' Conference, the Commonwealth indicated its intention to remove the anomaly and it was agreed with the States that an appropriate adjustment would be made to apply from 1 July, 1984. Subsequently, it was agreed that the adjustment should be made by decreasing the amount of the identified health grants to which the affected States are entitled.

This Bill amends the States (Tax Sharing and Health Grants) Act 1981 (the "Principal Act") to give effect to that agreement in relation to payments in the 1984-85 financial year. The amount of the adjustment comprises amounts which were agreed at the June/July 1983 Premiers' Conference as representing the value in 1983-84 of the 1981 increase in payments, increased in accordance with the increase in the Consumer Price Index in 1984-85. The indexation arrangements applied are the same as apply to other amounts adjusted for price increases under the Principal Act.

The arrangements for tax sharing and identified health grants embodied in the Principal Act cease operation on 30 June, 1985. The Principal Act requires that the Commonwealth shall consult with the States to review the provisions of the Act, and it is anticipated that new legislation to give effect to the results of those consultations is unlikely to be enacted until some time after 30 June, 1985. This Bill amends the Principal Act to allow the Treasurer to continue the regular payments to the States until new legislation comes into force. This amendment allows for the payment to each State during the six months from 1 July, 1985 of one-half of the sum of the guaranteed minimum amount of the tax sharing grant and the identified health grant payable to each State in 1984-85.

## NOTES ON CLAUSES

Clause 1 - Short title, etc

Self-explanatory.

Clause 2 - Commencement

Self-explanatory.

Clause 3 - Health grants for 1983-84 and for 1984-85

This clause:

- (a) Amends sub-section 18(2) of the Principal Act by subtracting from the total grant previously payable for 1984-85 under this sub-section, an amount which represents the sum of the amounts to be deducted from the grant payable to each State. The amount to be deducted from each State comprises an amount defined in Schedule 3 of the Bill increased by the proportion that the sum of the index numbers of the All Groups Consumer Price Index for the respective State capital cities for the four quarters to March 1985 bears to the sum of those index numbers for the four quarters to March 1984. This procedure increases the amounts specified in Schedule 3, which are amounts agreed with the States as representing the value in 1983-84 of the amounts to be deducted, in

accordance with a price index. The price index used is the same as applies for the guarantee arrangements relating to tax sharing grants, which are also paid under the Principal Act.

- (b) Amends the Principal Act by adding proposed sub-sections 18(6), 18(7) and 18(8). These sub-sections give meaning to words and expressions used in proposed sub-section 18(2).

Clause 4 - Advance payments to States for 1985-86

This clause amends the Principal Act by providing a mechanism whereby the Treasurer may make payments to a State over the six-month period commencing on 1 July 1985, of amounts not exceeding in total for each State, one-half of the sum of the guaranteed minimum tax sharing amount paid to that State in 1984-85 and the amount of health grants paid to that State in 1984-85. This clause allows the Treasurer to continue the making of regular payments to the States in the period after the existing arrangements for payment embodied in the Principal Act cease.

Clause 5 - Schedule 3

This schedule sets out the amounts agreed by the States as representing the value in 1983-84 of the amount to be deducted under sub-section 18(2) of the Principal Act as amended by this Bill.



