

1980-81

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA  
HOUSE OF REPRESENTATIVES

STATES (TAX SHARING AND HEALTH GRANTS) BILL 1981

EXPLANATORY MEMORANDUM

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



## STATES (TAX SHARING AND HEALTH GRANTS) BILL 1981

### GENERAL OUTLINE AND MAIN PURPOSE OF BILL

The Bill has two main purposes:-

- (a) to provide for the repeal of the States (Personal Income Tax Sharing) Act 1976 and to provide for new tax sharing arrangements for the States to apply from 1 July 1981 to 30 June 1985 and the Northern Territory in 1981/82 only; and
- (b) to provide for identifiable health grants to the States and to the Northern Territory with effect from 1 July 1981 and terminating on 30 June 1985.

### TAX SHARING

The States (Personal Income Tax Sharing) Act 1976 provides for the personal income tax sharing arrangements between the Commonwealth and the States to be reviewed prior to 30 June 1981. At the Premiers' Conference on 4 May 1981 new tax sharing arrangements were announced.

The new tax sharing arrangements are to be based on total tax collections rather than personal income tax collections.

The move to a total tax base involves a transitional year in 1981-82 in which a new starting point is established for purposes of determining the percentage of total tax collections to be provided to the States in 1982-83 and succeeding years to 1984-85.

For 1981-82, the tax sharing grants to the Northern Territory will be calculated from a common tax pool with the States appropriated by this Bill

From 1982-83 onwards, the Northern Territory will not share in that common tax pool but will receive a tax sharing grant calculated independently of the States with reference to the movements in total tax collections and to its population growth. These funds are not appropriated by this Bill.

The basis on which the aggregate tax sharing grant in 1981-82 will be distributed between the States is subject to possible revision in the light of the outcome of the review by the Commonwealth Grants Commission of the relativities between the States.

#### HEALTH GRANTS

The Bill provides for identifiable health grants to the States and the Northern Territory for 1981-82 through to 1984-85. For New South Wales, Victoria, Queensland, Western Australia and the Northern Territory, the identifiable health grants will be in respect of net operating costs of public hospitals, community health and school dental programs. For South Australia and Tasmania, the special health grants will, at least initially, relate only to community health and school dental programs (Funds for the net operating cost of public hospitals in these two States would continue to be provided under the existing cost-sharing arrangements between the two States and the Commonwealth which expire on 30 June 1985). There is provision in the Bill for South Australia and Tasmania to terminate their existing cost-sharing agreements and join the funding arrangements applying to the other States and the Northern Territory

The Bill sets out the method of determining both the total amount of the health grants to all States and the Northern Territory and the distribution of those grants between the States and the Northern Territory in the transitional year 1981-82, and in the years 1982-83, 1983-84 and 1984-85. It also specifies the conditions which will apply to the health grants to New South Wales, Victoria, Queensland, Western Australia and the Northern Territory in respect of the provision of free accommodation and treatment of eligible pensioners, identified disadvantaged persons and their dependants in public hospitals.

#### PART I - PRELIMINARY

##### CLAUSE 1 - SHORT TITLE

Self explanatory.

##### CLAUSE 2 - COMMENCEMENT

Sub-clause (1) provides for the Act to come into operation on 1 July 1981. Sub-clause (2) in conjunction with clauses 23 and 30 would enable South Australia and Tasmania to elect to join the new health arrangements prior to 30 June 1981 if they so wished.

##### CLAUSE 3 - REPEAL

This clause repeals the States (Personal Income Tax Sharing) Act 1976 as amended.

##### CLAUSE 4 - INTERPRETATION

This clause relates to a number of definitional matters.

##### CLAUSE 5 - REGULATIONS MAY AMEND SCHEDULE I

This clause allows for regulations to provide for new classes of taxes collected on or after 1 July 1981 to be added and

classes of taxes no longer collected to be omitted from the list of taxes which make up total Commonwealth taxes for the purposes of the Act.

#### CLAUSE 6 - TAXES COLLECTED BY COMMONWEALTH

This clause provides for:

- . Total Commonwealth taxes net of refunds to be defined in terms of a list of classes of taxes set out in Schedule I
- . The amount of each tax collected to be determined by the relevant authority within 1 month of the end of the financial year, for that amount to be conclusive and for the Treasurer to inform the Premier of each State and the Chief Minister of the Northern Territory (sub-clauses (3), (9), (10))
- . Any "special" Commonwealth surcharges or rebates to be excluded from the amount of the relevant tax collected (sub-clauses (7), (8)).
- . Any State income taxes or rebates collected or allowed by the Commonwealth on behalf of a State not to be taken into account in the determination by the Commissioner of Taxation of the amount of income tax collected (sub-clause (8))

#### CLAUSE 7 - DECLARATION OF SPECIAL SURCHARGES AND SPECIAL REBATES

This clause provides that the Treasurer may by notice published in the Gazette, declare special surcharges or rebates in relation to any of the classes of taxes listed in the definition of total Commonwealth taxes.

## PART II - TAX SHARING GRANTS

## CLAUSE 8 - TAX SHARING GRANTS FOR 1981-82

Sub-clause (1) provides for the basic tax sharing grant for each State and the Northern Territory in 1981-82 to be increased by amounts totalling \$105.1 million as specified in Schedule 2 to the Bill: special allocations of \$27 million were decided at the 4 June Premiers' Conference, a further \$73.1 million is in respect of specific purpose programs that have been terminated and \$5 million is to take account of the population increase in the Northern Territory.

Sub-clauses (2) and (3) provide for the basic tax sharing grant for each State to be calculated by increasing the 1980-81 entitlements for the States and the Northern Territory (\$6,285,494,331) by 9 per cent, deducting the \$27 million special allocations and distributing the amount so derived between the States and the Northern Territory on a weighted population basis. The weights set out at paragraphs (a) and (b) of sub-clause (3) are subject to possible change in the light of the outcome of the review of State relativities by the Commonwealth Grants Commission (see clause 28).

## CLAUSE 9 - TAX SHARING GRANTS FOR 1982-83, 1983-84 AND 1984-85

This clause provides for the tax sharing grant for the six States combined (excluding the Northern Territory) to be calculated by:

- (a) expressing the total tax sharing grant for the six States in 1981-82 as a percentage of total tax collections in 1980-81;
- (b) applying that percentage in 1982-83 and in each subsequent year to the previous year's total Commonwealth tax collections.

The total grant will be distributed between the States on a weighted population basis, the weights being based on the per capita relativities in the States' tax sharing grants in 1981-82

#### CLAUSE 10 - DETERMINATION OF POPULATION OF A STATE

This clause provides for the Statistician to determine the populations of the States and the Northern Territory at 31 December in a year by the following 10 June.

#### CLAUSE 11 - MINIMUM ENTITLEMENTS

This clause entitles each State (and the Northern Territory in 1981-82) to receive in any year at least as much as its tax sharing entitlement in the preceding year.

### PART III - HEALTH GRANTS

#### CLAUSE 12 - TREASURER TO ASSESS STATES' CAPACITY TO RAISE ADDITIONAL REVENUE FROM HEALTH CHARGES

This clause makes provision for the Treasurer to make a determination of the capacity of each State (other than South Australia and Tasmania) and the Northern Territory to raise additional revenue by the imposition of charges - at levels specified in regulations - for health care in public hospitals in 1981-82 and 1982-83. In making a determination, the Treasurer is required to consult the Minister for Health and to take into account the findings of the foreshadowed inquiry by the Grants Commission into the distribution of health grants between the



States and the Northern Territory - see also Clause 19.

(Note: The charges to be specified in regulations are not charges the States are obliged to impose. The States remain free to set their own charges, if any, for public hospitals.)

#### CLAUSE 13 - SUBSTITUTION OF CONSUMER PRICE INDEX NUMBERS

This clause defines the arrangements which will apply if the Australian Statistician revises or otherwise varies the published Consumer Price Index used in the calculation of the health grants.

#### CLAUSE 14 - HEALTH GRANTS TO THE STATES OTHER THAN SOUTH AUSTRALIA AND TASMANIA FOR 1981-82

This clause explains the derivation of the health grants to the States and the Northern Territory (other than South Australia and Tasmania) in 1981-82. The calculation for each State and the Northern Territory involves three steps:

- (i) The determination of a base grant in 1980-81 (sub-clause 3);
- (ii) The incrementation of the 1980-81 base grant by 10 per cent (sub-clause 2); and
- (iii) The subtraction from the outcome of (ii) of 60% of the assessed revenue raising capacity - determined under Clause 12.

The health grant for Queensland determined on this basis is to be increased by a further \$16 million (see sub-clause (2)(b)).

#### CLAUSE 15 - HEALTH GRANTS TO SOUTH AUSTRALIA AND TASMANIA FOR 1981-82

This clause explains the derivation of the health grants to South Australia and Tasmania in 1981-82, in respect of community health programs and school dental programs. Since the grants to

these States do not relate to the operating costs of public hospitals, the calculation involves the escalation of the base grant in 1980-81 by 10 per cent.

**CLAUSE 16 - HEALTH GRANTS TO STATES OTHER THAN SOUTH AUSTRALIA AND TASMANIA FOR 1982-83**

This clause explains the derivation of the total health grant to the States and the Northern Territory (other than South Australia and Tasmania) in 1982-83. The calculation for each specified State and the Northern Territory involves:

- (i) multiplication of the base health grant for 1980-81 - see Clause 14(3) - by the percentage movement in the aggregate Consumer Price Index for the six State Capital Cities between the March quarter 1980 and the March quarter 1982; and
- (ii) subtracting from the amount derived under (i) 100 per cent of the assessed revenue raising capacity of the specified States and the Northern Territory under Clause 12.

**CLAUSE 17 - HEALTH GRANTS TO SOUTH AUSTRALIA AND TASMANIA FOR 1982-83**

This clause explains the derivation of the special health grant to South Australia and Tasmania in 1982-83. Since the grants to these States do not cover net operating costs of public hospitals, the calculation only involves incrementing the special health grant for 1980-81 (Clause 15(3)) by the percentage movement in the aggregate Consumer Price Index for the six State Capitals between the March quarter 1980 and the March quarter 1982.

CLAUSE 18 - HEALTH GRANTS FOR 1983-84 AND FOR 1984-85

Sub-clauses (1) and (2) provide for the total health grant to the States and Northern Territory (other than South Australia and Tasmania) to be escalated in 1983-84 and 1984-85 in the same proportion as the increase in total taxes, as defined, in the appropriate years.

Sub-clauses (3) and (4) make similar provision for escalation of the grants to South Australia and Tasmania.

CLAUSE 19 - DISTRIBUTION OF CERTAIN GRANTS AMONG THE STATES

This clause makes provision to vary the distribution of the total grants between the States (other than South Australia and Tasmania) and the Northern Territory in 1982-83, 1983-84 and 1984-85, having regard to the findings of the Commonwealth Grants Commission Inquiry (referred to under Clause 12) into inter-State relativities for health grants.

CLAUSE 20 - CONDITIONS ATTACHING TO HEALTH GRANTS TO STATES OTHER THAN SOUTH AUSTRALIA OR TASMANIA

This clause sets down the conditions which the States and the Northern Territory (other than South Australia and Tasmania) will be required to meet in respect of free treatment and accommodation in public hospitals for eligible pensioners, identified disadvantaged persons and their dependants who are regarded as public patients for the purpose of this legislation. Sub-clause 3 specifies the arrangements which will apply if a State or the Northern Territory fails to comply with the conditions attached to the health grants.

CLAUSE 21 - DISAGREEMENTS BETWEEN COMMONWEALTH AND STATE  
MINISTERS FOR HEALTH

This clause provides a safeguard against the possibility that Commonwealth and State Ministers for Health may be unable to agree upon the hospital cost-sharing budgets in 1980-81 which are to form part of the base health grants used in determining grants for 1981-82 and later years. In the event of disagreement, the Treasurer would have power to determine the amount of the 1980-81 cost-sharing grant to be used for the purposes of this Bill. This clause will not interfere with a State's right to dispute the actual Commonwealth payment under cost-sharing agreements in 1980-81.

PART IV - MISCELLANEOUS

CLAUSE 22 - AMOUNTS PAYABLE TO SOUTH AUSTRALIA AND TASMANIA ARE  
ADDITIONAL TO ENTITLEMENTS UNDER HEALTH INSURANCE  
ACT 1973

This clause is self explanatory.

CLAUSE 23 - SOUTH AUSTRALIA OR TASMANIA MAY ELECT TO TERMINATE COST-  
SHARING AGREEMENT

This clause provides for regulations to be made varying the Bill in the event that South Australia or Tasmania choose to elect to terminate the cost-sharing arrangements.

CLAUSES 24 TO 27 INCLUSIVE are self explanatory.

CLAUSE 28 - REVIEW OF DISTRIBUTION OF PART II GRANTS

This clause makes provision for amending legislation to be submitted to Parliament in respect of the tax sharing relativities between the States after the recommendations of the Grants Commission have been considered and discussed with the States.

CLAUSE 29 - REVIEW OF THE ACT

This clause provides for the Act to be reviewed before 30 June 1985.

CLAUSE 30 - REGULATIONS

This clause is self explanatory.





