

PUBLIC FINANCE

VICTORIAN BUDGET SUMMARY, 1979-80

Introduction

The Victorian Budget for 1979-80 was presented by the Treasurer in the Legislative Assembly of the Parliament of Victoria on 26 September 1979.

Aspects of the Budget highlighted by the Treasurer were: (1) The current account in balance; (2) increased pay-roll tax exemptions; (3) motor car registration fee concessions for pensioners; (4) reduction and restructuring of motor registration fees; (5) increased exemption from gift duty; (6) increased land tax exemption for the family home; (7) probate exemption for estates passing to grandchildren; (8) employment and training initiatives; (9) strict economy in departmental spending and staffing; (10) increased education allowances and grants to schools; (11) additional support for the non-government school system; (12) improvements in public transport; (13) additional funds for co-operative housing; and (14) six-monthly indexation of State pensions.

The Treasurer emphasised the State Budget's role in supporting the Commonwealth Government's economic policies through taxation decisions and its mix of current and capital spending. Many factors affecting State Government finances are determined outside the direct control of the Victorian Government and the Victorian Parliament; these include decisions of successive Commonwealth Governments about financial relationships within the Federation and substantial increases in wage levels and the impact of these increases on the provision of State Government services. It was important that existing programmes and activities be kept under review in order to achieve maximum economies in departmental operations.

Revenue, 1979-80

Estimated total receipts into the Consolidated Fund in 1979-80 increased by \$387.8m to \$3,931.4m. This included payments to the Trust Fund from the new petrol franchise tax which are taken through the Consolidated Fund for accounting purposes.

As a result of the deficit of \$6.1m in last year's current account, expenditure programmes were undergoing critical examination. Victoria's entitlement under the personal income tax sharing arrangements for 1979-80 was \$1,237.6m. Payment for 1979-80 was again based on two guarantee provisions: (1) Under the new arrangements, a State would not receive less than it would have received if the previous financial assistance grants formula still applied; and (2) the State would not receive less than it received in the previous financial year. However, the former guarantee was due to become inoperative after the end of 1979-80.

The personal income tax changes made by the Commonwealth Government, such as indexation of the tax scales, replacement of tax rebates for dependent children with family allowances, and introduction of the standard rate system, had reduced the rate of growth in the income tax sharing pool below that envisaged when the new arrangements were agreed to. The States therefore asked the Commonwealth to consider the continuation of a guarantee provision along the existing lines and this matter was under examination.

To cover the gap between expenditure and revenue the Victorian Government decided to bring the current account sector into balance by action on the revenue side and decided on a combination of revenue measures and concessions which are outlined below.

With effect from 1 January 1980, the new exemption level for pay-roll tax would be \$84,000, reducing by \$2 for each \$3 increase in total pay-roll above that figure, to a flat exemption of \$37,800 at pay-rolls of \$153,300 and above. The exemption level under the Gift Duty Act was increased by 50 per cent from \$10,000 to \$15,000. This also came into operation on 1 January 1980. A new form of residential exemption was introduced into the Land Tax Act last year. This exemption figure of \$33,000 has now been increased to \$40,000 and became effective 1 January 1980.

There would be complete exemption from Probate Duty for estates passing from a grandparent to a grandchild. The Motor Car Act would be amended to provide for free registration of caravans and trailers owned by incapacitated ex-service personnel, and to exempt widows and widowers from an additional registration transfer fee of a motor car previously owned by the deceased spouse. It was proposed to increase stamp duty on the certificate of registration and transfers of registration of motor vehicles to 4.5 per cent of the value of the vehicle. The surcharge levied on Third Party Motor Vehicle Policies under the Motor Car Act would be increased to \$8 flat.

Statutory Corporation Payments made by the State Electricity Commission and the Gas and Fuel Corporation under the Public Authorities (Contributions) Act would be increased from 4 per cent to 5.5 per cent.

From 1 December 1979, fees payable on licences issued under the Business Franchise (Tobacco) Act would be increased from 10 per cent to 12 per cent. Stamp duty on cheques was also to be increased from 10 cents to 12 cents.

Unclaimed money received by Treasury has historically been paid into the Unclaimed Moneys Fund and if not claimed within six years was then paid into the Consolidated Fund. This money would now be paid into the Consolidated Fund after three months and claims would then be met from the Fund. This would ensure that funds which may never be claimed were usefully employed for the community benefit.

Expenditure, 1979-80

The total works programme of Victorian Government departments, and of the major statutory bodies for 1979-80 was estimated at \$1,457m, an increase of 9.3 per cent over the previous year. Commonwealth payments for capital purposes, excluding grants to Universities, Colleges of Advanced Education, and non-government schools, were reduced and there was a reduction in the dollar amount of Loan Council government programmes available. Funds from the Works and Services Account in 1979-80 included \$2.8m to be paid to municipalities towards the completion of projects approved last year under the special rural employment programmes. To emphasise effective expenditure of public funds the Victorian Government stressed to departments that where a major programme objective or planned progress on a major programme or project could not be achieved due to circumstances beyond its control, the department would be given a credit for the underspending in the following financial year. The semi-government borrowing programme which covers new money borrowing requirements for authorities each borrowing more than \$1.2m, is a vital element of the overall works programme. The 1979-80 semi-government borrowing programme for Victoria was \$496.5m and included special provision for borrowings for the Loy Yang power project and the World Trade Centre.

Education

The provision for expenditure on education (35.2 per cent of total expenditure) for 1979-80 was \$1,384.9m. This was comprised of \$1,231.1m estimated recurrent expenditure (of which \$782.4m was for salaries) and \$153.8m for capital works and services. An amount of \$1,241m was derived from State funds while \$143.9m was derived from Commonwealth funds.

Education allowances were to be increased by 10 per cent on 1 January 1980 and by a further 10 per cent on current levels from 1 July 1980. Grants to schools were to be increased by 30 per cent over a 3 year period for primary and special schools, and by 20

per cent for secondary schools. Additional funds were allocated for extension of work education programmes for handicapped school leavers.

Financial support for children attending non-government schools would be increased over the next five years from 20 per cent to 25 per cent of the cost of educating a child in a government school. During 1979-80, forty-one major school building projects were to be completed, including sixteen costing more than \$1m each.

Police

The allocation to the Victoria Police, excluding the cost of pensions to retired police officers, was \$183.8m. The Victorian Government undertook to continue building up the strength of the Victoria Police towards 9,000 men, as compared to 7,470 men last year. The 1979-80 Budget provided for a gross intake of a further 500 recruits. A modern twin-engined helicopter was to be provided in addition to \$1.9m for radio, photographic, scientific, and computer equipment. The works programme for the Victoria Police in 1979-80 was \$10m. A new Ministry of Police and Emergency Services has been established.

Health

Provision of funds for health services was estimated at \$652m, an increase of \$54m. The largest single item in the health area was \$386.2m for hospital services, including nursing homes and other charitable institutions. Victoria agreed to participate with the Commonwealth and other States in a national inquiry into the efficiency and administration of hospitals. The hospital building programme for 1979-80 included provision for continuation of major works at the Austin, Essendon, Sunshine, and Western General Hospitals. Home help services were now available to all municipalities in Victoria and received a total subsidy of \$8.7m. Subsidies to kindergartens and pre-school centres were increased to \$29.3m, which now also covers portability of both long service and sick leave entitlements of staff transferring from one centre to another.

A new Division of the Health Commission was to be created to take over responsibility for existing mental retardation services. A total of 150 additional staff were to be appointed at the Sunbury Training Centre, the Colanda Training Centre at Colac, the Kingsbury Training Centre, and the Plenty Hospital complex. Integration of the treatment of acute psychiatric illness with other acute medical care would be vastly improved with the opening of Dax House at Geelong Hospital and the planned opening of a new 20 bed psychiatric ward at Mildura Base Hospital. The Victorian Government agreed to provide substantial support towards the Odyssey House programme for the treatment of drug addicts. The Victorian Government was committed to providing up to 75 per cent of operating costs and allocated \$290,000 for this programme in 1979-80.

Community welfare services

Provision for community welfare services was \$122.5m. A total of \$27.1m was provided for the programme of rate concession to pensioners, compared with an expenditure of \$12.3m three years earlier. From 1 July 1980, the maximum rebates allowed would be \$120 on municipal rates and \$120 on water and sewerage rates. Special emphasis was given in the Budget to the Correctional Services Programme and 1980 was to see the completion of the Jika Jika security complex and the new hospital at Pentridge Prison at a total cost of \$9.4m.

Public transport

The estimated level of subsidy to the users of public transport services in 1979-80 amounted to \$227.6m. The Tramways Board was to take delivery of 33 new trams and 60 new diesel powered buses during 1979-80. The Railways had placed a second order totalling \$108.5m for the supply of 50 improved stainless steel air conditioned trains. Duplication of the Macleod-Greensborough section of the Hurstbridge line had been completed and duplication works were proceeding on the Croydon and Bayswater lines. The Victorian Government's promise to provide free travel on urban government public transport for all First World War veterans was implemented in October 1979. An amount of \$1m was allocated to implement the scheme for concessional fares on public transport for unemployed persons seeking employment.

Receipts of licence fees from a new petrol franchise tax introduced in July 1979 were estimated at \$42m in 1979-80 and were to be used for roadworks, for a 50 per cent reduction in motor registration fees for pensioners, and for the reduction and restructuring of motor registration fees from 1 January 1980.

Rural matters

The Treasurer stated that all major rural industries continued to experience favourable market conditions. Production of grains in 1978-79 was a clear record. The Agricultural Department's Livestock Market Reporting Service was to be expanded to report sales of livestock at major regional saleyards and to report sales of livestock made direct to processors. The lending programme of the Rural Finance Commission would be maintained at \$24m with a capacity for review should conditions justify such a course. The Commission would make provision for special lending to the fishing industry, for soil and water conservation programmes, and for salinity control. The Forests Commission was allocated \$32.2m. Forest royalties have been increased by 17.5 per cent.

Water resources

An amount of \$89.5m was provided for water supply and sewerage programmes. An allocation of \$1m was made as the Victorian contribution to complete the Dartmouth Dam, bringing the total expenditure on the project to \$133.6m. Funds available to local water and sewerage authorities from borrowings and from the Works and Services Account were estimated at \$44.4m. The Melbourne and Metropolitan Board of Works had an approved works programme of \$186.6m, which included expenditure on the Thomson River Dam.

Conservation

Provision for the Ministry of Conservation totalled \$30.9m. The Fisheries and Wildlife Division was allocated \$4.6m, the National Parks Service \$5.9m, the Soil Conservation Authority \$4.1m, and the Environment Protection Authority \$6m.

State development, decentralisation, and tourism

Provision for the Department of State Development, Decentralization and Tourism was \$42.7m, of which \$5.9m was provided for capital works and services. An undertaking given by the Victorian Government before the last State election that a minimum of \$26m would be provided for decentralised industry was to be honoured by pay-roll tax, land tax, and transport concessions, together with assistance from the Development Fund. The operations and structure of the Department had been reviewed to remove duplication of activities by the Department and its associated statutory authorities. Funds for the Small Business Development Corporation were to be increased to provide for three additional counsellors in country areas.

Local government

At the June 1979 Premiers' Conference the Commonwealth agreed to increase the share of personal income tax assigned for local government from 1.52 per cent to 1.75 per cent, as a first step in fulfilling the undertaking to increase the share to 2 per cent; a policy which the Victorian Government has strongly supported. The increased share, coupled with the growth of personal income tax collections during 1979, produced an allocation for Victorian municipalities of \$56.4m in 1979-80. Funds were provided for the completion of the work of the Board of Review of the Role, Structure, and Administration of Local Government and for the implementation of the recommendations of the Building and Development Approvals Committee.

Minerals and energy

The allocation for the Department of Minerals and Energy for 1979-80 was \$9.1m. A feasibility study for the conversion of brown coal into oil commenced in April 1979. In a further development, the Treasurer said a consortium was ready to proceed with a \$30m pilot plant to produce solvent refined coal from the La Trobe Valley deposits.

Housing

Commonwealth funds to Victoria for welfare housing in 1979-80 were reduced to \$64.5m and once again Victoria would have to provide matching State funds in order to obtain the full Commonwealth amount. These matching funds were to be provided. A further \$10m of Victorian Government funds would be made available through the State Bank for co-operative housing societies to assist first home buyers to buy new homes.

Youth, sport, and recreation

Funds for the Department of Youth, Sport and Recreation were estimated at \$10.3m. Construction of the State Swimming Centre was due for completion in March 1980. The present Olympic Swimming Pool would be converted to the State Indoor Sports Centre. An amount of \$900,000 was allocated for sports development and \$2.4m would be expended on major sporting and recreation projects in 26 municipalities.

Employment and training

Some of the projects covered under the \$6.7m allocation for Employment and Training were the newly established Victorian Employment Committee, the establishment of the Job Forecasting Bureau, the establishment of the Neighbourhood Employment Development Programme, and the continued operation of the Special Youth Employment Training Scheme. To facilitate the employment of apprentices in the building trades, the Victorian Government would enter into a co-operative arrangement with the Master Builders Association of Victoria for the establishment of a Group Apprenticeship Scheme, the cost of which was to be largely met by the industry.

The arts

The allocation for the Ministry of the Arts was \$51.1m. This total included \$18m from the Works and Services Account for the Victorian Arts Centre. Other major items included \$12m for grants to municipal and regional libraries, \$3.5m for cultural development, and \$1m for the Victorian Film Corporation.

Superannuation

In accordance with its commitment to half yearly indexation of all pensions, the Victorian Government would adopt this principle in respect of the State Superannuation Scheme from June 1980. Other changes to superannuation arrangements would include the introduction of the proposed blue collar scheme.

Consolidated Fund**VICTORIA—CONSOLIDATED FUND: RECEIPTS, BUDGET SUMMARY, 1979-80
(\$'000)**

Head of receipt	1978-79 (Actual)	1979-80 (Estimate)
Current account—		
State taxation	1,169,630	1,333,479
Other State sources	535,328	622,644
Railways operating income	188,817	219,700
Commonwealth Government payments—		
Financial Agreement	4,254	4,254
Personal income tax sharing entitlement	1,090,025	1,237,600
Other Commonwealth Government payments accounted for through the Consolidated Fund	118,247	122,907
Total	3,106,301	3,540,584
Works and services—		
Proceeds of loan raisings	240,142	208,521
Loan repayments	12,236	13,300
Commonwealth Government payments—		
Works grant	120,071	104,260
School building grants	53,885	56,072
Urban public transport grants	10,963	8,664
Total	437,297	390,817
Grand total	3,543,598	3,931,401

VICTORIA—CONSOLIDATED FUND: PAYMENTS, BUDGET SUMMARY, 1979-80
(\$'000)

Function of payments	1978-79 (Actual)	1979-80 (Estimate)
Current account—		
Special appropriations	626,896	745,179
Departmental votes	2,136,836	2,415,905
Railways operating expenses (a)	348,641	379,500
Total	3,112,373	3,540,584
Works and services—		
Appropriation to Works and Services Account	431,225	390,817
Grand total	3,543,598	3,931,401

(a) This item does not include railways debt charges, which are included in the item "special appropriations" as follows: charges on total debt 1978-79 (Actual) \$47,699,000; 1979-80 (Estimate) \$50,645,000; charges on debt since 1960 to 1978-79 (Actual) \$23,541,000; 1979-80 (Estimate) \$27,129,000.

ECONOMIC AND SOCIAL RESPONSIBILITIES OF GOVERNMENTS

General

Governments of developed countries seek to monitor and regulate their country's economy so that such adverse circumstances as recession, price inflation, and unemployment are mitigated if not avoided. At the same time they seek to provide a wide range of services, and to assist with substantial benefits those members of the community whose incomes are insufficient to support an acceptable standard of living or who are otherwise disadvantaged.

To help attain the objective of a reasonably stable level of economic activity, modern governments have recourse to a variety of taxation measures and expenditure programmes operated through budgetary policy. By the use of taxation powers governments are able to release or withdraw purchasing power, and redistribute income from one section of the community to another, while through a rise or fall in their levels of expenditure on current goods and services or capital assets they can exert further control over purchasing power. To reinforce such actions governments also implement monetary policy through the activities of central banking institutions, through changes in currency valuations, and tariff adjustments.

Within the framework of a satisfactory level of economic activity, modern governments customarily provide a wide range of services including, *inter alia*, defence, law and order, education, public health, welfare, and housing. In addition to providing these and other services free, or at nominal costs, they also conduct trading enterprises. These enterprises (or public utilities) produce goods and services at prices usually designed to substantially cover expenses although, in recent years, charges of certain public utilities have tended to fall well below operating costs. This development has implications for income distribution and affects taxpayers as a whole in providing finance to cover deficits. Services provided by public utilities are ordinarily those considered to be of an essential nature such as provision of electricity and gas, transport, water supply, and sewerage, which experience has shown can best be provided by government agencies.

Victorian governmental financial activity

In Victoria, governmental financial activity is carried out through:

- (1) State authorities comprising (i) the central government of the State and (ii) statutory bodies created by or under State legislation to carry out activities on behalf of the central government, and incorporated organisations in which the State Government has a controlling interest; and
- (2) local governing bodies set up under the Local Government Act to carry out certain functions in municipal areas. Included with these bodies are authorities and undertakings created or acquired by local governing bodies.

The financial transactions of the central government are itemised in the State Consolidated Fund or in Trust Funds so that a satisfactory coverage of its transactions can be obtained from a detailed analysis of the accounts published in the annual budget

papers, the Treasurer's Statement, and the report of the Auditor-General. The statutory bodies and other publicly owned or controlled organisations maintain accounts entirely or largely separate from the public accounts, although there are some transactions between them and the central government which affect the public accounts (e.g., interest payments and statutory contributions). Either the accounting reports of this group of organisations have to be analysed fully in order to present a complete statement of their transactions, or methods of analysis have to be adopted so that their transactions will be covered in principle. In tables which follow in this section all expenditure by the central government on certain institutions whether direct (e.g., a new building charged to the Works and Services Account) or indirectly by way of current or capital grants to the bodies administering them, has been treated as final expenditure on goods and services by State authorities; fees and gifts by persons to these institutions are not included nor is the expenditure of the institutions from their own resources. Universities and public hospitals are examples of organisations for which this practice has been adopted.

Many State authorities have been granted a degree of financial autonomy by legislation and are vested with independent borrowing powers. A number of these are included in the category of public trading enterprises (or public utilities) who, for services provided, make charges designed to cover operating costs. Usually, they have been created to control a specific activity or provide specific services including, *inter alia*, transport services, provision of water supply and sewerage services, electricity and gas, and harbour facilities. Details of the activities of the individual public utilities engaged in these fields can be found in other relevant chapters of the *Victorian Year Book*.

The system of local governing bodies (or municipal councils) is based on the principle of a grant of specified powers to them by the central government. Their autonomy, however, is limited in some degree by the provision for general supervision by a department of the central government, namely, the Local Government Department. Otherwise, within the scope of the Local Government Act and other Acts which they administer, municipal councils are responsible only to the ratepayers. Particulars of their receipts and outlay are based upon the detailed analysis of the accounts of councils.

The tables which follow comprise a set of economic accounts for the public sector of Victoria which complement and underlie the tables for the public sector provided in the *Australian National Accounts—National Income and Expenditure* (5204.0) published by the Australian Bureau of Statistics, Canberra, and in the annual Budget paper *National Income and Expenditure*.

These tables are intended to:

- (1) Consolidate the transactions of the various public authorities in the State and present them so that their economic impact can be assessed; and
- (2) show the overall purposes being served by State and local government expenditure programmes.

A substantial proportion of governmental financial transactions consists of transfers between funds and between authorities. Such transfers have been identified where possible and cancelled out so that duplication is avoided.

Public financial enterprises (government savings banks, insurance offices, etc.) have been omitted from the following tables mainly to centre attention on the activities of general government and public trading enterprises. Further comment on this treatment may be found in the annual publication *State and Local Government Finance, Australia* (5504.0) issued by the Central Office of the Australian Bureau of Statistics.

VICTORIA—STATE AND LOCAL AUTHORITIES: RECEIPTS AND OUTLAY
(\$ m)

Item	1973-74	1974-75	1975-76	1976-77	1977-78
OUTLAY					
Final consumption expenditure	r1,071.1	r1,490.7	r2,004.7	r2,367.0	2,699.6
Gross capital formation—					
Increase in stocks	1.7	15.4	4.5	r8.8	4.5
Expenditure on new fixed assets	727.0	1,072.3	r1,260.4	r1,417.0	1,602.4
Expenditure on existing assets (net)	r72.9	r116.1	r93.1	r83.2	70.2
Total gross capital formation	r801.7	r1,203.8	r1,358.1	r1,509.0	1,677.0

VICTORIA—STATE AND LOCAL AUTHORITIES: RECEIPTS AND OUTLAY—*continued*
(\$ m)

Item	1973-74	1974-75	1975-76	1976-77	1977-78
Transfer payments—					
Interest	313.1	350.8	r404.2	r483.6	569.6
Transfers to persons	46.2	54.8	r63.0	r66.5	66.8
Subsidies	5.7	8.1	12.2	18.2	21.4
Transfers overseas	—	0.1	0.1	0.1	0.1
Grants for private capital purposes	8.7	14.8	18.6	r14.5	19.9
Total transfer payments	373.7	428.5	r498.2	r582.7	677.7
Net advances—					
To the private sector	15.1	65.2	87.2	r103.3	89.6
To public financial enterprises	5.0	5.0	5.8	4.9	5.1
Total net advances	20.1	70.2	93.0	r108.2	94.7
Total outlay	r2,266.5	r3,193.2	r3,953.9	r4,566.9	5,149.0
Total outlay—					
Current outlay	r1,436.1	r1,904.4	r2,484.2	r2,935.3	3,357.4
Capital outlay	r830.5	r1,288.8	r1,469.7	r1,631.6	1,791.6
RECEIPTS AND FINANCING ITEMS					
Receipts—					
Taxes, fees, fines, etc.	841.4	1,072.8	r1,310.6	r1,497.0	1,654.6
Income from public enterprises	107.1	91.1	118.9	170.3	190.2
Property income—					
Interest	45.2	54.5	59.7	r77.3	90.4
Land rent, royalties	35.0	40.4	46.8	53.5	69.3
Total property income	80.2	95.0	106.5	r130.8	159.7
Grants from the Commonwealth Government—					
For current purposes	r621.7	919.9	1,374.5	1,514.9	1,769.7
For capital purposes	203.4	349.7	387.0	373.4	360.8
Total receipts	r1,853.9	r2,528.4	r3,297.5	r3,686.4	4,135.0
Financing items—					
Net borrowing—					
Local authority and public corporation securities	173.4	208.8	r295.8	r371.6	475.9
Other general government securities	0.1	1.6	2.7	2.0	4.2
Advances from the Commonwealth Government (net)—					
For loan works purposes	115.1	148.4	181.2	189.5	198.0
Other	69.3	158.3	174.0	138.1	116.3
Net receipts of private trust funds	50.8	r111.4	r-78.9	r80.8	28.1
Reduction in cash and bank balances	-33.6	-92.6	-131.2	r-22.9	227.9
Reduction in security holdings	r-58.9	r-30.7	r43.1	r-58.7	-290.6
Other funds available (including errors and omissions)—					
Depreciation allowances	74.9	79.2	89.7	r100.8	127.8
Other	r21.5	r80.3	r79.9	r79.3	126.4
Total financing items	r412.7	r664.7	r656.4	r880.5	1,014.0
Total funds available	r2,266.5	r3,193.2	r3,953.9	r4,566.9	5,149.0

VICTORIA—STATE AND LOCAL AUTHORITIES: EXPENDITURE
(\$ m)

Purpose	1973-74	1974-75	1975-76	1976-77	1977-78
FINAL CONSUMPTION EXPENDITURE CLASSIFIED BY PURPOSE					
General public services—					
Law, order, and public safety	88.4	r122.5	r148.1	r173.5	201.5
General administration, n.e.c.	r79.6	r105.2	r142.0	r154.1	169.3
Education	r537.7	r766.1	r946.3	r1,153.1	1,330.6
Health	209.0	283.4	r498.1	r575.2	636.7
Social security and welfare	22.0	31.7	41.7	r51.5	63.7

VICTORIA—STATE AND LOCAL AUTHORITIES: EXPENDITURE—*continued*
(\$ m)

Purpose	1973-74	1974-75	1975-76	1976-77	1977-78
Housing and community amenities—					
Housing	0.5	0.6	0.7	1.2	1.5
Community and regional development	r5.4	r9.3	r12.5	r14.3	16.5
Protection of the environment	r10.9	r16.1	r19.2	r23.0	27.0
Recreation and culture	35.5	r50.9	62.5	r74.6	89.3
Economic services—					
Agriculture, forestry, and fishing	39.2	48.0	59.8	r66.4	73.0
Mining, manufacturing, and construction	5.6	7.4	r9.2	r11.1	11.5
Water supply	-2.3	-1.1	0.5	-1.9	-1.4
Rail transport	0.3	0.3	0.4	—	0.5
Road systems and regulation	14.0	r15.0	r18.5	r21.7	26.7
Other transport services, n.e.c.	0.1	r0.3	r1.7	r1.6	1.6
Other economic services (including general administration)	r25.1	r34.5	r43.0	r47.0	50.9
Other purposes	r0.3	r0.3	r0.3	r0.8	0.7
Total	r1,071.1	r1,490.7	r2,004.7	r2,367.0	2,699.6

EXPENDITURE ON NEW FIXED ASSETS CLASSIFIED BY PURPOSE

General public services—					
Law, order, and public safety	8.4	9.1	14.1	21.7	28.9
General administration, n.e.c.	20.3	42.9	r61.9	r67.0	83.6
Education	100.5	170.9	170.1	r158.6	157.6
Health	30.2	48.7	73.6	80.8	72.1
Social security and welfare	1.3	1.2	2.0	r2.7	1.8
Housing and community amenities—					
Housing	19.3	57.8	r29.0	r31.7	39.0
Community and regional development	0.5	1.9	r8.3	r7.4	1.5
Protection of the environment (including sewerage and drainage)	95.7	124.4	138.1	r129.2	131.0
Recreation and culture	9.9	16.1	32.1	r33.1	41.7
Economic services—					
Agriculture, forestry, and fishing	26.8	40.0	50.2	r57.4	58.6
Mining, manufacturing, and construction	13.0	7.3	12.9	r26.6	25.0
Electricity and gas	95.4	131.2	181.8	r231.5	312.2
Water supply	50.4	64.0	r75.5	r102.7	127.5
Rail transport	34.9	56.8	72.4	r90.3	102.0
Sea transport	16.1	19.9	20.2	18.6	20.8
Road systems and regulation	197.5	265.2	r293.7	r329.1	364.3
Other transport services, n.e.c.	1.1	6.1	r11.6	9.7	14.2
Other economic services (including general administration)	r5.8	8.9	r13.0	r18.5	20.5
Other purposes	—	—	—	r0.5	0.1
Total	727.0	1,072.3	r1,260.4	r1,417.0	1,602.4

Further reference: Commonwealth-State financial relations under the Commonwealth Constitution, *Victorian Year Book 1977*, pp. 555-9

COMMONWEALTH GOVERNMENT PAYMENTS TO VICTORIA

General

The fiscal superiority of the Commonwealth Government is supported by present day acceptance of the role of national governments as agents of economic control and providers of social services on a large scale. In order to carry out these functions the central government requires a substantial measure of control over major types of taxation revenue and the level of public investment.

However, the lack of balance between the spending functions and the sources of revenue (mainly taxation) available to the Commonwealth and State Governments, respectively, has led to a system of grants from the Commonwealth Government to the States including more recently, grants made to the States for passing on to local government authorities and to direct payments by the Commonwealth Government to individual local authorities within each State. Grants may be either unconditional or earmarked for specific purposes such as roads or universities. Important examples of the former are financial assistance grants and from 1976-77 personal income tax sharing entitlements payable under the

uniform tax system, and special grants payable under the provisions of section 96 of the Constitution which provide assistance to those States experiencing difficulty in raising revenue and providing services on a comparable level with other States. At the end of 1978-79, the only claimant State for special grants under section 96 was Queensland.

The history and particulars of Commonwealth Government payments to States and local government authorities are comprehensively covered in the publication *Payments to or for the States, the Northern Territory, and Local Government Authorities* issued annually with the Commonwealth Government Budget. A summary of the principal Commonwealth Government payments to Victoria (other than Loan Council borrowing programmes, and direct payments to local government and non-government bodies) is given below. These payments include grants paid to the States for transmission to local government. More information on such payments is given in Chapter 6 of this *Year Book*.

Financial Agreements

Under the terms of the Financial Agreement of 1927 the Commonwealth Government undertook to share debt charges with the States. In 1929, the Commonwealth Government assumed responsibility for the payment of interest on debt, on the understanding that the States would reimburse these payments less a sum of \$15.2m which the Commonwealth Government agreed to contribute annually for a period of 58 years from 1 July 1927. Victoria's share of this is \$4.3m. The Financial Agreement also provided for the creation of sinking funds for the extinction of debt existing at 30 June 1927 or incurred subsequently. Contributions to these sinking funds are made jointly by the Commonwealth and State Governments on bases laid down. During 1975-76, amendments to the Financial Agreement provided for new sinking fund arrangements for State debt. The amendments had retrospective effect to 30 June 1975 and also gave effect to the transfer of \$1,000m of State debt to the Commonwealth from 30 June 1975. In 1977-78, the sinking fund contribution made by the Commonwealth Government on account of debt incurred by Victoria was \$8.5m.

Nature of payment

Financial assistance grants

When the Commonwealth Government took over the States' income taxing powers during the Second World War in order to meet its war-time obligations, it became the sole authority for levying taxes on income. In return for vacating this field of taxation the States received an annual payment from the Commonwealth Government as reimbursement for the loss of income tax revenue. Over the years a number of challenges to the validity of the income tax legislation have been made. These are discussed on pages 546-7 of the *Victorian Year Book* 1975 and in earlier editions. Previous *Year Books* have also covered the arrangements for tax reimbursement grants (or financial assistance grants as they became known after 1958-59) by the Commonwealth Government.

Personal income tax sharing with the States

A formula system was used to make annual determinations of financial assistance grants up to the end of 1975-76. Commencing with the year 1976-77, financial assistance grants were replaced by arrangements under which State Governments became entitled to a specified share of Commonwealth net personal income tax collection. For tax sharing arrangements with local government see Chapter 6 of this *Year Book*.

The arrangements for tax sharing with the States have been introduced in two stages. Stage 1 of these arrangements commenced in 1976-77. The Commonwealth continued to be the sole government imposing taxes on incomes and the States were entitled to receive 33.6 per cent of net personal income tax collected for the year excluding the effects of any special tax levies or rebates. This proportion of 33.6 per cent was to apply in subsequent years and was determined by reference to the relationship between actual financial assistance grants in 1975-76 and an estimate of personal income tax collections in the same year. The States' entitlements are subject to the guarantee that their entitlement in any year is not less in absolute terms, than in the previous year and that, in the years 1976-77 to 1979-80, their entitlements will not be less in a year than the amount which

would have been yielded in that year by the financial assistance grant formula as laid down in the *State Grants Act 1973*. The relative shares of the States are determined on a weighted population basis. The weights are based on the per capita relativities in the States' financial assistance grants in 1975-76.

Stage 2 of the arrangements came into effect in 1977-78. Each State became entitled to legislate to impose a surcharge on personal income tax in the State, or to give (at cost to the State) a rebate on personal income tax. Assessment provisions and the basic income tax rate structure were to remain uniform throughout Australia. There would continue to be one income tax collection form and the Commonwealth was to remain the sole collection agency.

Because of the uncertainty associated with the use of the current year's tax collections as the base of the tax sharing scheme, it was agreed at the July 1977 Premiers' Conference to adopt the preceding year's net personal income tax collection as the base in future. Following a report by Commonwealth and State officers, the October 1977 Premiers' Conference agreed to using 39.87 per cent, and not 33.6 per cent, as the appropriate percentage to calculate the States' entitlements.

For 1978-79, all States' personal income tax sharing entitlement except Queensland's fell short of that which would have applied if calculated under the financial assistance grants formula. Therefore, the guarantee provisions came into effect and the States' entitlement amounted to \$4,778.7m.

In 1979-80, the guarantee provision will again come into effect and it is estimated that the States' entitlement will be \$5,419.6m.

**VICTORIA—COMMONWEALTH GOVERNMENT PAYMENTS TO OR FOR
THE STATE AND LOCAL GOVERNMENT AUTHORITIES (a)
(\$'000)**

Nature of payment	1974-75	1975-76	1976-77	1977-78	1978-79
General revenue assistance (b)	562,266	706,389	841,700	984,690	1,090,025
Financial Agreement—					
Interest on State debt	4,254	4,254	4,254	4,254	4,254
Sinking fund on State debt (c)	7,525	7,500	8,003	8,540	9,098
Debt charges assistance	13,914	—	—	—	—
Capital assistance grants	87,370	108,871	114,354	120,071	120,071
Research grants	1,821	1,553	3,014	2,470	2,856
Government schools—					
Capital grants	r50,368	38,279	r37,657	40,882	36,313
Recurrent grants	35,859	51,855	69,450	71,107	71,856
Non-government schools—					
Capital grants	8,071	10,779	7,259	10,301	12,668
Recurrent grants	r31,798	42,175	58,590	59,674	73,130
Schools—joint programmes	4,669	6,551	7,040	7,560	7,088
Technical and further education	13,379	17,029	23,199	23,891	33,101
Colleges of advanced education } Teachers colleges }	118,571	145,620	161,931	160,490	169,568
Universities	117,128	120,233	145,222	164,650	169,709
Pre-schools and child care	9,297	12,797	16,882	18,203	11,815
Child migrant education	5,191	4,502	51	41	609
Hospitals—capital development	7,330	27,280	27,000	11,800	—
Public hospital running costs	..	229,570	149,903	228,557	252,575
Community health	4,976	10,863	15,015	17,669	12,473
School dental scheme	4,097	3,395	3,602	3,861	3,352
Blood transfusion service	642	1,084	1,356	1,889	2,732
Dwellings for aged pensioners	1,343	2,827	3,419	2,530	3,388
Senior citizens centres	201	1,514	1,864	1,944	958
Home care services	441	2,178	2,018	2,520	3,450
Aboriginal advancement	2,130	1,358	1,936	1,809	1,568
Housing assistance grants	1,679	1,679	1,347	1,347	1,347
Employment grants	11,200	8,200	—	—	—
Regional Employment Development Scheme	4,292	5,404	—	—	—
Apprenticeship training	227	852	2,804	2,123	1,062
Area improvement programme	4,608	4,896	28	—	—
Sewerage	10,634	10,784	5,794	100	—
Land acquisition	993	3,417	—	—	—

VICTORIA—COMMONWEALTH GOVERNMENT PAYMENTS TO OR FOR
THE STATE AND LOCAL GOVERNMENT AUTHORITIES (a)—continued
(\$'000)

Nature of payment	1974-75	1975-76	1976-77	1977-78	1978-79
National estate	1,471	550	591	370	415
Leisure, recreation, and cultural facilities	839	r1,677	1,089	492	134
Agricultural extension services	1,877	2,022	2,291	2,341	2,307
Bovine brucellosis and T.B. eradication	2,064	2,459	4,938	5,858	6,980
Dairy adjustment programme	1,172	2,388	643	241	—
Rural reconstruction	1,658	1,675	950	6	—
Roads	74,710	89,080	91,100	98,900	105,771
Urban public transport	18,867	9,332	15,885	9,830	12,000
Transport planning and research	1,241	3,106	2,193	2,411	1,714
Water resources	850	891	1,136	1,136	1,136
Local government general purpose grants	14,630	20,242	35,398	42,078	45,666
Natural disaster relief	9,338	5,972	1,992	621	812
Other payments	r3,089	r3,053	r4,417	3,805	4,564
Total	1,258,080	r1,736,135	1,877,316	2,121,061	2,276,566

(a) Excludes subsidies and bounties to primary producers, payments from National Welfare Fund, and repayable loans. Includes on-passing grants but not direct payments to local government authorities and non-government bodies.

(b) Financial assistance grants and special revenue assistance up to 1975-76; personal income tax sharing entitlements from 1976-77.

(c) Paid to National Debt Sinking Fund.

Further reference: New Federalism Policy, Victorian Year Book 1979, pp. 453-6

Capital assistance grants

From 1970-71, the Commonwealth Government has made interest free capital grants to support that part of the States' Loan Council programmes from which debt charges are not normally recoverable (e.g., schools, police buildings, etc.). These grants are distributed between the States in proportion to their respective borrowing programmes and have risen from 24.3 per cent of each State's total Loan Council programme in 1970-71 to 33.3 per cent in 1977-78 and 1978-79. In 1978-79, they amounted to \$477.9m of which Victoria received \$120.1m.

Research grants

Since 1965-66, the Commonwealth Government has made grants to the States for research projects on the recommendation of the Australian Research Grants Committee. From 1976-77 onwards, the previous fixed triennial funding arrangements were replaced by a three-year rolling programme. Grants for research projects in 1978-79 amounted to \$11.7m of which Victoria received \$2.9m.

Education

In recent years, a number of changes have been made to the arrangements for payments to the States in the four broad areas of education: universities, colleges of advanced education, technical and further education, and schools. In 1977, a three-year rolling programme was adopted. From 1979, however, fixed triennial funding arrangements have been adopted in respect of recurrent grants (other than equipment grants) for universities and colleges of advanced education, to facilitate forward planning in these areas. Equipment and capital grants will be determined annually. Rolling programme arrangements are to be maintained for payments to the States for schools. Cost supplementation arrangements for 1980 will continue to be confined to the wages and salaries component of recurrent programmes.

Tertiary education

Programmes of assistance to the States are administered by the Tertiary Education Commission which was established in 1977 as a replacement for the three former commissions: the Universities Commission, the Commission on Advanced Education, and the Technical and Further Education Commission. In 1980, recurrent funds are to be maintained at approximately the same real level as in 1979, reflecting a projected stable level of enrolments. Capital and equipment funds are to be reduced by 15.5 per cent in real terms in 1980. For the technical and further education sector, there is to be an overall increase of 10.7 per cent in assistance in 1980.

For 1981, recurrent grants (other than equipment grants) for universities and colleges of advanced education again have been set at the same overall level in real terms as those approved for 1980. For technical and further education, the base programme for 1981 is to be determined in the light of the Commonwealth Government's consideration of the report of the Williams Committee of Inquiry into Education and Training.

Assistance to the States for the recurrent expenditures of universities dates from 1951-52; in 1957-58 assistance was first given for expenditure on capital programmes. In 1973-74, the Commonwealth Government assumed full financial responsibility in this area. Total grants for universities in 1978-79 were \$645.7m of which Victoria received \$169.7m (\$158.9m for recurrent expenditure and \$10.8m for capital expenditure).

The Commonwealth Government has made grants to the States for colleges of advanced education since 1965-66, for teachers colleges since 1967-68, and for pre-school teachers colleges since 1968-69. In 1978-79, the total grants made to the States for these institutions amounted to \$481.7m of which Victoria received \$169.6m (\$146.5m for recurrent expenditure and \$23.1m for capital expenditure).

Grants towards capital expenditure for technical and further education have been made by the Commonwealth Government since 1964-65 and towards recurrent expenditure since 1973-74. In 1978-79, grants to the States amounted to \$116.7m of which Victoria received \$33.1m (\$13.5m for recurrent expenditure and \$19.6m for capital expenditure).

Grants for schools

The Commonwealth Government has been providing assistance for secondary schools since 1964-65. The range of assistance has been progressively extended and by 1975-76 the Commonwealth Government was providing grants for both government and non-government schools in a number of categories. The three-year rolling programme arrangements have applied to assistance for schools in the States since 1977. For 1981 and 1982, rolling programme planning guidelines allow for maintenance of the same level of funds in real terms as those allocated for the 1980 base programme. In 1978-79, grants to the States for schools amounted to \$670.4m of which Victoria received \$201.1m (\$152.1m for recurrent expenditure and \$49m for capital expenditure).

Health Insurance Programme

The States entered into agreements in 1975 with the Commonwealth Government for the provision of free standard ward public hospital treatment without means test and free public hospital outpatient services. There were agreed arrangements in respect of charges in wards other than standard wards. In essence, the agreements provided that the Commonwealth Government met 50 per cent of the net recurrent costs of hospitals referred to as "recognised" hospitals in the agreements. When these agreements were found to be invalid new cost-sharing agreements were negotiated and became effective on 1 October 1976. The main change from the previous arrangements was that the Commonwealth Government was now to meet 50 per cent of budgets as approved by the Commonwealth and the State Health Ministers. Agreements with Victoria end on 30 June 1980. In 1978-79, the States received \$1,030.2m of which Victoria's share was \$252.6m.

Pre-school and child care

From 1972-73, grants for services for children were made by the Commonwealth Government direct to local government authorities and non-profit organisations. Payments to the States commenced in 1973-74 under a broader scheme of assistance providing capital and recurrent assistance for pre-school child care projects including home care, vacation and after school care projects, and various other community initiated projects. In 1977-78, assistance to the States for recurrent costs of pre-school services was provided in the form of a block grant. From 1978-79, the block grants have represented the total Commonwealth contribution to the States towards capital and recurrent costs of pre-schools. The grants in 1978-79 amounted to \$42m of which Victoria received \$11.8m (\$11.5m for recurrent expenditure and \$0.3m for capital expenditure).

Grants to community health facilities and services

Under the Community Health Programme which commenced in 1973-74, the Commonwealth Government provides grants to the States and other eligible organisations.

Since 1 July 1978, the Commonwealth Government has met 50 per cent of recurrent and capital costs of approved projects instead of the 75 per cent provided in 1977-78. Funds allocated through the States for recurrent costs of women's refuges will, however, continue at the rate of up to 75 per cent. In addition to the abovementioned arrangements, the Commonwealth Government meets the full cost of those community health projects which have an Australia-wide application. New grants for community facilities and services for mental health, alcoholism, and drug dependency under this programme commenced in 1973-74. In 1978-79, \$47.7m was paid to the States under the Community Health Programme of which Victoria received \$12.5m (\$10.5m for recurrent expenditure and \$2m for capital expenditure).

School Dental Scheme

In 1973, the Commonwealth Government initiated an Australia-wide School Dental Scheme for all primary school children to be administered by the States. Until 1975-76, the Commonwealth Government met the full capital and operating costs of training facilities for dental therapists, as well as the full capital costs and 75 per cent of operating costs of school dental clinics. These arrangements have been revised since then and from 1978-79 the Commonwealth Government has met 50 per cent of the operating costs of training facilities and clinics and 50 per cent of the capital costs of new facilities. In 1978-79, grants for the School Dental Scheme amounted to \$18m of which Victoria received \$3.4m.

Home care services

Under the *States Grants (Home Care) Act 1969* the Commonwealth Government shares with participating States the cost of approved housekeeping or other domestic assistance provided wholly or mainly for aged persons in their own homes. Grants provided in 1978-79 totalled \$8.6m of which Victoria received \$3.5m.

Pensioner housing

Since 1969-70, the Commonwealth Government has provided grants to the States to assist with the provision of self-contained accommodation at reasonable rentals for certain categories of single aged and service pensioners who have little or no means of support apart from their pensions. This scheme is being continued under the *Housing Assistance Act 1978*, but with wider eligibility criteria and under conditions giving the States greater freedom in the way the funds can be allocated. Married as well as single pensioners will be assisted. In 1978-79, grants amounted to \$14m of which Victoria received \$3.4m.

Apprenticeship training

Since 1971-72, the Commonwealth Government and the States have collaborated in several schemes to improve and extend apprenticeship training. In 1978-79, the Commonwealth Government provided \$4.2m to meet costs incurred by the States in employing apprentices surplus to requirements. Of this amount Victoria received \$1.1m.

Commonwealth extension services grant

Grants are made to the States to promote improved practices in the dairy industry and for development (in the States) of agricultural advisory services generally. Grants are also made available under this programme for soil conservation extension and research programmes. Grants in 1978-79 amounted to \$9.7m of which Victoria received \$2.3m.

Grants for roads

The Commonwealth Government assistance for expenditure on roads has taken two main forms — general assistance, and assistance for specific road projects. Payments of the latter kind were included in the general programme of roads assistance introduced in 1974-75. An amount of \$508m was made available to the States in 1978-79, an increase of 7 per cent over 1977-78, and Victoria's share of this was \$105.8m. Legislation also sets down annual quotas of expenditure which are to be met from State sources. In 1978-79, these quotas amounted to \$447.9m of which Victoria's quota was \$132.2m.

Urban public transport grants

Under an agreement concluded with the States in 1974, the Commonwealth Government met two-thirds of the cost of approved urban public transport projects, including railways. Between 1978-79 and 1982-83, assistance totalling \$300m will be provided under the *States Grants (Urban Public Transport) Act 1978*. The Act initially provided \$60m a year to the States (\$40m allocated in fixed guaranteed amounts and \$20m allocated annually on the basis of needs and priorities). For 1978-79 and 1979-80, the Commonwealth Government has limited payments to the guaranteed amounts. In 1978-79, \$41.9m was paid to the States of which Victoria received \$12m.

Advances to the States

In addition to grants to the States and direct payments to local government authorities, the Commonwealth Government also makes advances to the States for various purposes. Particulars of these advances to Victoria, other than Loan Council borrowings, for the years 1974-75 to 1978-79 are shown in the following table:

VICTORIA—ADVANCES FROM THE COMMONWEALTH GOVERNMENT (a)
(\$'000)

Nature of advance	1974-75	1975-76	1976-77	1977-78	1978-79
Housing for servicemen	4,192	6,082	4,191	753	948
Housing	98,159	98,159	98,159	101,759	82,451
Growth centres	24,504	22,277	15,793	9,075	7,391
Land acquisition	8,010	12,222	4,926	5,340	3,201
Sewerage	28,196	24,780	11,970	—	—
Dairy adjustment programme	4,371	7,677	3,565	363	—
Rural adjustment scheme	—	—	2,958	9,733	8,712
Rural reconstruction	4,976	5,025	2,850	18	—
Dartmouth Dam	2,500	2,800	1,875	—	—
Other	1,358	4,048	2,923	1,364	814
Total	176,266	183,070	149,210	128,404	103,517

(a) Excluding Loan Council borrowings.

CONSOLIDATED FUND

Prior to 1970-71, Victoria's financial transactions were carried out through the Consolidated Revenue Fund, the Loan Fund, and the Trust Fund.

From 1 July 1970, legislation abolished the Consolidated Revenue Fund and Loan Fund and in lieu established the Consolidated Fund which was designed to show in a single statement the receipts and disbursements of all money, both revenue and loan, coming within the scope of the Budget (see *Victorian Year Book 1976*, pages 514 and 530).

The legislation also provided for the establishment of a new trust fund, the Works and Services Account, to be financed by appropriations from the Consolidated Fund. These appropriations were to be determined by the surplus of receipts available from time to time in the Consolidated Fund. Money to the credit of the Account was available to be expended on various works and services as approved by the Victorian Parliament.

Details of the principal sources of receipts are shown in the following table for each of the years 1973-74 to 1977-78:

VICTORIA—CONSOLIDATED FUND: RECEIPTS
(\$'000)

Source of receipts	1973-74	1974-75	1975-76	1976-77	1977-78
Taxation (a)	547,227	707,356	888,053	1,025,288	1,112,951
Recoveries of debt charges—					
Interest	r53,356	r65,165	76,779	89,340	101,633
Redemption and repayment of advances	6,666	r7,703	9,343	11,774	14,328
Other	3,416	3,958	4,076	4,208	4,588
Railways—					
Ordinary income	112,258	126,557	142,571	156,920	166,603
Other	1,955	r2,446	4,372	6,990	13,954

VICTORIA—CONSOLIDATED FUND: RECEIPTS—*continued*
(\$'000)

Source of receipts	1973-74	1974-75	1975-76	1976-77	1977-78
Forestry—					
Royalties	7,556	9,850	11,994	15,024	14,795
Other	r1,218	1,713	1,696	1,237	1,003
Lands, survey, and mining—					
Royalties	34,691	38,812	43,333	47,560	70,390
Other	4,378	5,031	6,140	r7,377	8,706
Ports and harbours	4,834	5,551	5,975	6,991	7,241
Water supply, sewerage, irrigation, and drainage	18,781	22,708	27,221	33,026	36,884
Fees and charges, n.e.i.	47,481	59,751	69,483	82,520	93,756
Fines	8,623	10,314	12,577	15,252	16,342
Miscellaneous	29,642	r43,621	r53,391	69,612	83,363
Commonwealth Government recurrent payments—					
Financial Agreement Act	4,254	4,254	4,254	4,254	4,254
Financial assistance (b)	437,604	548,405	706,389	841,700	984,690
Special revenue assistance	6,020	13,861	—	—	—
Debt charges assistance	11,131	13,914	—	—	—
Education grants (c)	10,112	39,069	57,967	72,107	80,778
Departmental charges — social welfare and health benefits (c)	r5,362	r6,856	r9,724	r6,703	9,655
Tuberculosis arrangement	2,570	4,865	4,205	2,647	2,287
Pre-school child education and care (c)	1,296	5,577	10,150	13,119	13,225
School dental programme (c)	..	1,606	1,365	1,897	2,373
Deserted wives — social welfare	..	..	..	2,824	4,517
Other (c)	r893	r2,344	r4,570	r9,492	10,353
Commonwealth Government capital payments—					
Works grant	70,789	87,370	108,871	114,354	120,071
Education grants (c)	8,552	49,524	45,075	45,612	52,939
Sewerage Agreement (c)	9,300	34,236	30,809	13,100	—
Urban public transport (c)	..	..	..	11,331	7,050
Other (c)	r2,150	2,270	4,693	4,070	3,579
Loan raisings	149,738	184,809	217,744	228,706	240,142
Loan repayments, n.e.i.	9,063	4,915	5,381	10,580	12,432
Total	1,610,923	2,114,416	2,568,197	2,955,620	3,294,891

(a) For details of total taxation collections see page 456.

(b) From 1976-77, personal income tax sharing entitlements.

(c) There are also other receipts credited to Trust Funds. See pages 454-6.

The principal payments for each of the years 1973-74 to 1977-78 are shown in the following table. The table generally conforms to the purpose classification of government expenditure described in the publications *Commonwealth Government Finance Australia, 1978-79* (5502.0) and *State and Local Government Finance, Australia 1978-79*, (5504.0) issued by the Central Office of the Australian Bureau of Statistics. The purpose classification is derived from that outlined in the United Nations publication entitled *A System of National Accounts*.

VICTORIA—CONSOLIDATED FUND: PAYMENTS
(\$'000)

Purpose of payment	1973-74	1974-75	1975-76	1976-77	1977-78
Public debt charges—					
Interest (including exchange)	149,370	164,398	175,734	209,251	239,448
Sinking fund	27,395	28,836	29,000	31,156	33,458
Other	658	1,258	1,042	1,216	1,200
Commonwealth — State Housing Agreement—					
Interest	23,114	25,930	29,735	35,075	39,248
Repayments	5,573	6,053	r7,715	7,564	8,408
Railways—					
Working expenses (a)	r184,760	r239,104	267,923	299,727	326,389
Other	4,147	4,676	r5,639	5,891	6,504

VICTORIA—CONSOLIDATED FUND: PAYMENTS—*continued*
(\$'000)

Purpose of payment	1973-74	1974-75	1975-76	1976-77	1977-78
Agricultural, pastoral, etc., services	17,587	23,911	29,756	38,263	39,359
Culture and recreation	8,262	12,751	16,604	r19,942	28,317
Development and decentralisation	r7,381	r13,252	21,131	26,796	32,835
Education—					
Registered schools	r15,360	r20,039	r29,163	r41,897	46,385
State schools —					
Primary and secondary (b)	r322,233	r430,508	r543,862	r644,775	746,647
Technical and vocational	15,619	20,306	25,051	28,577	35,773
Universities	r16,174	44	72	73	23
Other higher education	r52,195	39,709	39,920	35,833	30,948
Other (c)	r34,318	r54,899	r69,206	r83,270	95,565
Forestry	9,622	12,434	14,991	17,202	18,115
Health services —					
Mental hygiene and mental hospitals	46,392	r62,354	r80,762	95,050	108,480
Payments to Hospitals and Charities Fund	141,469	194,702	225,834	247,864	272,750
Other	17,303	24,427	r29,696	36,452	39,335
Lands, survey, and mining	23,435	28,737	r33,384	38,028	48,405
Law, order, and public safety —					
Justice	19,314	r25,375	32,761	35,971	39,856
Police	59,771	80,185	100,814	119,467	138,804
Prisons and probation	7,731	10,204	12,956	15,034	17,067
Public safety, etc.	574	533	619	696	701
Legislative and general administration	26,410	36,679	51,587	62,786	65,327
Grants and advances to municipalities and semi-government authorities (d)	13,420	35,404	45,898	r61,471	74,567
Local government, n.e.i.	2,068	2,679	3,212	3,490	4,015
Subsidies to semi-government authorities	4,645	5,064	6,503	7,977	9,016
Pay-roll tax	18,624	28,830	36,727	44,430	49,351
Pensions and superannuation (e)	20,429	26,028	r38,568	51,746	64,724
Ports and harbours	4,467	5,769	6,960	7,891	8,402
Protection of the environment (including sewerage)	3,408	5,234	6,615	8,015	10,212
Social welfare, n.e.i.	19,436	30,193	41,581	r58,167	71,708
Water supply, irrigation, and drainage	20,416	25,363	30,018	34,608	38,144
Miscellaneous (f)	21,318	41,475	51,072	64,132	69,989
Appropriation to Works and Services Account	246,537	347,087	426,092	435,844	435,427
Total	1,610,923	2,114,416	2,568,197	2,955,620	3,294,891

(a) Excludes interest etc., on Railways debt which is included with "Public debt charges".

(b) Includes secondary technical.

(c) Includes travelling allowances and fare concessions for students.

(d) Includes grants to municipalities for education, health, social welfare, culture, and recreation among others.

(e) Railways pensions are included under "Railways — Working expenses".

(f) Includes in 1974-75: \$10m. Special budgetary assistance repaid to the Commonwealth Government.

VICTORIAN TRUST FUND AND SPECIAL ACCOUNTS

General

Under the provisions of the Constitution Act revenues of the State are payable to the Consolidated Fund with the exception of certain revenues set aside by various Acts of Parliament for specific purposes and payable into special funds or accounts held at the Victorian Treasury and known collectively as the Trust Fund. In recent years, there has been a proliferation of funds and accounts established to record the receipt and disbursement of money provided by the Commonwealth Government for specific purposes.

The transactions recorded annually are numerous and of considerable magnitude in total. Debits to all funds and accounts in 1977-78 aggregated \$3,442.4m and credits \$3,452.8m. At the end of the year, the liability of the State on account of all trust funds or accounts (including shares to the value of \$15.7m lodged with the Treasurer) was \$312.9m. Of this total, investments in government and other securities amounted to \$107.5m, cash advanced was \$29.9m, while the balance, \$175.5m, was at the credit of the Public Account.

Relevant figures of balances and transactions of funds and accounts within the Trust Fund are shown under broad classifications in the following table, in respect of the year 1977-78:

VICTORIA—CURRENT TRUST FUNDS AND ACCOUNTS
(\$m)

Particulars	Balance at 1 July 1977	1977-78		Balance at 30 June 1978
		Payments	Receipts	
State Government funds	251.9	2,418.6	2,424.8	258.1
Joint Commonwealth and State funds	5.2	45.9	46.8	6.1
Commonwealth Government funds	24.5	974.0	976.5	26.9
Bequests, deposits, etc.	20.8	3.8	4.8	21.7
Total	302.4	3,442.4	3,452.8	312.9

Specific accounts

Victorian Government funds

The accounts included in this category are those established to receive and expend money received under statutory provisions or Parliamentary appropriation, operating accounts of various authorities, and departmental suspense and clearing accounts. In terms of financial turnover the most important accounts in 1977-78, other than suspense and clearing accounts, were: (1) Works and Services Account, credited with \$435.4m (referred to in more detail below); (2) Hospital and Charities Fund, credited with \$255m; (3) The Country Roads Board Fund, credited with \$91.2m; (4) Roads (Special Projects) Fund credited with \$39.1m; and (5) The Licensing Fund, credited with \$34.1m. The major suspense and clearing accounts were: (1) The Railway Charges in Suspense Account, credited with \$270.9m; (2) Motor Accidents and Insurance Premiums Suspense Account, with receipts of third party insurance premiums totalling \$185.6m for distribution to approved insurers and the Motor Accidents Board; and (3) Payroll Deduction Suspense Account, with credits of \$354.5m.

Joint Commonwealth and Victorian funds

The major accounts under this heading are the Dartmouth Dam Construction Account and the Victorian Natural Disasters Relief Account with receipts of \$35.4m and \$5.1m, respectively.

Commonwealth Government funds

These accounts are created under the Public Account Act to receive and expend money received as a grant or payment under any Commonwealth Government Act. The main broad categories here together with their respective credits were: (1) education \$410.9m; (2) health \$268.3m; (3) housing \$118.2m; and (4) transport \$104.1m.

Money held for bequests, donations, deposits, and research

The major item included in this category relates to shares of the Gas and Fuel Corporation of Victoria to the value of \$15.7m purchased by the State.

Works and Services Account

When the Victorian Government amalgamated the Consolidated Revenue Fund and the Loan Fund in 1970-71 into one account to be known as the Consolidated Fund, it created, at the same time, a trust fund, the Works and Services Account, which was to cater for expenditure by the Victorian Government on capital works and services. In effect, therefore, this Account which is financed by appropriations from the Consolidated Fund, serves a similar purpose to that of the former Loan Fund.

VICTORIA—WORKS AND SERVICES ACCOUNT: EXPENDITURE
(\$'000)

Expenditure on—	1973-74	1974-75	1975-76	1976-77	1977-78
Agricultural, pastoral, etc., services	r4,073	6,497	11,529	9,652	5,860
Culture and recreation	r5,448	r8,079	14,224	14,918	23,481
Development and decentralisation (a)	5,245	5,865	6,560	6,278	7,465

VICTORIA—WORKS AND SERVICES ACCOUNT: EXPENDITURE—*continued*
(\$'000)

Expenditure on—	1973-74	1974-75	1975-76	1976-77	1977-78
Education —					
Primary and secondary (b)	r44,282	r84,570	r105,966	r103,428	98,423
Technical and vocational	11,940	25,448	28,815	28,673	41,235
Universities	2,923	7	103	—	—
Other higher education	7,052	1,761	1,138	645	2,248
Other	2,035	6,717	1,735	10,220	16,185
Electricity supply	16,000	13,000	14,000	14,000	—
Forestry	4,715	6,820	8,177	10,988	13,585
Gas supply	40	40	40	20	20
Grants to municipalities (c)	r3,822	r6,004	r7,691	r6,501	4,903
Health services —					
Mental hygiene and mental hospitals	6,700	9,483	14,003	13,344	12,437
Other hospitals	r21,246	27,649	r27,794	r35,433	38,128
Other	r963	1,318	2,192	r3,687	4,290
Housing	r285	r..	r400	r200	200
Lands, survey, and mining	1,469	2,942	4,058	5,779	5,942
Law, order, and public safety	4,072	7,425	11,526	15,016	16,148
Legislature and general administration	11,301	12,328	14,835	19,654	18,928
Natural disaster relief	..	3,250	3,500	17	—
Ports and harbours	1,146	2,177	r2,945	3,287	2,356
Protection of the environment (including sewerage)	42,487	60,086	r65,252	47,208	32,552
Roads and bridges	r967	534	r1,490	r1,725	1,214
Social welfare	r2,333	3,581	3,998	r3,798	6,142
Transport —					
Railways	18,447	19,138	r32,278	41,206	44,411
Tramways	8,350	—	—	—	—
Water supply, irrigation, and drainage	r18,440	24,722	r31,710	41,651	44,826
Miscellaneous	1,074	1,360	1,273	r1,120	2,435
Total	246,860	340,800	417,221	438,440	443,409

(a) Includes advances to the Victorian Development Corporation of \$5m in 1973-74 and 1974-75; \$5.8m in 1975-76; \$5.2m in 1976-77; and \$5.75m in 1977-78.

(b) Includes secondary technical.

(c) Includes grants for culture and recreation, education, health, roads, and social welfare among others.

VICTORIAN GOVERNMENT TAXATION

The Commonwealth Government alone exercises the right to impose customs and excise duties, and taxation on personal and company incomes. It also has exclusive access to sales tax. Before 1 September 1971, the Commonwealth Government was the sole collector of pay-roll tax, but since that date the right to impose this tax within State boundaries has been given to the States. For the most part, the ambit of taxation now left to the States comprises motor taxation, stamp duties, liquor, land, lottery, racing, pay-roll, and entertainments taxes. Estate and gift duties are shared between the Commonwealth and Victorian Governments.

In Victoria, taxation collections by the Victorian Government are allocated by statute either to the Consolidated Fund or to special funds. One of the principal items of Victorian taxation—taxes on the ownership and operation of motor vehicles—is allocated between the Consolidated Fund and special funds. (See pages 461-2 for details of this allocation.)

VICTORIA—STATE TAXATION (GROSS) (\$'000)

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
Pay-roll tax (a)	221,080	327,200	389,889	431,785	475,138
Probate and gift duties	59,499	60,716	r71,392	80,471	89,079
Land tax	32,958	52,968	56,253	59,981	60,753
Liquor tax	r14,504	r21,939	r24,830	26,139	34,088
Lottery tax	15,549	27,338	40,251	59,369	74,746

VICTORIA—STATE TAXATION (GROSS)—*continued*
(\$'000)

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
Football and soccer pools taxes (b)	9	1,470	(c)6,762	1,474	1,452
Racing taxes	r37,661	r48,089	r56,575	62,894	66,070
Taxes on the ownership and operation of motor vehicles—					
Vehicle registration fees and taxes	r61,994	r74,965	92,496	r110,672	137,889
Drivers', etc., licences and fees	r7,874	r12,687	14,864	r14,572	16,089
Stamp duty (vehicle registration)	17,309	23,579	31,500	40,680	44,040
Road transport taxes	r3,606	5,296	5,873	r6,883	7,132
Road maintenance contributions	10,359	10,038	10,132	9,968	9,818
Motor car third party insurance surcharges	r5,692	r6,502	7,317	7,461	7,799
Stamp duties, n.e.i.	148,090	r141,728	192,658	230,403	236,480
Statutory authority levy—					
Gas and Fuel Corporation	2,180	3,000	3,820	4,640	5,000
State Electricity Commission	9,720	11,520	13,520	15,480	18,720
Business franchise licences—					
Tobacco	..	1,104	12,184	24,498	25,983
Licences and registration fees, n.e.i.	r5,126	7,818	11,116	r12,552	13,819
Other taxes	r534	r867	1,700	988	1,232
Total	r653,744	r838,824	1,043,132	r1,200,910	1,325,327
Paid to—					
Consolidated Fund	r547,227	707,356	888,053	1,025,288	1,112,951
Trust funds	r106,517	r131,468	r155,079	r175,622	212,376

(a) Includes pay-roll tax paid by State departments and general government enterprises.

(b) Football pools only in 1973-74. Soccer pools only in subsequent years.

(c) Includes soccer football pool duty of \$4,924,001 collected on behalf of, and subsequently paid to, other States.

Specific collections*Pay-roll tax*

Commonwealth Government pay-roll tax operated from 1 July 1942 to 31 August 1971. The tax was payable by employers on all wages and salaries paid or payable in excess of a general exemption. The rate of tax, 2.5 per cent, remained unchanged from its inception.

From 1 September 1971, in accordance with an agreement between the Commonwealth and State Governments, the Commonwealth Government vacated the pay-roll tax field within State boundaries in favour of the States.

The Victorian *Pay-roll Tax Act* 1971, operative from 1 September 1971, imposed a pay-roll tax at the rate of 3.5 per cent on all taxable wages and salaries paid or payable in this State. Amending legislation operative from 1 September 1973 increased the rate to 4.5 per cent. The rate was further increased to 5 per cent from 1 September 1974. The main exemptions from pay-roll tax are on wages and salaries paid by public benevolent institutions, public hospitals, non-profit private hospitals, non-government private schools (other than technical) of secondary level or below, and by municipalities other than in respect of their business activities.

Under the *Decentralized Industry Incentive Payments Act* 1972, operative from 1 July 1973, incentive payments in the form of pay-roll tax rebates may be made to a manufacturing or processing industry at a decentralised or special establishment, as defined in the Act. In 1977-78, \$18,476,195 was so paid. Total receipts of pay-roll tax for the year ending 30 June 1978, amounted to \$475.1m. For changes proposed in 1979-80 see page 439.

Probate duties

The *Probate Duty Act* 1962 as amended fixes the rates of duty payable on the estates of deceased persons leaving property, whether real or personal, in the State of Victoria, and personal property wherever situated if the deceased was domiciled in Victoria at the date of death. The Act provides for discriminatory rates of duty in favour of estates passing to close relatives. In respect of an estate of a deceased person who was at the time of his death domiciled in Victoria:

- (1) No duty is payable on any portion of the estate passing to a spouse of a deceased person where the deceased died on or after 1 October 1976; and
 (2) no duty is payable on any portion of the estate passing to a child of a deceased person where the deceased died on or after 21 November 1977.

In respect of an estate of a deceased person who was at the time of his death domiciled outside Victoria, duty is calculated under a separate scale (irrespective of the relationship of the beneficiaries to the deceased) where the date of death of the deceased occurred on or after 21 November 1977. For changes proposed in 1979-80 see page 439.

VICTORIA—RATES OF PROBATE DUTY, 1979 (a)

On that part of the final balance which—		The rate of duty per \$1 shall be where the final balance passes to—			
		Category A	Category B	Category C	Category D
	\$	cents	cents	cents	cents
Exceeds	Does not exceed	Nil	Nil	Nil	Nil
	1,200 but does not exceed	Nil	Nil	5	7.5
	3,000 " " " "	Nil	Nil	10	10
	10,000 " " " "	Nil	10	15	17.5
	13,000 " " " "	Nil	15	15	20
	20,000 " " " "	Nil	10	12.5	17.5
	24,000 " " " "	15	10	12.5	17.5
	30,000 " " " "	15	12.5	17.5	20
	48,000 " " " "	12.5	12.5	17.5	20
	50,000 " " " "	12.5	15	20	20
	60,000 " " " "	17.5	20	20	20
	70,000 " " " "	20	22.5	25	25
	90,000 " " " "	22.5	27.5	30	37.5
	100,000 " " " "	25	27.5	30	37.5
	110,000 " " " "	27.5	32.5	32.5	40
	120,000 " " " "	30	32.5	32.5	40
	130,000 " " " "	37.5	35	37.5	40
	140,000 " " " "	37.5	37.5	40	42.5
	150,000 " " " "	45	37.5	40	42.5
	160,000 " " " "	45	40	42.5	42.5
	170,000 " " " "	45	42.5	42.5	45
	180,000 " " " "	47.5	42.5	45	45
	190,000 " " " "	47.5	..	..	..
	200,696 (b)	..	..	..	..
	190,000 " " " "	..	45	..	..
	200,810 (c)	..	..	..	..
	190,000 " " " "	..	..	45	..
	230,070 (d)	..	..	..	..
	190,000 " " " "	..	..	..	47.5
	190,000 " " " "	..	..	..	..
When the final balance exceeds (b), (c), (d), or (e), then the whole of the final balance is subject to a duty of		\$26.00 per \$100	\$26.50 per \$100	\$31.00 per \$100	\$34.00 per \$100

(a) These rates apply only where the deceased was domiciled in Victoria. A separate scale of duties applies to the estates of deceased persons domiciled outside Victoria.

NOTE. Categories of beneficiaries shown above are:

- A. Wholly dependent widowed mother.
- B. Grandchildren.
- C. Brothers, sisters, or parents.
- D. Other beneficiaries.

Land tax

The *Land Tax Act 1958* provides for an annual tax on the unimproved value of all land owned by a taxpayer at 31 December in the year preceding the year of assessment. Unimproved value is the estimated selling price of the land if offered for sale on reasonable terms and conditions and assuming that improvements, if any, had not been made.

Land tax is assessed at the rate of 0.357 per cent on the total unimproved value up to \$38,500 with a graduated increase in the rate to reach 3 per cent where the unimproved value exceeds \$880,000. Land tax is not charged where the total unimproved value of all non-exempt land of a taxpayer does not exceed \$9,000. However, where only one parcel of land is owned and it is used exclusively by the owner as his principal residence, no land tax is charged unless the unimproved value exceeds \$33,000. Where the value exceeds \$33,000 the tax otherwise payable is reduced by \$117.81. Where more than one parcel of land is owned and one of the parcels is used exclusively as the principal residence, the tax otherwise payable on the parcels is reduced by 0.357 cents for each dollar of the unimproved value of the principal residence or \$117.81 whichever is the lesser. If the principal residence is jointly owned the concession applies if one of the joint owners uses the land exclusively as the principal residence.

Exemption from tax is provided for charities, municipalities, public statutory bodies, servicemen's associations, friendly societies, and trade unions, unless the land is leased or occupied for business purposes. Certain concessions are available under the *Decentralized Industry Incentive Payments Act 1972* and to taxpayers in necessitous circumstances. Land used for primary purposes is generally exempt, but within the metropolitan area exemption depends on the zoning of the land and whether the owner is substantially a full-time farmer. Where certain land ceases to be exempt from land tax a special land tax of 5 per cent of the unimproved value is payable. This applies only to land owned by statutory bodies, certain clubs, or land used for primary production.

In the following table details are shown of the assessments made during each of the years 1974 to 1978. Municipal valuations and the rate of land tax increased in 1974. For changes proposed in 1979-80 see page 439.

VICTORIA—LAND TAX ASSESSMENTS

Year	Number of taxpayers	Total tax payable	Average tax payable per taxpayer	Total unimproved value (a)
		\$'000	\$	\$'000
1974	66,558	58,398	877.40	3,057,498
1975	72,777	59,388	816.03	3,189,019
1976	72,033	58,792	816.18	3,170,845
1977	64,267	56,129	873.37	3,152,445
1978	64,255	97,859	1,522.98	6,075,131

(a) Of land not exempted from land tax.

Liquor tax

The Liquor Control Commission, established under the provisions of the *Liquor Control Act 1968*, controls the issue of liquor licences in Victoria. The principal sources of taxation are the fees received for liquor licences and club certificates. All receipts of the Commission are paid into the Licensing Fund. After payments for compensation, administration, etc., have been met, the excess of receipts is transferred each year from the Licensing Fund to the Consolidated Fund.

VICTORIA—LIQUOR TAX
(\$'000)

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
Licences—					
Victuallers	9,502	13,914	14,949	15,099	17,898
Spirit merchants and grocers	3,501	5,902	7,324	8,164	12,559
Others	292	475	569	578	911
Club certificates	750	1,138	1,296	1,462	1,727
Permits—extended hours, etc.	328	409	571	668	745
Fees	132	101	120	169	248
Total	14,505	21,940	24,831	26,139	34,088

Lottery tax

The Trustees of the will and estate of the late George Adams, founder of Tattersall's Consultations, conduct sweepstakes in Victoria, under the *Tattersall Consultations Act 1958*, with the object of providing prizes and additional finance for hospitals, charitable and mental institutions, recreational promotion, and historical and community projects. During 1972, a further type of consultation named "Tattslotto" was introduced; in 1974, "Soccerpools"; in 1977, "Gold Lotteries"; and "Super 66" in 1979.

The Act provides that 32.5 per cent of the total amount subscribed to each consultation and 30 per cent of the total subscribed to Soccerpools be paid into the Consolidated Fund. Each year an equivalent amount of this duty on consultations (other than Gold Lotteries) and one-third of the Soccerpools duty is paid out of the Consolidated Fund, in such proportions as the Treasurer determines, into both the Hospitals and Charities Fund and the Mental Hospitals Fund. The Act also provides that, of the Soccerpools duty, two-thirds is paid out of the Consolidated Fund for the promotion of sport and recreation, at such intervals as the Treasurer determines. The Act further provides that an equivalent of the duty on Gold Lotteries is paid out of the Consolidated Fund to the Historical and Community Projects Fund.

VICTORIA—TATTERSALL LOTTERIES: SUBSCRIPTIONS, DUTY PAID, ETC.
(\$'000)

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
Subscriptions to—					
Ordinary consultations (a)	18,241	17,680	16,460	14,440	12,069
Tattslotto consultations	33,944	69,550	116,001	177,186	220,032
Soccer football pools (b)	..	4,898	5,809	4,537	4,400
Gold lotteries	..	..	..	2,500	7,500
Duty paid to Consolidated Fund	15,558	28,808	(c)42,089	60,843	76,198
Allocation out of Consolidated Fund—					
Hospitals and Charities Fund	13,203	24,388	36,231	53,966	65,046
Mental Hospitals Fund	2,345	3,462	4,633	5,894	7,084
Historical and Community Projects Fund	..	..	..	..	3,100
Other funds, etc., (d)	10	958	1,225	983	968

(a) Includes subscriptions to football pools of \$26,428 in 1973-74.

(b) Subscriptions from within Victoria only. Duty is, however, payable to the Consolidated Fund on subscriptions from the Northern Territory and the Australian Capital Territory.

(c) Excludes soccer football pool duty of \$4,924,001 collected on behalf of, and subsequently paid to, other States.

(d) Allocated for various sport and recreation purposes.

Racing taxes

The principal taxes levied on racing in Victoria are the percentage deducted from investments on the totalizator, the turnover tax on bookmakers' holdings, and stamp duty on betting tickets.

The *Racing Amendment Act 1978* provided that the 15 per cent commission deducted from the on-course totalizator for win, place, quinella, double, and trifecta wagers from 5 December 1978 be divided as follows: double, quinella, trio, trifecta, and forecast investments, 6.75 per cent to the Consolidated Fund and 8.25 per cent to the club; win and place investments, 8.75 per cent to Consolidated Fund and 6.25 per cent to the club. In respect of country race meetings, double, quinella, trio, trifecta, and forecast investments are divided 4.75 per cent to the Consolidated Fund and 10.25 per cent to the club; win and place investments, 3.75 per cent to the Consolidated Fund and 11.25 per cent to the club.

The *Racing Financial Provisions Act 1979* which came into operation on 19 December 1979 further amended the *Racing Act 1958* by increasing the commission deducted from the trifecta totalizator from 15 to 17 per cent.

The trifecta commission is now divided as follows: for metropolitan meetings, 7.75 per cent to the Consolidated Fund, 9 per cent to the club, and 0.25 per cent to the Racecourses Development Fund. For country meetings, 5.75 per cent to the Consolidated Fund, 11 per cent to the club, and 0.25 per cent to the Racecourses Development Fund.

Under the provisions of the *Racing Totalizators Extension Act 1960* off-course betting is permitted on racecourse totalizators. The Totalizator Agency Board, appointed under the Act, conducts the off-course betting scheme which came into operation on 11 March 1961.

From investments on the off-course totalizator the following commission is deducted:

- (1) From investments for win, place, and quinella — 15 per cent;
- (2) from investments for daily doubles, feature doubles, and trifecta — 17 per cent;
- (3) from investments for quadrella — 19 per cent.

The commission is allocated in the following proportions:

VICTORIA—INVESTMENTS ON OFF-COURSE TOTALIZATOR:
COMMISSION DEDUCTED

Paid to—	Win, place, and quinella	Daily and feature doubles, trifecta	Quadrella
	per cent	per cent	per cent
Consolidated Fund	6.25	5.25	5.25
Racecourses Development Fund or Greyhounds Racing Grounds Development Fund	0.25	1.25	1.25
Totalizator Agency Board	8.25	8.25	8.25
Totalizator Agency Board Development Reserve	0.25	0.25	0.25
Department of Youth, Sport and Recreation	—	2.00	4.00
Total	15.00	17.00	19.00

VICTORIA—TOTALIZATOR INVESTMENTS, INVESTMENTS WITH
LICENSED BOOKMAKERS, AND TOTAL RACING TAXATION
(\$'000)

Year	Totalizator investments		Investments with licensed book-makers (a)	Racing taxation			Total
	On-course	Off-course		Totalizator	Book-makers' turnover	Other (b)	
1973-74	62,483	362,468	263,170	31,469	5,503	690	37,662
1974-75	72,408	461,984	338,977	40,625	7,072	390	48,087
1975-76	83,498	488,070	396,023	47,905	8,376	295	56,576
1976-77	90,268	546,514	450,214	53,102	9,403	389	62,894
1977-78	101,077	570,821	476,884	55,706	9,977	387	66,070

(a) Estimated.

(b) Includes entertainments (admission) tax, stamp duty on betting tickets, and club and bookmakers' licences, etc.

Gift duty

The *Gift Duty Act 1971* and the *Gift Duty (Rates and Rebates) Act 1971* imposed gift duty, from 1 January 1972, on any disposition of property which is made, other than by will, without consideration in money or money's worth, or with any consideration so passing if the consideration is not fully adequate. The following amended rates of gift duty came into operation on 1 January 1978. For changes proposed in 1979-80 see page 439.

VICTORIA—RATES OF GIFT DUTY, 1979

Where the value of all relevant gifts—		The rate per centum of duty shall be—
\$		
Does not exceed	10,000	Nil
Exceeds	10,000 but does not exceed 14,000	1.5 per cent plus 0.00075 per cent for each dollar of the excess over \$10,000
„	14,000 „ „ „ „ 74,000	4.5 per cent plus 0.0001 per cent for each dollar of the excess over \$14,000
„	74,000 „ „ „ „ 201,777	10.5 per cent plus 0.00009 per cent for each dollar of the excess over \$74,000
„	201,777	22 per cent

Taxes on the ownership and operation of motor vehicles

VICTORIA—TAXES ON THE OWNERSHIP AND OPERATION
OF MOTOR VEHICLES
(\$'000)

Paid to—	1973-74	1974-75	1975-76	1976-77	1977-78
VEHICLE REGISTRATION FEES AND TAXES					
Consolidated Fund—					
Registration fees—recreational vehicles	14	14	10	8	7
Country Roads Board Fund—					
Motor registration fees, etc.	38,962	46,244	58,031	68,975	85,847
Additional registration fees (part)	2,726	130	—	—	—

VICTORIA—TAXES ON THE OWNERSHIP AND OPERATION OF MOTOR VEHICLES—*continued*
(\$'000)

Paid to	1973-74	1974-75	1975-76	1976-77	1977-78
Level Crossings Fund—					
Additional registration fees (part)	1,363	—	—	—	—
Road (Special Projects) Fund—					
Increase in registration fees (Act No. 7283)	17,956	21,230	26,684	31,592	39,063
Transport Regulation Fund—					
Motor omnibus registration fees	11	9	1	r2	2
Traffic Authority Fund—					
Surcharge on motor registration	962	1,007	1,051	2,616	4,490
Transport Fund—					
Additional registration fees (part)	..	6,331	6,719	7,479	8,480
Total	r61,994	r74,965	92,496	r110,672	137,889
DRIVERS, ETC., LICENCES AND FEES					
Consolidated Fund—					
Drivers licence fees (part)	r3,647	4,778	5,771	r5,873	6,528
Learner drivers test fees (whole) and drivers test fees (part)	..	r2,429	2,628	2,074	2,233
Country Roads Board Fund—					
Drivers licence fees (part)	944	1,229	1,478	1,506	1,674
Drivers test fees (part)	548	485	437	477	490
Learner drivers permits (part)	..	160	192	208	235
Municipalities Assistance Fund—					
Drivers licence fees (part)	r1,823	2,389	2,885	2,936	3,264
Drivers Licence Suspense Account—					
Drivers licences, learner drivers permits, and drivers test fees (all part)	912	1,217	1,473	1,498	1,665
Total	r7,874	r12,687	14,864	r14,572	16,089
STAMP DUTY (VEHICLE REGISTRATION)					
Consolidated Fund	17,309	23,579	31,500	40,680	44,040
ROAD TRANSPORT TAXES					
Country Roads Board Fund—					
Sale of log books	11	10	12	15	15
Transport Regulation Fund—					
Licences, etc.	r2,399	4,349	4,975	r5,869	6,025
Permits	1,196	937	886	999	1,092
Total	r3,606	5,296	5,873	r6,883	7,132
ROAD MAINTENANCE CONTRIBUTIONS					
Country Roads Board Fund—					
Road charges under Commercial Goods Vehicles Act	10,359	10,038	10,132	9,968	9,818
MOTOR CAR THIRD PARTY INSURANCE SURCHARGES					
Consolidated Fund	3,336	5,166	7,317	7,461	7,799
TOTAL					
Consolidated Fund	24,306	r35,966	47,226	r56,096	60,607
Country Roads Board Fund	r53,550	r58,296	r70,282	81,149	98,079
Level Crossings Fund	1,363	—	—	—	—
Municipalities Assistance Fund	r1,823	2,389	2,885	2,936	3,264
Road (Special Projects) Fund	17,956	21,230	26,684	31,592	39,063
Transport Regulation Fund	r3,606	5,295	5,862	r6,870	7,119
Drivers Licence Suspense Account	912	1,217	1,473	1,498	1,665
Traffic Authority Fund	962	1,007	1,051	2,616	4,490
Transport Fund	..	6,331	6,719	7,479	8,480
Total	r104,478	r131,731	r162,182	r190,236	222,767

NOTE. Deductions from third party insurance premiums—credited to the Hospitals and Charities Fund in following years—are included in "other taxes" in the table on page 456 and amounted to \$2,356,000 in 1973-74; \$1,336,000 in 1974-75. The Motor Accidents Board, which came into operation on 19 September 1973, received \$469,580 in deductions from third party insurance premiums in 1973-74; \$1,929,548 in 1974-75; \$1,916,779 in 1975-76; \$1,287,322 in 1976-77; and \$4,529 in 1977-78. The board also received levies from authorised insurers of \$653,330 in 1973-74; \$9,046,670 in 1974-75; \$16,340,095 in 1975-76; \$22,698,749 in 1976-77; and \$24,044,000 in 1977-78. (See also pages 549-50).

Stamp duties

Under the provisions of the *Stamps Act 1958* and subsequent amendments thereto, stamp duty is imposed in Victoria on a wide range of legal and commercial documents. For changes proposed in 1979-80 see page 439.

The rates of duty payable at 1 July 1979 on the principal dutiable classes of documents, etc., are shown in the following table:

VICTORIA—STAMP DUTIES: RATES PAYABLE, 1 JULY 1979

Dutiable class		Duty payable	
SHARE TRANSFERS—On sale for full value—	}	up to \$100—per \$25 or part	14c
Based on consideration		over \$100—per \$100 or part	60c
TRANSFER OF REAL PROPERTY—		for each \$100 or part—	
Gifts and settlements (a)—Based on value	}	\$	\$
Other transfers on sale—Based on consideration		up to 7,000	1.50
		over 7,000 to 15,000	1.75
		„ 15,000 „ 40,000	2.00
		„ 40,000 „ 100,000	2.25
		„ 100,000 „ 500,000	2.50
		„ 500,000 „ 1,000,000	3.00
„ 1,000,000	3.50		
LEASES AND ASSIGNMENTS OF LEASES OF REAL PROPERTY		variable scale according to nature	
INSURANCE COMPANIES (OTHER THAN LIFE)—Annual licences	}	each \$200 (or part) of annual premium income	\$14
LIFE ASSURANCE POLICIES—On the sum insured		up to \$2,000—per \$200 or part	12c
		over \$2,000—\$1.20 for first \$2,000 plus per \$200 or part of remainder	24c
CHEQUES—			
Payable on demand			10c
Drawn outside Victoria but negotiated, transferred, endorsed, or paid in Victoria			10c
BILLS OF EXCHANGE OR PROMISSORY NOTES—			
Payable on demand			10c
Drawn or made out of Victoria and duly stamped with <i>ad valorem</i> duty of another State			10c
Not drawn or made out of Victoria and duly stamped with <i>ad valorem</i> duty of another State, which is for a term of not more than 120 days after date or sight	}	for each 10 days or part,	1c
		for each \$100 or part	
Any other (except a bank note)		for each \$100 or part	12c
POWER OF ATTORNEY OR APPOINTMENT OF AGENT			\$5
INSTALMENT PURCHASE (including hire purchase)		purchase price \$20 or more	2.1 per cent
MORTGAGES, BONDS, DEBENTURES, AND COVENANTS—On amount secured		up to \$8,000	\$4
		up to \$10,000—\$4 for first \$8,000 plus per \$200 or part of remainder	70c
		over \$10,000—\$11 for first \$10,000 plus per \$200 or part of remainder	80c
CREDIT AND RENTAL BUSINESS		based on amount of credit, etc., or rental	2.1 per cent
GUARANTEES AND INDEMNITIES			\$1
OTHER AGREEMENTS AND INSTRUMENTS—			
Partnerships, sale of business, etc. Caveats	}		\$7 each
Licence to use real property, etc.			
Transfer of mortgage			
Discharge of mortgage of real property			
Discharge of mortgage of personal property other than of a life policy			
Appointment of trustee			
Discharge of mortgage of a life policy			
DEEDS—not otherwise chargeable			\$5

VICTORIA—STAMP DUTIES: RATES PAYABLE, 1 JULY 1979—*continued*

Dutiable class	Duty payable
MOTOR CAR OR MOTOR BOAT—	
On every application for registration and every notice of acquisition of a motor car, trailer, or motor boat—	
For every \$200 and part of \$200 of the market value of such motor car, trailer, or boat	\$5

(a) From 1 January 1972, the *Gift Duty Act 1971* and the *Gift Duty (Rates and Rebates) Act 1971*, administered by the Commissioner of Probate Duties, imposed duty on gifts (including gifts and settlements of property) formerly imposed only under the Stamps Acts. However, where a gift involves the transfer of real property, stamp duty is still charged at the rates shown above but the amount paid is allowed as a deduction from the duty payable under the Gift Duty Act.

NOTE. Exemptions from duty are allowed in certain specific cases.

Tobacco licences

The *Business Franchises (Tobacco) Act 1974* requires every person carrying on the business of tobacco wholesaling or retailing to hold a licence issued under the Act. Licence fees are levied at the rate of \$100 plus 10 per cent of the value of tobacco sold for a wholesale merchant and \$10 plus 5 per cent of the value of tobacco sold for a retail merchant. For changes proposed in 1979–80, see page 439.

Statutory levy

The *Public Authorities (Contributions) Act 1966* requires the State Electricity Commission and the Gas and Fuel Corporation to pay to the Consolidated Fund, in each of the financial years, a contribution of an amount equal to 3 per cent of the total revenue of each authority in the preceding financial year. On 8 December 1971, the percentage was increased to 4 per cent. For changes proposed in 1979–80 see page 439.

COMMONWEALTH GOVERNMENT TAXATION

Specific collections*Commonwealth Government estate duty*

Commonwealth estate duty is not payable on estates of persons who died after 30 June 1979. The amount of such duty collected throughout Australia during each of the 5 years to 1978–79 was: 1974–75, \$63.7m; 1975–76, \$76.1m; 1976–77, \$76.0m; 1977–78, \$95.5m; 1978–79, \$82.1m.

Commonwealth income tax

Uniform taxation of income throughout Australia was adopted in 1942 when the Commonwealth Government became the sole authority levying this tax. However, legislation has been passed which enables each State to legislate to impose a surcharge on personal income tax in the State, additional to that imposed by the Commonwealth or to give (at a cost to the States) a rebate on personal income tax payable under Commonwealth law. Details of these arrangements are given in 1978–79 *Budget Paper No. 7, Payments to or for the States, the Northern Territory and Local Government Authorities*.

For the income tax year ended 30 June 1979 the following were the principal changes:

- (1) The general rates of tax were indexed by a factor of 1.038 and adjusted further to reflect an increase in the standard rate from 32 per cent to 33.5 per cent. The increase represented a surcharge of 1.5 per cent.
- (2) A special rebate known as the “no detriment” rebate was introduced to ensure that in the case of an individual, no taxpayer paid more tax in 1978–79 under the standard rate system than would have been paid if the previous personal income tax system had continued to apply.
- (3) The rebate for concessional expenditure was changed in 1978–79 from 32 per cent of expenditure in excess of \$1,590 to 33.5 per cent of expenditure in excess of \$1,590.
- (4) The concessional rebate for a dependant living overseas was terminated with effect from 1 November 1978. Exceptions were made where the dependant was temporarily overseas or in the case of a dependant wife only, was awaiting early migration to Australia.

(5) The deduction for housing loan interest was terminated with effect from 1 November 1978.

(6) From 1 July 1978, averaging benefits for primary producers were conferred through an "averaging rebate". Subject to shading-in rules a taxpayer whose taxable income included \$10,000 or more from non-primary production activities is entitled to averaging benefits only on his income from primary production activities.

(7) Where an employee received a lump sum payment on retirement from, or termination of, an office or employment after 15 August 1978, in respect of unused long service leave that accrued after 15 August 1978, or unused annual leave, the lump sum is taxed as assessable income but at a maximum marginal rate equal to the "standard rate" (33.5 per cent for 1978-79).

(8) The health insurance levy was terminated with effect from 1 November 1978. In addition, legislation was enacted to ensure that for levy purposes the child of divorced or separated parents was treated as a dependant of the parent who received family allowances (child endowment) for the child. Foreign government representatives in Australia and their families were also exempted from the levy, unless the person concerned was an Australian citizen or a person who ordinarily resided in Australia. In addition, in certain situations, overseas insurance cover may be approved as conferring exemption from the levy.

The rates of tax that applied to taxable incomes of individuals for the year ended 30 June 1979 are set out in the following scale:

AUSTRALIA—GENERAL RATES OF TAX: INDIVIDUALS
(1978-79 income year)

Total taxable income		Tax at composite rates on total taxable income	
Not less than	Not more than		
\$	\$	\$	\$
0	3,893	Nil	
3,893	16,608	Nil	plus 33.5c for each \$1 in excess of 3,893
16,608	33,216	4,259.525	plus 47.5c for each \$1 in excess of 16,608
33,216 and over		12,148.325	plus 61.5c for each \$1 in excess of 33,216

Rebates

(1) Dependants, housekeeper, sole parent, zone allowance, and overseas forces:

The following rebates from tax payable on taxable income, derived during the year of income ended 30 June 1979 are allowable to resident taxpayers:

Dependant, etc.	Maximum rebate (a)	
	Resident	Non-resident (b)
	\$	\$
Spouse, daughter—housekeeper (a)	597	199
Parent or parent-in-law (a)	539	180
Invalid relative (a)	270	90
Housekeeper	597	—
Sole parent rebate (a)	417	—
Zone and overseas allowance—		
Zone A and overseas forces	\$216 plus 25 per cent of above rebates (c)	
Zone B	\$36 plus 4 per cent of above rebates (c)	

(a) The dependant rebate otherwise available to a taxpayer is reduced by \$1 for every \$4 by which the separate net income of the dependant exceeds \$203. The sole parent rebate is allowable to a single, widowed, or divorced person who has the sole care of a child or student whose separate net income is less than \$1,283.

(b) Rebate terminated from 1 November 1978.

(c) Plus notional rebates for students and dependant children.

(2) Concessional expenditure:

Expenditure on education, medical, life insurance, etc., qualifies for concessional rebates. The amount of the rebate is 33.5 per cent of the excess of the total of the expenditure over \$1,590, but the rebate cannot exceed the tax otherwise payable.

(3) Capital subscribed:

A rebate of 30 cents in the \$1 is available to persons for certain capital subscribed after 24 August 1977 to petroleum mining companies for expenditure on off-shore petroleum exploration, prospecting, or mining.

Other deductions

The following remain as allowable deductions against assessable income:

- (1) Subscriptions to trade unions and trade business or professional associations;
- (2) living-away-from-home allowance;
- (3) expenditure relating to allowances received;
- (4) other expenditure necessarily incurred in earning income;
- (5) gifts to approved school building funds and public institutions; and
- (6) tax agents fees.

VICTORIA—INCOME TAX: INDIVIDUALS, 1977-78
(1976-77 income year)

Grade of net income (a)	Number of taxpayers			Net income \$'000	Taxable income \$'000	Net income assessed \$'000
	Males	Females	Persons			
Under 3,000	12,199	11,812	24,011	60,861	60,671	2,638
3,000-3,999	54,368	84,384	138,752	485,086	480,216	26,590
4,000-4,999	55,852	76,495	132,347	595,554	587,607	59,272
5,000-5,499	30,361	37,277	67,638	355,015	349,955	42,420
5,500-5,999	31,623	39,749	71,372	410,468	404,414	54,599
6,000-6,499	33,435	42,174	75,609	472,468	465,164	69,665
6,500-6,999	38,242	40,292	78,534	530,530	522,162	85,068
7,000-7,499	44,822	38,181	83,003	601,812	591,920	102,651
7,500-7,999	49,827	40,460	90,287	700,000	688,654	126,306
8,000-8,499	54,319	34,603	88,922	733,224	720,640	138,263
8,500-8,999	56,162	27,168	83,330	728,833	715,289	141,822
9,000-9,499	55,453	19,711	75,164	694,879	680,850	139,128
9,500-9,999	52,325	15,516	67,841	660,969	646,495	135,815
10,000-10,499	49,191	13,250	62,441	639,675	625,219	134,921
10,500-10,999	44,236	10,556	54,792	588,709	574,783	126,930
11,000-11,999	75,392	15,424	90,816	1,041,911	1,016,707	231,822
12,000-12,999	56,930	10,086	67,016	835,728	814,752	196,894
13,000-13,999	41,571	6,710	48,281	650,516	633,759	161,323
14,000-14,999	31,553	4,937	36,490	528,051	514,273	136,968
15,000-15,999	23,860	3,695	27,555	426,610	415,225	114,792
16,000-16,999	19,599	3,257	22,856	376,694	366,730	105,276
17,000-17,999	13,730	2,076	15,806	276,275	268,330	79,654
18,000-18,999	10,063	1,390	11,453	211,570	205,059	63,328
19,000-19,999	8,157	1,087	9,244	180,097	174,459	55,834
20,000-24,999	20,203	2,809	23,012	507,408	490,106	170,392
25,000-29,999	8,352	1,109	9,461	257,129	248,469	98,304
30,000-49,999	8,933	1,123	10,056	368,161	356,820	163,417
50,000-99,999	2,279	245	2,524	163,146	160,621	87,042
100,000 and over	313	29	342	47,881	47,404	28,453
Total	983,350	585,605	1,568,955	14,129,261	13,826,753	3,079,586

(a) Net income is defined briefly as "total assessable income less total deductions for expenses incurred in gaining assessable income".
NOTE: Particulars shown in the above table relate to individuals who were assessed for income tax in the Melbourne office of the Australian Taxation Office.

Housing loan interest

A deduction is allowable for interest accrued to 31 October 1978 and paid by a resident on a housing loan during the first 5 years of the loan, which is connected with a dwelling, being a first home owned by the taxpayer or spouse used during the whole or part of the period 1 July 1978 to 31 October 1978 as the taxpayer's sole or principal residence. The deduction is allowable on a graduated scale where the combined net income of husband and wife did not exceed \$13,999.

Health insurance levy

As the levy was abolished with effect from 1 November 1978, the levy applicable to taxable incomes of individuals for the year ended 30 June 1979 is a prescribed percentage to reflect the amount of levy payable for the period 1 July 1978 to 31 October 1978.

The levy is payable at the rate of 0.833 per cent applied to a person's taxable income. However, no person is assessed to a levy of more than \$100. A person who for the period

1 July 1978 to 31 October 1978 has dependants and is not privately insured pays in levy the lesser of \$100 and 0.833 per cent of taxable income. A person who does not have dependants does not pay more in levy than \$50. In the case of a woman who is a dependant wife, the levy is in effect limited to 0.833 per cent of the excess of \$12,005 over her husband's taxable income. Where a person is privately insured or is otherwise entitled to relief from the levy during part only of the 4 months to 31 October 1978, the rate and the relevant maximum levy is proportionately reduced. In all cases the levy is based on income of the entire year of income.

Withholding tax

A flat rate of tax has been levied on dividends derived by non-residents of Australia from Australian companies since 1 July 1960. In 1967, the income tax legislation was amended to provide also for a flat rate of tax on interest derived by non-residents of Australia from Australian residents on or after 1 January 1968.

The rate of withholding tax on dividends is 30 per cent of the gross payment but the rate applicable to dividends paid to residents of countries with which Australia has comprehensive double tax agreements is limited to 15 per cent. The rate of withholding tax on interest is 10 per cent of the gross interest.

Company tax

AUSTRALIA—RATES OF TAX: COMPANIES: 1978-79 FINANCIAL YEAR (1977-78 income year)

Type of company	Rates per cent
Private (a)	46.0
Public	
Non-profit (b)—	
Friendly society dispensary	41.0
Other	46.0
Other	46.0

(a) Additional tax at rate of 50 per cent payable on undistributed income.

(b) A non-profit company is not liable to tax unless the taxable income exceeds \$416; where in the case of a non-profit company other than a friendly society dispensary, the taxable income does not exceed \$2,542, the maximum amount of tax payable is 55 per cent of the taxable income over \$416, less any rebate of credit to which the company is entitled; where, in the case of a non-profit company that is a friendly society dispensary, the taxable income does not exceed \$2,311, the amount of tax payable shall not exceed 50 per cent of the excess of taxable income over \$416, less any rebate or credits to which the company is entitled.

SUPERANNUATION

Victorian pensions and gratuities

The following table shows details of Victorian Government expenditure on pensions, gratuities, etc., during each of the years 1973-74 to 1977-78:

VICTORIA—GOVERNMENT EXPENDITURE ON PENSIONS, GRATUITIES, ETC. (\$'000)

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
State Superannuation Fund—					
Railways	8,325	9,695	12,642	16,263	19,591
Other	19,585	24,959	35,603	48,439	61,317
Total	27,910	34,654	48,245	64,702	80,908
Police Superannuation Fund	4	4	4	4	4
Coal Mine Workers Pensions Fund	8	—	—	—	—
Parliamentary Contributory Superannuation Fund	490	637	2,442	2,442	2,442
Married Women's Superannuation Fund	76	94	68	51	93
Other pensions, gratuities, etc.	266	335	440	545	668
Grand total	28,755	35,724	51,199	67,744	84,115

Victorian Superannuation Fund

This Fund was established under the *Superannuation Act 1925* to provide superannuation benefits, on a contributory basis, for public servants, teachers, railway employees, and employees of certain statutory bodies. The scope of the Fund was widened by amending legislation in 1963 to include, *inter alia*, members of the Victoria Police (see page 569 of the *Victorian Year Book 1975*), and in succeeding years amending Acts considerably increased the range of benefits available.

Substantial changes to the superannuation scheme were brought about by the *Superannuation Act 1975*. These changes in the main were introduced to deal with the problem of extremely high rates of contribution required to be paid in the years prior to retirement, to secure maximum pensions and to cope with inroads made into benefits by inflation.

Briefly stated the main provisions which operated from 1 July 1975 are as follows:

- (1) A basic pension on retirement for ill-health, or at age 65, of 70 per cent of salary at retirement;
- (2) on age retirement before age 65, but after age 60, the pension will reduce pro rata to $66\frac{2}{3}$ per cent of salary at age 60;
- (3) officers' contributions limited to a maximum of 9 per cent of salary;
- (4) widows' pensions, including present widows' pensions, increased from five-eighths to two-thirds of officers' pensions;
- (5) the existing rights to convert part of the pension into a lump sum retained;
- (6) married women eligible to elect to be contributors to the superannuation scheme;
- (7) railway officers may elect to limit their superannuation entitlement to a maximum of eleven units, or to forgo superannuation altogether in order to receive retiring gratuities and/or service grants; and
- (8) entry to the fund is subject to medical examination and classification by the Board.

VICTORIA—STATE SUPERANNUATION FUND
(\$'000)

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
Receipts—					
Contributions—					
Officers	33,790	43,213	50,468	56,669	55,837
Consolidated Fund (a)	25,006	28,916	37,480	48,887	58,532
Interest	14,748	17,705	20,103	r21,620	23,589
Other	958	1,592	10,836	r2,428	2,474
Total	74,502	91,425	118,887	r129,604	140,432
Disbursements—					
Pension payments	29,909	34,432	42,564	52,683	61,547
Lump sum payments	9,733	9,691	34,311	26,827	23,510
Contributions refunded	3,055	3,148	3,654	4,652	5,093
Transfer to Pensions Supplementation Fund	5,927	7,117	8,720	10,479	12,819
Other	(b)5,925	(b)8,377	—	2,005	5,352
Total	54,549	62,763	89,249	96,646	108,321
Balance in Fund at 30 June	242,397	271,059	300,698	335,889	368,000

(a) These figures do not agree with those shown in the preceding table, as the latter include the Consolidated Fund's share of pensions accrued at the end of each year and contributions to the Pensions Supplementation Fund from 1972-73.

(b) Includes payments in respect of property acquisition amounting to \$3,517,887 in 1973-74 and \$5,681,718 in 1974-75.

The following table shows details of Victorian Government, local government, and semi-government superannuation schemes which are operated through separately constituted funds. Schemes operated through insurance offices are excluded.

VICTORIA—GOVERNMENT SUPERANNUATION SCHEMES OPERATED
THROUGH SEPARATELY CONSTITUTED FUNDS, 1976-77

Particulars	Victorian Government	Local government	Semi- government	Total
INCOME (a)	\$'000	\$'000	\$'000	\$'000
Contributions—				
Employees	57,347	7,870	23,058	88,276
Employing authorities	(b) 66,312	11,810	47,594	125,716
Interest, etc.	28,686	6,702	36,169	71,557
Total	152,345	26,382	106,822	285,549
EXPENDITURE (a)				
Pensions	82,323	168	10,360	92,851
Lump sum payments	32,020	8,856	24,042	64,919
Other	2,010	2,961	3,559	8,530
Total	116,353	11,985	37,961	166,300
ASSETS (c)				
Government securities—				
Commonwealth Government	10	7,364	38,374	45,747
Local and semi-government	197,632	53,705	34,680	286,017
Other securities, etc.	143,531	30,810	343,565	517,907
Total	341,172	91,880	416,619	849,670
Contributors (c)	number	number	number	number
	(d) 77,923	21,928	45,778	(d)145,629

(a) Excludes transfers between funds.

(b) This figure does not agree with that shown on page 467 as the latter includes the Consolidated Fund's share of pensions accrued at the end of the year and because this table excludes the Parliamentary Contributory Superannuation Fund, the Coal Mine Workers Pension Fund, and government expenditure on other pensions, gratuities, etc.

(c) At end of year.

(d) Estimated.

PUBLIC DEBT

The public debt chiefly comprises money raised and expended with the object of assisting the development of the resources of the State and is, to a large extent, represented by tangible assets.

Loan money has been used in Victoria principally for the construction of railways, roads, water supply and sewerage works, schools, hospitals, other public buildings, improvements to harbours and rivers, electricity supply, land settlement, and forestry.

A notable feature of the public debt of the State is that approximately 99 per cent of indebtedness is now domiciled in Australia. There has been a gradual change from the situation which existed a century ago when nearly all loans were financed in London. Even at the beginning of the twentieth century, only 10 per cent of State indebtedness was domiciled in Australia.

In the tables in this section relating to the public debt of Victoria, loans domiciled in overseas countries have been converted to Australian currency at rates of exchange ruling at 30 June in each respective year.

The public debt of the State of Victoria as shown in the following tables excludes certain liabilities due to the Commonwealth Government at 30 June 1978. These liabilities include advances of \$974.0m for housing purposes under the Commonwealth-State Housing Agreements, \$73.8m for sewerage, \$60.6m for rural and dairy reconstruction, \$72.7m for growth centres, \$34.0m for land acquisition, and \$11.7m of special assistance loans for soldier settlement. These and other purpose loans and advances made pursuant to Commonwealth-State agreements and arrangements should be taken into account when considering the total debt position of Victoria.

Public debt transactions

The following table shows particulars of the loans raised and redeemed during, and the amount outstanding at the end of, each of the years 1973-74 to 1977-78. The variations from year to year in the Australian currency equivalent of overseas loans, resulting from application of the rates of exchange ruling at 30 June in each year, are shown.

VICTORIA—STATE PUBLIC DEBT: SUMMARY OF TRANSACTIONS
(**\$A'000**)

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
DEBT MATURING IN AUSTRALIA					
	<i>(a)</i>				
Debt outstanding at 1 July	2,591,969	2,711,720	2,618,754	2,807,054	3,005,216
New debt incurred—					
Commonwealth Government loan floatations	430,217	411,344	578,909	517,416	567,274
Domestic raisings	279,516	226,111	360,898	288,372	326,482
Less conversion and redemption loans					
Total new debt incurred	150,701	185,233	218,011	229,044	240,791
Less repurchases and redemptions from National Debt Sinking Fund	30,950	36,299	29,710	30,882	23,656
Net increase in debt	119,751	148,934	188,301	198,162	217,136
Debt outstanding at 30 June	2,711,720	2,860,654	2,807,054	3,005,216	3,222,352
DEBT MATURING IN LONDON					
Debt outstanding at 1 July	22,910	19,304	19,346	15,673	16,115
New debt incurred	..	..	..	..	..
Less repurchases and redemptions from National Debt Sinking Fund	888	776	1,009	625	2,581
Adjustment due to variation in rate of exchange	-2,719	+ 819	-2,665	+ 1,067	+ 853
Net increase in debt	-3,606	+ 43	-3,674	+ 442	-1,728
Debt outstanding at 30 June	19,304	19,346	15,673	16,115	14,387
DEBT MATURING IN NEW YORK, CANADA, SWITZERLAND, AND THE NETHERLANDS					
Debt outstanding at 1 July	18,031	15,587	16,172	11,314	10,441
New debt incurred	..	..	..	..	..
Less repurchases and redemptions from National Debt Sinking Fund	1,567	1,939	5,780	1,772	2,173
Adjustment due to variation in rate of exchange	-877	+ 2,524	+ 922	+ 899	-360
Net increase in debt	-2,444	+ 585	-4,858	-873	-2,533
Debt outstanding at 30 June	15,587	16,172	11,314	<i>(b)</i> 10,441	7,906
TOTAL					
Debt outstanding at 1 July	2,632,910	2,746,610	2,654,272	2,834,041	3,031,771
New debt incurred					
Commonwealth Government loan floatations	430,217	411,344	578,909	517,416	567,274
Domestic raisings	279,516	226,111	360,898	288,372	326,482
Less conversion and redemption loans					
Total new debt incurred	150,701	185,233	218,011	229,044	240,791
Less repurchases and redemptions from National Debt Sinking Fund	33,405	39,014	36,499	33,279	28,410
Adjustment due to variation in rate of exchange	-3,596	+ 3,342	-1,742	+ 1,966	+ 493
Net increase in debt	113,701	149,561	179,769	197,731	212,874
Debt outstanding at 30 June	2,746,610	2,896,172	2,834,041	3,031,771	3,244,646

(a) Adjusted in accordance with Financial Agreement as amended (Act 8843 of 1976). Liability of \$241.9m was assumed by the Commonwealth.

(b) Includes New York, \$A5,497,820; Canada, \$A1,539,834; and the Netherlands, \$A868,699.

The following table shows details of the amounts of loans outstanding in Australia, London, New York, Canada, Switzerland, and the Netherlands at the end of each of the years 1973-74 to 1977-78:

VICTORIA—PUBLIC DEBT: LOANS OUTSTANDING
(**\$A'000**)

At 30 June—	Amount						Total debt
	Australia	London	New York	Canada	Switzerland	The Netherlands	
1974	2,711,720	19,304	9,846	1,742	2,868	1,131	2,746,610
1975	2,860,654	19,346	9,415	1,708	3,840	1,209	2,896,172
1976	2,807,054	15,673	8,453	1,872	..	988	2,834,041
1977	3,005,216	16,115	7,589	1,845	..	1,006	3,031,771
1978	3,222,352	14,387	5,498	1,540	..	869	3,244,646

In the following table the annual interest liability of the State has been calculated on the basis of the debt outstanding at the end of each of the years 1973-74 to 1977-78. The liability, therefore, represents the amount of interest payable in the ensuing year without regard to new loan raisings and redemptions during that year. The table shows particulars of the annual interest payable in Australia and in overseas countries, respectively, and the average rate of interest liability.

VICTORIA—ANNUAL INTEREST LIABILITY ON PUBLIC DEBT (a)

At 30 June—	Payable in Australia	Payable in overseas countries	Total	Average rate
	\$A'000	\$A'000	\$A'000	per cent
1974	152,655	1,888	154,543	5.63
1975	181,912	1,913	183,825	6.35
1976	199,930	1,483	201,412	7.11
1977	225,594	1,461	227,055	7.49
1978	253,707	1,228	254,935	7.86

(a) Calculated at the end of each year in respect of the ensuing year.

The actual interest and expenses paid on the public debt of Victoria for each of the years 1973-74 to 1977-78 are shown in the following table:

VICTORIA—INTEREST AND EXPENSES OF PUBLIC DEBT
(\$A'000)

Year	Interest paid on loans maturing—				Total interest	Commis- sion on payment of interest overseas, expenses of conversion loans, etc.	Grand total (b)
	In Australia	In London (a)	In New York (a)	Elsewhere Overseas (a)			
1973-74	147,347	1,112	620	291	149,370	658	150,027
1974-75	162,311	1,253	492	342	164,398	1,258	165,656
1975-76	173,909	968	509	347	175,734	1,041	176,775
1976-77	207,723	896	459	173	209,251	1,215	210,466
1977-78	238,005	925	370	(c)148	239,448	1,201	240,649

(a) Includes exchange.

(b) Includes \$A4,254,318 contributed each year by the Commonwealth Government in accordance with the provisions of the Financial Agreement, but excludes interest paid on advances received from the Commonwealth Government for housing, soldier settlement, rural reconstruction, etc.

(c) Includes Canada, \$A96,141, and the Netherlands, \$A52,003.

National Debt Sinking Fund

Under the Financial Agreement of 1927 between the Commonwealth Government and the States, it was arranged that the Commonwealth Government assume responsibility for the public debt of the States. The securities covering these debts would be redeemed or repurchased by payments from the National Debt Sinking Fund (which had been in existence from 1923) and the Commonwealth Government and the States were to make annual contributions to the Fund for this purpose.

Details of transactions of the National Debt Sinking Fund in respect of the public debt of the State of Victoria, for each of the years 1973-74 to 1977-78, are shown in the following tables. The first table shows particulars of the receipts of the Fund, and the second table shows details of the expenditure on, and face value of, securities repurchased and redeemed.

VICTORIA—NATIONAL DEBT SINKING FUND: RECEIPTS
(\$'000)

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
Contributed under Financial Agreement—					
Victorian Government	27,401	28,839	29,000	31,156	33,458
Commonwealth Government	7,195	7,525	7,500	8,003	8,540
Total contributions under Financial Agreement	34,595	36,364	36,500	39,159	41,998

VICTORIA—NATIONAL DEBT SINKING FUND: RECEIPTS—*continued*
(\$'000)

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
Interest on investments	79	49	49	31	173
Special contributions by Victoria	14	14	..	..	..
Total	34,688	36,427	36,549	39,190	42,171
Total to date	473,357	509,784	546,332	585,522	627,693

VICTORIA—NATIONAL DEBT SINKING FUND: SECURITIES
REPURCHASED AND REDEEMED
(\$A'000)

Particulars	1973-74	1974-75	1975-76 (a)	1976-77	1977-78
Australia—					
Face value	30,950	36,299	29,710	30,882	23,656
Net cost	30,948	36,297	29,697	30,881	23,653
London—					
Face value	888	776	1,009	625	2,581
Net cost	589	540	962	492	2,597
New York—					
Face value	1,374	1,634	1,650	1,774	1,880
Net cost	1,270	1,426	1,531	1,650	1,923
Canada—					
Face value	51	133	79	46	154
Net cost	42	118	65	42	162
Netherlands—					
Face value	141	173	165	201	218
Net cost	135	164	166	177	206
Switzerland—					
Face value	—	—	3,889	..	..
Net cost	—	—	4,049	..	..
Total—					
Face value	33,405	39,014	36,499	33,528	28,489
Net cost	32,984	38,544	36,469	33,242	28,540
Total to date—					
Net cost	469,465	508,009	544,479	577,721	606,261

(a) In accordance with the 1976 amendments to the Financial Agreement, purchases made since 30 June 1975 are brought to account at net cost plus accrued interest. In previous years net cost only was charged to State's accounts.

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