

PUBLIC FINANCE

VICTORIAN BUDGET SUMMARY, 1976

Introduction

The Premier and Treasurer of Victoria, the Hon. R. J. Hamer, E.D., presented the Victorian Budget for 1976-77 in the Legislative Assembly of the Victorian Parliament on 8 September 1976.

The basic objectives of the 1976 Victorian Budget included the continuation of the programme begun four years earlier to improve the quality of living for all Victorians. In particular, the Budget was designed to co-operate with the Commonwealth Government in the control of inflation. Increases in expenditure by the Victorian Government would be limited to those necessary to carry out essential programmes and would be consistent with the maintenance of the highest feasible level of employment.

The main aspects of the Budget were:

- (1) No increases in State taxation;
- (2) probate duty to be abolished on property passing to one spouse on the death of the other;
- (3) pay-roll tax reduced by means of an increase in the general exemption to \$48,000;
- (4) rebates on municipal, water, and sewerage rates for eligible pensioners doubled to 50 per cent;
- (5) a new fund created to assist decentralised industries tendering for government contracts;
- (6) meeting the full operating costs of kindergartens and doubling the maximum capital subsidy;
- (7) substantial increases to be made in 1977 in education allowances payable to all parents;
- (8) reduction in supplementary charges for workers compensation;
- (9) larger grants to school councils and committees;
- (10) creation of a new fund to subsidise interest payable on borrowings for school self-help schemes; and
- (11) a 25 per cent increase in the Victorian Government subsidy for municipal library services.

With severe expenditure controls in effect, including a ceiling of 1 per cent on public service staff recruitment other than teachers and police, the estimates for 1976-77 envisaged receipts and payments of the Consolidated Fund in balance at \$2,901.8m, or an increase of 13 per cent on 1975-76.

The Current Account sector of the Budget for 1976-77 was estimated to be virtually in balance at \$2,493m, representing an increase in current receipts over 1975-76 of 15.6 per cent and in current payments of 16.4 per cent. The amount

available from the Consolidated Fund for the Works and Services Account (\$409m) showed a slight reduction on the actual amount available in 1975-76, mainly because of a stricter Commonwealth Government policy on works programmes. However, part of the amount available from 1975-76 would help to offset the fall in capital funds available in 1976-77.

In regard to the outcome of the 1975-76 year, the Premier explained that with moderating wage increases, firm controls on expenditures, and a general improvement in revenues, the Current Account sector of the Budget which had been expected to be \$20m in deficit actually showed a surplus of \$14.6m for the year. This amount was automatically carried forward in the Works and Services Account to support works programmes during 1976-77.

New trends in Commonwealth-State financial relationships

The Premier examined in detail the new arrangements whereby the States and local government would, as from 1 July 1976, receive a guaranteed share of personal income tax revenue collected by the Commonwealth Government. There would be a rationalising of responsibilities between the three levels of government in Australia. Under the first stage of the scheme, the States will receive in 1976-77 and following years 33.6 per cent of personal income tax collections in each year with the distribution between the States to be on the same basis as the 1975-76 financial assistance grants. In 1975-76, Victoria's share of the financial assistance grants paid by the Commonwealth Government was 23 per cent of the total. Subject only to changes in population relativities, Victoria would receive 7.7 per cent of total personal income tax collections by the Commonwealth Government during the 1976-77 financial year. This amount, estimated at \$852.5m, was included in the Budget.

The second stage of the scheme (scheduled to operate from 1977-78) would, *inter alia*, allocate responsibilities for specific programmes of expenditure which have been supported by the Commonwealth Government by grants of financial assistance. These matters were being examined by joint groups of Commonwealth and Victorian Government officers with a view to making suitable recommendations.

Details

Revenue 1976-77

There were no increases in rates of taxation to operate for 1976-77, reflecting the Victorian Government's determination not to increase indirect taxation which would bear on the cost of living.

The largest item of Budget revenue was State taxation—\$997m, an increase of \$110m for the year. Major contributors to this increase were: pay-roll tax, \$50m; probate duty, \$9m; Tattersall duty, \$9m; stamp duty, n.e.i., \$12m; and tobacco licences, \$11m. Commonwealth Government payments for current purposes credited to the Consolidated Fund were estimated to increase by \$169m in 1976-77. Other substantial contributors to increased revenue in 1976-77 were estimated to be railways revenue, increased from \$147m to \$169m, and debt charges recoveries, increased from \$90m to \$107m.

Expenditure 1976-77

Education

The provision for expenditure on education for 1976-77, \$1,048m, was again a record amount. This included \$933m derived from State sources and \$115m from the Commonwealth Government. The Premier stated that the continuing top priority which the Victorian Government gave to education was reflected in the increasing share of the Budget being devoted to it.

Among the principal items included in the Budget for 1976-77 were:

- (1) Provision for salaries, \$572m;
- (2) direct grants to school councils and committees, \$22.7m;

- (3) supplementary grants under disadvantaged schools programme, \$5.6m;
- (4) additional allowances to parents of pupils (government and non-government schools), \$9.5m in 1976-77 (\$21.5m in a full year);
- (5) per capita payments to independent schools, \$37.4m;
- (6) special education current expenditure, \$17.4m; and
- (7) education works programme, \$149.4m; the Victorian Government to provide \$104.2m (an increase of 17 per cent), and the Commonwealth Government to provide \$45.2m (a decrease of 6 per cent).

The approved works programme would enable a record building programme to be completed in order to cater for approximately 30,000 new pupil places required for the beginning of the 1977 school year.

Hospitals and health services

The Budget provided for a total expenditure of \$483.1m on health and hospital services in 1976-77, an increase of \$66.8m on 1975-76.

The principal item of expenditure was the State payment towards the running costs of hospitals and institutions which are supported by the Hospitals and Charities Commission. This was estimated at \$237.7m for 1976-77. All operating costs of public hospitals are now under Medibank arrangements, shared equally with the Commonwealth Government.

Provision for the general hospital building programme included \$37.6m from the Works and Services Account and \$25m made available by the Commonwealth Government under the Hospitals Development Programme. Much of the hospital development is taking place in the outer suburbs of Melbourne, for example, Ringwood, Dandenong, Fern Tree Gully, and Sunshine, while construction work is proceeding at country base hospitals such as Bendigo, Shepparton, Ballarat, Sale, and Geelong.

Mental health services provided from the Consolidated Fund were budgeted at \$115.7m for 1976-77, an increase of \$17.6m over the previous year, while \$15m was allocated from the Works and Services Account for the capital works programme of the Mental Health Authority and the Alcoholics and Drug Dependent Persons Services Branch of the Health Department.

The Victorian Government provided in the Budget for increased allocations for day training centres, kindergartens (operating and capital costs), elderly citizens clubs, and home help and infant welfare services. In co-operation with the Commonwealth Government, it accepted financial commitments for dental services for primary school children and for capital and operating costs of approved projects under the Community Health Programme.

Social welfare

The Budget provision for the Ministry of Social Welfare for 1976-77 was \$69.8m. Among the increased provisions were payments to foster parents, to deserted wives and unmarried mothers with dependent children, and to voluntary welfare agencies.

\$4.6m was made available for capital works from the Works and Services Account. This programme included an allocation of \$1.2m for works within the Prisons Division to improve prison facilities.

Police

\$123.7m was provided in the Budget for expenditure by the Police Department during 1976-77. Of this amount, the cost of salaries was estimated at \$101.4m.

Provision was made for a further increase of 300 persons in the actual staffing of the Victoria Police. During the last two years the ratio of police to population has improved from 1 : 663 to 1 : 589.

Capital works of \$9.5m were scheduled for 1976-77, including three new police stations at important centres and two new residential blocks at the Police Training Academy situated at Glen Waverley.

State development and decentralisation

The Budget allocation of \$30.9m for State development and decentralisation is intended to assist in achieving the objective of a more balanced distribution of population, industry, and development throughout Victoria. Approved decentralised secondary industries can qualify for rebates of pay-roll tax, land tax, freight concessions, etc., which were estimated to cost \$18.6m in 1976-77.

The Victorian Development Corporation would receive an advance of \$5.2m from the Works and Services Account for 1976-77. To date the Corporation has provided finance for firms in 97 country areas, thereby generating employment and commercial activity.

The Victorian Government established the Small Business Development Corporation to assist small businesses and to advise them on financial and management matters. Adequate funds would be provided and other measures in the Budget, notably regarding pay-roll tax and workers compensation, were specifically intended to help small businesses in the difficult economic climate which existed.

Agriculture and rural matters

Severe drought conditions, combined with long-term marketing problems experienced by primary producers, were causing the Victorian Government concern. Several measures were taken to alleviate the unsatisfactory situation, including:

- (1) The declaration of 133 municipalities as drought areas where special road and freight concessions would be available to farmers for the movement of fodder and stock;
- (2) a subsidy on the disposal of unwanted and helpless cattle ;
- (3) the provision of short-term employment to dairy farmers whose farms were temporarily unproductive and to other primary producers not eligible for unemployment relief (at a cost of \$1.5m);
- (4) joining the Commonwealth Government in underwriting the sales of skim milk powder and casein (at a cost to Victoria of \$7.5m);
- (5) a contribution of \$3.5m by the Victorian Government for carry-on loans to dairy farmers on concessional terms;
- (6) the reintroduction of free milk for pre-school children from August 1976 to provide a market for 2,300,000 litres of milk at a cost of \$0.7m in 1976-77;
- (7) support of the Commonwealth-State Beef Assistance Scheme with transport subsidies to cost approximately \$1m in 1976-77;
- (8) compensation payments to farmers for cattle slaughtered under the campaign against bovine brucellosis (at a cost to Victoria of \$2m in 1976-77);
- (9) an increase for 1976-77 of \$2.5m in the Victorian Government's funds administered by the Rural Finance and Settlement Commission in the form of assistance to rural industries; and
- (10) the allocation of \$3m from the Works and Services Account for the works programme of the Department of Agriculture.

Conservation

The Budget provided a total of \$21.3m for the Ministry of Conservation for 1976-77. Principal items were: National Parks Fund, \$3.6m; Environment Protection Authority, \$5m; Fisheries and Wildlife Division, \$3.1m; and Soil Conservation Authority, \$3.2m.

The arts

The Budget increased the funds for the Ministry of the Arts from \$26.8m in 1975-76 to \$32.0m in 1976-77.

Subsidies to municipal library services would cost \$9m in 1976-77, while regional library grants were increased to \$0.5m. \$1m was provided for regional venues for the performing arts. Other innovations were the establishment of two new bodies—the Victorian Film Corporation and the Victorian Tapestry Workshop.

Construction of the theatres and concert hall complex at the Victorian Arts Centre was progressing steadily. The allocation to the Arts Centre Building Committee from the Works and Services Account for 1976-77 was \$9.7m.

Transport

The cost of public transport services to the Consolidated Fund in 1976-77 was estimated at \$203.3m, excluding railway debt charges and the administrative costs of the Ministry of Transport. Components of this figure were: operating loss of the Railways Board, \$129.9m; payments to the Tramways Board, \$26.9m; payments to private bus operators, \$7.0m; allocation to the Railways Board for capital works, \$31.4m; and Melbourne Underground Rail Loop Authority debt charges, etc., \$8.1m.

Provision was made in the Budget for \$5.3m for fare concessions for pensioners and \$2.9m for fare concessions for school children using public transport.

Water resources and sewerage

The principal allocations of funds from the Works and Services Account for works to provide water and sewerage services in 1976-77 were \$38.5m to the State Rivers and Water Supply Commission and \$31.5m to the Melbourne and Metropolitan Board of Works.

Forests

Funds totalling \$26.4m were provided for the activities of the Forests Commission in 1976-77. This includes \$10.1m from the Works and Services Account.

Local government

The Premier explained the entitlement to be given for the first time in 1976-77 to local government to a specific share of Commonwealth Government personal income tax collections. In 1976-77 this would amount to 1.52 per cent of Commonwealth Government collections from personal income tax in 1975-76. On the recommendation of the Commonwealth Grants Commission, Victoria would receive 25.28 per cent of this figure, or \$35.4m. The Budget set out the basis for the initial distribution and stated that the Victorian Government would establish a permanent and independent Victorian Grants Commission to make recommendations for the distribution of funds in future years.

Planning

Funds available to the Ministry of Planning amounted to \$3.25m in 1976-77. Increased grants were made to regional planning authorities, while planning would continue in connection with the development of Melton and Sunbury as satellite towns. The Works and Services Account would provide \$0.5m to facilitate the purchase and aggregation of small building lots in the Dandenong Ranges to ensure that development in that region would be appropriate with regard to the maximum preservation of the environment.

Youth, sport, and recreation

Funds totalling \$9m were made available for 1976-77 to the Department of Youth, Sport, and Recreation. \$2.5m was allocated to provide subsidies for capital facilities for family and community recreation, including swimming pools, sports halls, and cycle tracks. The Budget provided up to \$430,000 to State-wide sporting and recreation associations, mainly to expand coaching programmes and to encourage participation, while the National Fitness Council received \$475,000 towards the operating costs and improvements of its camps. From the Youth Fund, \$894,000 was allocated for the recruitment and training of voluntary workers, capital improvements to youth clubs, and assistance to voluntary youth organisations; \$150,000 for after school and school holiday programmes; and \$208,000 for special youth work.

Consolidated Fund**VICTORIA—CONSOLIDATED FUND: RECEIPTS, BUDGET SUMMARY, 1976-77**
(S'000)

Head of receipt	1975-76 (Actual)	1976-77 (Estimate)
Current account—		
State taxation	887,178	996,950
Other State sources	332,190	367,940
Railways operating income	146,943	169,300
Commonwealth Government payments—		
Financial Agreement	4,254	4,254
Tax reimbursement grant	706,389	
Personal Income tax sharing entitlement		852,500
Other Commonwealth Government payments accounted for through the Consolidated Fund	79,785	101,828
Total	2,156,740	2,492,772
Works and services—		
Proceeds of loan raisings	217,744	228,706
Loan repayments	8,794	8,500
Commonwealth Government payments—		
Works grant	108,871	114,354
School building grants	45,075	44,400
Sewerage advances	30,973	13,100
Total	411,456	409,060
Grand total	2,568,197	2,901,832

VICTORIA—CONSOLIDATED FUND : PAYMENTS, BUDGET SUMMARY, 1976-77
(S'000)

Function of payments	1975-76 (Actual)	1976-77 (Estimate)
Current account—		
Special appropriations	401,215	475,097
Departmental votes	1,464,122	1,718,929
Railways operating expenses (a)	276,767	299,245
Total	2,142,104	2,493,271
Works and services—		
Appropriation to Works and Services Account	426,092	408,561
Grand total	2,568,197	2,901,832

(a) This item does not include railways debt charges, which are included in the item "special appropriations" as follows: charges on total debt—1975-76 (Actual) \$35,195,908; 1976-77 (Estimate) \$40,100,000; charges on debt since 1960—1975-76 (Actual) \$14,375,661; 1976-77 (Estimate) \$17,200,000.

ECONOMIC AND SOCIAL RESPONSIBILITIES OF GOVERNMENTS**General**

Governments of developed countries with their now generally accepted responsibilities for economic stability and growth are expected to monitor and regulate their country's economy so that such evils as recession, price inflation, and unemployment are mitigated if not avoided. At the same time they are expected 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). The accounting reports of this group of organisations have to be collected and either fully analysed in order to present a complete statement of their transactions, or methods of analysis adopted so that their transactions are 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, construction and maintenance of roads and bridges, 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 this and 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* 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 *Public Authorities Finance: State and Local Authorities*, issued by the Australian Statistician.

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

Item	1970-71	1971-72	1972-73	1973-74	1974-75
1. OUTLAY					
Final consumption expenditure	584.4	678.3	833.7	1,062.0	1,482.5
Gross capital formation—					
Increase in stocks	-1.8	-2.2	2.1	1.7	15.5
Expenditure on new fixed assets	548.8	576.3	636.8	725.5	1,034.1
Expenditure on existing assets (net)	28.9	23.4	43.6	73.0	117.3
Total gross capital formation	575.9	597.5	682.5	800.2	1,166.9
Transfer payments—					
Interest	236.7	266.2	290.7	312.7	349.6
Transfers to persons	27.3	35.1	44.5	46.0	54.9
Subsidies	2.7	3.8	5.1	5.4	7.5
Transfers overseas	0.3	0.3	0.3	0.3	0.3
Grants for private capital purposes	5.2	5.7	6.2	8.6	15.9
Total transfer payments	272.2	311.0	346.7	373.1	428.2
Net advances—					
To the private sector	28.3	25.8	18.1	15.1	65.2
To public financial enterprises	..	..	..	5.0	5.0
Total net advances	28.3	25.8	18.1	20.1	70.2
Total outlay	1,460.7	1,612.5	1,881.0	2,255.4	3,147.8
Total outlay—					
Current outlay	856.6	989.3	1,180.4	1,435.1	1,910.7
Capital outlay	604.2	623.3	700.6	820.3	1,237.1

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

Item	1970-71	1971-72	1972-73	1973-74	1974-75
2. RECEIPTS AND FINANCING ITEMS					
Receipts—					
Taxes, fees, fines, etc.	419.5	542.6	659.7	839.1	1,061.4
Income from public enterprises	120.6	120.4	110.1	103.9	86.7
Property income—					
Interest	27.0	31.5	35.7	44.9	56.2
Land rent, royalties	20.4	26.5	28.1	35.6	41.1
Total property income	47.4	58.0	63.8	80.5	97.3
Grants from the Commonwealth					
Government—					
For current purposes	413.1	431.5	502.5	621.9	920.1
For capital purposes	123.0	136.5	159.1	203.4	349.7
Total receipts	1,123.7	1,289.0	1,495.2	1,848.8	2,515.2
Financing items—					
Net borrowing—					
Local authority and public corporation securities	134.2	146.9	189.1	176.3	210.5
Other general government securities	1.6	1.9	0.9	-0.2	0.7
Advances from the Commonwealth					
Government (net)—					
For loan works purposes	93.4	141.4	154.7	115.1	148.4
Other	39.2	1.5	10.5	69.3	158.3
Net receipts of private trust funds	25.9	35.6	44.9	50.8	110.0
Reduction in cash and bank balances	-70.3	-64.9	-29.6	-17.8	-26.6
Reduction in security holdings	9.6	-18.2	-71.9	-55.5	-27.4
Other funds available (including errors and omissions)—					
Depreciation allowances	60.6	66.2	71.0	74.9	80.6
Other	42.8	13.1	16.4	-6.3	-21.9
Total financing items	337.1	323.5	385.8	406.5	632.6
Total funds available	1,460.7	1,612.5	1,881.0	2,255.4	3,147.8

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

Purpose	1970-71	1971-72	1972-73	1973-74	1974-75
1. FINAL CONSUMPTION EXPENDITURE CLASSIFIED BY PURPOSE					
General public services—					
Law, order, and public safety	53.2	62.2	72.2	88.9	122.4
General administration, n.e.c.	44.7	43.9	59.0	74.6	103.8
Education	286.8	340.2	419.7	537.3	768.9
Health	115.2	134.2	158.9	207.5	283.6
Social security and welfare	12.2	14.4	17.3	22.2	30.8
Housing and community amenities—					
Housing	0.2	0.3	0.4	0.5	0.6
Community and regional development	1.5	1.8	2.0	4.3	8.3
Protection of the environment	5.1	5.5	7.8	12.0	17.4
Recreation and culture	20.7	24.0	29.4	35.5	44.1
Economic services—					
Agriculture, forestry, and fishing	21.8	24.3	33.6	37.9	45.9
Mining, manufacturing, and construction	1.6	1.8	1.8	3.4	5.4
Electricity and gas	..	..	0.1	..	..
Water supply	-1.5	-1.4	-1.4	-2.2	-0.6
Rail transport	..	..	1.1	0.5	0.5
Sea transport	0.1	0.3	0.3	..	..
Road systems	7.3	8.4	10.7	13.6	16.0
Other transport services, n.e.c.	0.1	..	0.1	0.1	0.1
Other economic services (including general administration)	15.3	18.3	20.7	25.6	35.0
Other purposes	0.1	0.1	..	0.3	0.3
Total	584.4	678.3	833.7	1,062.0	1,482.5

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

Purpose	1970-71	1971-72	1972-73	1973-74	1974-75
2. EXPENDITURE ON NEW FIXED ASSETS CLASSIFIED BY PURPOSE					
General public services—					
Law, order, and public safety	3.8	5.0	5.8	8.4	8.4
General administration, n.e.c.	14.4	15.3	17.5	20.4	39.4
Education	70.3	75.4	86.9	100.6	168.6
Health	19.4	18.0	20.2	30.2	47.0
Social security and welfare	2.6	4.1	2.5	1.5	2.2
Housing and community amenities—					
Housing	18.8	13.2	15.5	19.1	56.6
Community and regional development	0.2	0.7	0.5	0.5	1.7
Protection of the environment (incl. sewerage and drainage)	48.9	68.5	87.7	95.6	117.3
Recreation and culture	7.4	8.8	10.5	9.9	14.4
Economic services—					
Agriculture, forestry, and fishing	22.1	20.2	21.1	26.5	39.6
Mining, manufacturing and construction	2.9	4.5	8.5	13.0	7.3
Electricity and gas	108.6	98.3	98.9	95.4	130.5
Water supply	30.5	39.4	48.6	50.4	63.5
Rail transport	17.5	20.0	25.3	34.9	56.8
Sea transport	11.6	11.6	11.0	16.1	21.4
Road systems	160.2	168.7	170.2	196.2	243.5
Other transport services, n.e.c. (a)	2.7	0.9	1.0	1.0	7.5
Other economic services, (incl. general administration)	7.0	3.8	5.2	5.7	8.3
Total	548.8	576.3	636.8	725.5	1,034.1

(a) Excludes suburban rail transport systems included under "Rail transport".

COMMONWEALTH—STATE FINANCIAL RELATIONS
UNDER THE CONSTITUTION

The Commonwealth Constitution allocated areas of power to the Commonwealth. The States were expressly excluded from some fields of Commonwealth power. The powers of Commonwealth and States were to be concurrent in other fields, although the laws made by the Commonwealth were potentially paramount. The areas of power that were given to the Commonwealth were not those which in the years preceding federation had involved large expenditure. The functions of government that remained with the States included those that had been the most costly.

Duties of customs and excise had been the main sources of revenue of the federating colonies. One of the main purposes of federation was to eliminate internal customs within the federated nation and to secure uniformity in the imposition of customs and excise duties throughout the nation. If the Commonwealth were to be given an exclusive power to levy customs and excise duties, a way had to be found to provide for disposing of the excess receipts by the Commonwealth over its expenditure and for satisfying State needs that would arise from the excess of expenditure over revenue in the light of the depletion of the States' customary means of taxation.

The Constitution vested in the Commonwealth by sec. 51 (ii) a general power of taxation which was subject only to the qualification that it was not to discriminate between States or parts of States. Its power to impose duties of customs and excise and to grant bounties on the production or export of goods was to become exclusive on the imposition of uniform duties of customs. All State laws imposing customs and excise duties and offering bounties were thereupon to cease to have effect (sec. 90). Uniform duties were imposed by the Commonwealth Parliament on 8 October 1901.

During the first ten years of the federation and thereafter until the Parliament provided otherwise, the Commonwealth was prohibited by sec. 87 from applying more than one fourth of the net revenue from customs and excise duties towards its own expenditure and was required to pay the balance to the States or to apply it towards the payment of interest on State debts taken over by the Commonwealth. Until the imposition of uniform duties of customs and for five years thereafter the Commonwealth was required to credit to each State the net revenues that the Commonwealth collected in it (secs. 89, 93). After five years from the imposition of uniform customs duties, the Commonwealth Parliament was to have the power to provide for the monthly payment to the States of all the surplus revenue of the Commonwealth on such basis as it deemed fair (sec. 94).

In addition, during a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provided, sec. 96 authorised the grant of financial assistance by the Commonwealth Parliament to any State on such terms and conditions as the Parliament thought fit.

The Commonwealth Parliament imposed customs and excise duties in 1901. They were the only Commonwealth taxes until 1910 when a land tax was levied. Commonwealth estate duty was first imposed in 1914, income tax in 1915, and entertainments tax in 1916.

The assumption that the financial needs of the Commonwealth would be adequately provided for from customs and excise duties so that there would be surplus revenue available to be paid to the States under sec. 94 foundered soon after the five year period. At first the Commonwealth adopted the practice of appropriating moneys from the Consolidated Revenue for the purposes of trust accounts formed in accordance with the Audit Act, so that all the revenue of one year would be appropriated for authorised purposes although part might not be expended until a later year. In 1908 the Commonwealth Parliament enacted a statutory scheme which had the effect that any unexpended Commonwealth revenue was appropriated for expenditure in future years and that moneys so appropriated were deemed expenditure of the Commonwealth, so that there should be no surplus revenue until after the moneys so appropriated had been added to the moneys actually expended within the year and deducted from the revenue of that year.

In 1910 a proposal to amend the Constitution by, in effect, omitting secs. 87, 93, and 94 and substituting provisions requiring the Commonwealth to pay to the States or to apply to the payment of interest on State debts taken over by the Commonwealth an annual sum amounting to £1 5s. per capita of population was rejected at a referendum. The Commonwealth Parliament nevertheless by statute required the Commonwealth to make annual per capita payments to all the States for ten years to 1 July 1920 and thereafter until the Parliament otherwise provided and to make special additional payments to Western Australia. Special payments to Tasmania were made from 1912.

Those provisions continued until 1927 when the provisions of the statute of 1910 for making per capita payments were repealed and new provisions were enacted which provided for the payment to the States in 1927 of amounts equivalent to what the per capita payments would have been if the previous legislation had continued.

Section 105 of the Constitution originally enabled the Commonwealth Parliament to take over the public debts of the States existing at the establishment of the Commonwealth and required the interest upon such debts to be deducted from the portions of the surplus revenue payable to the States or, if there were no surplus or if it were insufficient, requiring payment to be made by the States. An amendment was approved by referendum in 1910 which deleted the limitation in sec. 105 confining the power to the State public debts existing at the establishment of the Commonwealth.

When the per capita payments system was reviewed in 1927 a scheme was proposed by which the Commonwealth should take over the public debts of the States and become responsible for the payment of interest. Instead of making per capita payments to the States for fifty-eight years from 1929, the Commonwealth was to pay agreed sums to a sinking fund for the redemption of loans. The States were to pay to the Commonwealth amounts equivalent to interest on moneys borrowed on their behalf exceeding the fixed payments. The Australian Loan Council consisting of a representative of the Commonwealth and representatives of each of the States was to determine the amounts to be borrowed for each financial year for government purposes other than defence purposes. Each party to the scheme was to submit an annual programme to the Loan Council setting out the amount it desired to raise by loans for purposes other than the conversion, renewal, or redemption of existing loans or temporary purposes. Unless the Loan Council agreed otherwise, the Commonwealth was to arrange for all borrowings. The financial agreement was approved by the Parliaments of all the States and the Commonwealth in 1928 and an amendment of the Constitution, by which a new sec. 105A was inserted, was approved by a referendum.

Section 105A empowered the Commonwealth to make agreements with the States with respect to the public debts of the States, including the taking over and management of such debts. Any agreement might be varied or rescinded by the parties and every agreement and any variation should be binding on the Commonwealth and the party States notwithstanding anything in the Constitution or a State Constitution or any Commonwealth or State law. The Commonwealth Parliament was given power to enact laws for the carrying out of any such agreement by the parties thereto. The High Court has held that the power supports the making of Commonwealth laws to enforce the observance of the obligations of a State by requiring payments to be made out of the State Consolidated Revenue without appropriation by the State Parliament.

The financial agreement was ratified by the Commonwealth Parliament after the approval of the referendum for the insertion of sec. 105A. The agreement ended the system of per capita grants; it curtailed the Commonwealth's power to distribute surplus revenue; and it removed from the Commonwealth (except for defence purposes) and the several States the power to determine the amount of public borrowing for their own purposes, other than temporary purposes, and gave it to a body consisting of representatives of the States and the Commonwealth whose decisions were not subject to the ratification of any Parliament.

By 1933 the arrangements accepted in 1927 were found to work unequally between the States. The less populous States were less able than the more populous to obtain the funds that were needed to carry out their functions of government by using the taxing resources available to them. In that year a Commonwealth Grants Commission was set up to review and assess, on a continuing basis, applications received by the Commonwealth for special financial assistance to enable those States to maintain their functions and services at a level comparable with those of the other States. Although the Commission was established by statute and although, unlike the Loan Council, neither its existence nor its functions are protected by the Constitution, it has acquired a quasi-constitutional role in the financial relationship between the Commonwealth and the States.

Special grants recommended by the Grants Commission are made by the Commonwealth under sec. 96 of the Constitution. In the 1920s the Commonwealth began to make grants to the States pursuant to that section for the specific purpose of their being used for the construction of new roads. In 1926 the Commonwealth made those grants subject to the conditions that the funds should be used for construction and reconstruction and that maintenance should be paid for wholly by the States. The States were required to submit a

comprehensive plan of proposed construction works for approval by the Commonwealth and a Commonwealth board was established to consider the submitted plans and supervise their execution. The States were required to match the funds granted by the Commonwealth on a specified ratio. The grants to a particular State were to cease if the conditions were not observed. The validity of the scheme was challenged in the High Court on the grounds (1) that the terms and conditions referred to in sec. 96 were financial terms and conditions or, if not, were limited to matters within sec. 51; (2) that if only one State were to receive a grant the Act would give it a preference over other States in contravention of sec. 99. The objections to validity were peremptorily dismissed by the High Court. The roads grants legislation has become the model for schemes by which assistance has been granted to the States for multifarious specific purposes without regard to whether it was within the ordinary power of the Commonwealth Parliament to make laws with respect to the things for which the assistance was granted or concerning which conditions were imposed. Conditions have been attached to grants made for specific purposes which specify the manner in which the granted funds are to be expended. The High Court has stated that the only legal constraint upon the conditions that may be imposed upon assistance granted under sec. 96 is that they cannot be legally coercive.

In 1942 the Commonwealth Parliament passed, as a war-time measure, a series of Acts which had the effect of excluding the States from levying income taxes. The Constitution gave to the Commonwealth and left with the States the power to impose all forms of taxes, other than those allocated exclusively to the Commonwealth, for their separate purposes. From 1915, when Commonwealth income tax was first imposed, until 1942, separate income taxes were levied by the Commonwealth and the States. Commonwealth taxes were collected by the States on behalf of the Commonwealth in all States other than Western Australia. By the 1942 scheme, the Commonwealth took over the State income tax offices and officers and placed them under its own control until a year after the war; income tax was imposed at high rates; assistance, called income tax reimbursements, was to be granted to the States under sec. 96 upon the condition that a State in receipt of reimbursements should refrain from imposing income tax; and priority was given to the liability of a person to pay Commonwealth income taxes over any liability to pay State income taxes. All the provisions of the scheme were held to be valid by the High Court. The "uniform tax" scheme continued after the war. Its validity was challenged again before the High Court in 1957 upon the footing that the scheme had been supported only by the defence powers of the Commonwealth in time of war. It was held that the provision purporting to confer priority on the Commonwealth in the collection of taxes was invalid but that the decision of 1942 upon the validity of the other parts of the scheme should stand. Since 1959 the grants formerly known as income tax reimbursements grants have been called financial assistance grants. No State has imposed a general income tax since the inception of the "uniform tax" scheme.

Since 1942 State taxation has been confined to the fields other than income taxes: death and succession duties, land taxes, gift and stamp duties, entertainment taxes, liquor licensing fees, specific levies and licensing charges and, since 1971, pay-roll taxes. The validity of State taxes of various kinds has been called in question in proceedings before the High Court on the ground that they were excise duties or that they imposed a burden upon inter-State trade and commerce that was forbidden by sec. 92 of the Constitution. By a series of cases, in several of which the decision of the Court depended upon the judgments of a small majority of the judges, the High Court has held that a tax imposed upon goods at any time from manufacture until before the point of consumption is a duty of excise which sec. 96 gives the Commonwealth Parliament the exclusive power to impose, and hence that State taxes upon, among other things, the first sale

of petrol, an area in which a cash crop was planted, the distribution of milk within a metropolitan area, and liquor sold under occasional permits were duties of excise. Laws imposing stamp duties generally upon the receipt of moneys were held to be duties of excise to the extent that they fell upon receipts of payments for the sale of goods at any stage from manufacture to consumption. But fees charged upon the annual licences of victuallers and tobacco sellers, calculated by reference to sales in the previous year, and taxes upon the consumption of tobacco were held not to be duties of excise. The distinction in law between various kinds of licensing fees and consumption taxes and taxes upon sales or dealings with goods has not in all cases been easy to discern.

Taxes by the Commonwealth or a State upon goods committed to inter-State trade and commerce or activities performed in the course of inter-State trade and commerce are prohibited by sec. 92. But State laws requiring persons carrying goods for reward by road between the States to pay road maintenance charges of an amount commensurate with the cost of meeting additional wear and tear caused to highways have been held not to infringe sec. 92.

Section 114 prohibits a State, without the consent of the Commonwealth, from imposing a tax on property of any kind belonging to the Commonwealth and the Commonwealth from imposing a tax on property of any kind belonging to a State. The section has, however, been construed narrowly so that it does not prohibit the levying of customs duties upon the importation of goods by a State for its own use.

Apart from sec. 114, the general principle has been accepted that a State cannot tax an activity of the Commonwealth or one of its instrumentalities and the Commonwealth cannot impose a discriminatory tax upon the States or their activities or impose a tax which constitutes an interference of a fundamental kind with the performance by the States of their functions of government. A tax on the wages paid by a State to its employees has been held not to be a tax of that character.

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 on-passing 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 payable under the uniform tax system, and special grants payable under the provisions of sec. 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 1975-76 the only claimant State for special grants under sec. 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 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 non-government bodies) are given below.

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. In 1975-76 the sinking fund contribution made by the Commonwealth Government on account of debt incurred by Victoria was \$7.5m.

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. The various *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 leading up to the fixing of the financial assistance grants for 1974-75, of which Victoria's share was \$548.4m.

At the 1975 Premiers' Conference the Commonwealth Government undertook to legislate to provide for changes in the financial assistance grants arrangements. The changes affecting Victoria were the addition of \$200m to be divided between the States in 1975-76 and this amount was to be "built in" to the base on which the grants will be calculated under the formula in 1976-77 and onwards. The "betterment" factor in the formula for 1976-77 onwards was to be increased from 1.8 per cent to 3.0 per cent.

In accordance with this formula Victoria's share of these financial assistance grants in 1975-76 was \$706.4m.

Personal income tax sharing with the States

The formula system referred to above continued in use for annual determination of financial assistance grants only up to the end of 1975-76. Commencing with the year 1976-77 financial assistance grants were replaced by arrangements under which State Governments will be entitled to a specified share of Commonwealth personal income tax collections. This was in pursuance of the implementation of a basic element of the Federalism policy of the Commonwealth Government which assumed office in December 1975. This policy included tax sharing arrangements with the States and local government, as well as a more selective use of specific purpose payments to the States with the absorption of such payments where appropriate into general purpose funds.

In discussions with the Premiers at conferences held in February, April, and June 1976 the tax sharing arrangements were agreed to in principle with introduction to be made in two stages. Stage 1 commenced in 1976-77 with the Commonwealth continuing to be the sole government imposing taxes on incomes while the States would receive a specified proportion of personal

income tax collections made under Commonwealth legislation. Under Stage 2, intended to commence in 1977-78, the Stage 1 arrangement will continue but in addition each State will have the right to impose a surcharge or grant a rebate of personal income tax in its State. Any State surcharges or rebates will be allocated or paid by the Commonwealth on behalf of the State.

In respect of the year 1976-77 the amount to be distributed to the States under the new tax sharing arrangements was estimated for Commonwealth budgetary purposes to be in excess of the amount which would have accrued to the States had the formula system referred to above been used to calculate financial assistance grants for that year.

VICTORIA—COMMONWEALTH GOVERNMENT PAYMENTS TO OR FOR
THE STATE AND LOCAL GOVERNMENT AUTHORITIES (a)

(\$'000)

Nature of payment	1970-71	1971-72	1972-73	1973-74	1974-75
General revenue assistance (b)	361,584	362,085	396,087	443,624	562,266
Financial Agreement—					
Interest on State debt	4,254	4,254	4,254	4,254	4,254
Sinking fund on State debt (c)	5,926	6,378	6,809	7,195	7,525
Debt charges assistance	2,783	5,566	8,348	11,131	13,914
Capital assistance grants	51,020	55,890	63,405	70,789	87,370
Research grants	954	1,177	1,620	1,540	1,821
Government schools—					
Capital grants	4,491	5,650	7,346	12,647	50,367
Recurrent grants	..	..	..	10,172	35,859
Non-government schools—					
Capital grants	2,254	1,937	2,140	5,364	8,071
Recurrent grants	7,832	9,655	13,337	18,083	31,797
Schools—joint programmes	..	..	..	870	4,669
Technical and further education	3,912	1,500	3,350	7,272	13,379
Colleges of advanced education	11,093	12,921	19,718	60,391	118,571
Teachers colleges	1,251	2,750	..	..	..
Universities	22,228	25,255	29,223	67,596	117,128
Pre-schools and child care	..	..	..	1,514	9,297
Child migrant education	667	1,158	1,819	3,282	5,191
Hospitals	..	..	..	150	7,330
Community health	..	..	..	4,386	4,976
School dental scheme	..	..	..	1,344	4,097
Dwellings for aged pensioners	1,929	2,243	1,478	650	1,343
Aboriginal advancement	367	400	770	948	2,130
Housing assistance grants	..	1,005	1,679	1,679	1,679
Employment grants	..	6,075	25,670	2,647	11,200
Regional Employment Development Scheme	..	..	..	..	4,292
Area improvement programme	..	..	..	2,400	4,608
Sewerage	..	..	..	150	10,634
National estate	..	..	..	150	1,471
Agricultural extension services	1,194	1,364	1,490	1,601	1,877
Bovine brucellosis and T.B. eradication	577	700	1,150	1,681	2,064
Adjustment assistance to canneries	..	..	..	1,117	..
Marginal dairy farm reconstruction	..	142	45	72	1,172
Rural reconstruction	..	2,125	3,392	1,900	1,658
King River dam	2,000	212	36	15	20
Urban transport	..	..	..	..	18,867
Local government general purposes grants	..	..	..	..	14,630
Natural disaster relief	43	..	40	22	9,338
Roads	43,460	49,820	57,240	65,720	75,951
Other payments	1,781	2,178	4,312	6,775	6,917
Total	531,600	562,440	654,758	819,130	1,257,733

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

(b) Includes financial assistance grants and special revenue assistance.

(c) Paid to National Debt Sinking Fund.

Special revenue assistance

From time to time the Commonwealth Government has made ad hoc revenue grants to supplement those payable under the financial assistance grants arrangements. (See *Victorian Year Book 1976* and earlier *Year Books*.) In 1975-76 no such assistance was provided.

Debt charges assistance

With the formal transfer of \$1,000m of States' debt to the Commonwealth Government on 30 June 1975, the commitment by the Commonwealth Government to make grants to meet the interest and sinking fund contributions by States was concluded (see *Victorian Year Book 1976*).

Capital assistance grants

From 1970-71 the Commonwealth Government has made interest free capital grants to support that part of the States' works programmes from which debt charges are not normally recoverable (e.g., schools, police buildings, etc.). These grants which are distributed between the States in proportion to their respective borrowing programmes represented 24.3 per cent of the total works and housing programme for 1970-71. Changes in the method of calculating the capital assistance grants since 1972-73 have resulted in the payment of grants which represent a higher percentage of total works and housing programmes. In 1975-76 total capital assistance grants represented one-third of works and housing programmes and amounted to \$430.3m of which Victoria received \$108.9m.

Grants for schools

The Commonwealth Government has been providing assistance for secondary schools since 1964-65 when it made grants for science laboratories and equipment. The range of assistance was progressively extended and by 1975-76 it was providing grants for both government and non-government schools in a number of categories. Because of the policy of budgetary restraint in 1975-76 the Commonwealth Government was unable to support the recommendations of the Schools Commission for the triennium 1976-1978 and provided instead in 1976 for a year of relative pause outside the usual triennial progression. Three year rolling programme arrangements apply to the period 1977-1979 and the Schools Commission presented a report for the period based on the 1977 allocation and the planning guidelines of the Commonwealth Government for 1978 and 1979 which takes into account a 2 per cent per annum growth in real terms.

The total amount of grants for schools in 1975-76 was \$475.5m of which \$300.5m was for government schools, \$152.4m for non-government schools, and \$22.7m for joint programmes. Of these amounts, Victoria received \$90.1m, \$53.0m, and \$6.6m, respectively.

Technical and further education

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. These programmes are now administered by the Technical and Further Education Commission established on 1 July 1975. Under the three year rolling programme arrangements the Commonwealth Government decided on an allocation of \$79.6m for all States in 1977. For the three years 1977-1979 the Commission presented a report based on the 1977 allocation and on a 5 per cent per annum growth in real terms for 1978 and 1979. In 1975-76, \$64.7m was paid to the States, of which Victoria received \$17.0m (\$9.7m for recurrent expenditure and \$7.4m for capital expenditure).

Grants for colleges of advanced education and teachers colleges

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.

As in the case of universities, the Commonwealth Government assumed full financial responsibility for these colleges from 1 January 1974. For the year 1976 the Commission on Advanced Education recommended a programme based on guidelines determined by the Commonwealth Government and outside the normal triennial progression. For the triennium 1977-1979 a rolling programme was presented by the Commission in accordance with the Commonwealth Government's decision to provide a growth rate of 5 per cent per annum in real terms for 1977 and a 2 per cent per annum growth rate in real terms for 1978 and 1979.

In 1975-76 the total grants made to the States for these institutions amounted to \$373.5m, of which Victoria received \$145.6m (\$111.3m for recurrent expenditure and \$34.3m for capital expenditure).

Grants for universities

Assistance to the States for universities was first introduced for recurrent expenditure in 1951-52, and remained relatively small until 1957-58 when it was considerably expanded and also included grants for capital programmes. From 1 January 1974 the Commonwealth Government accepted full financial responsibility for universities. The year 1976, however, was treated by the Commonwealth Government, because of budgetary considerations, as outside the normal triennial programme recommended by the Universities Commission. Instead the Commission submitted a programme for 1976 based on guidelines determined by the Commonwealth Government. For the triennium 1977-1979 the Commission submitted a report in respect of a rolling programme taking into account a 2 per cent per annum growth in real terms as advocated by the Commonwealth Government.

Total grants for universities for 1975-76 were \$475.2m, of which Victoria received \$120.2m (\$110.7m for recurrent expenditure and \$9.5m for capital expenditure).

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. In 1974-75 and 1975-76 recommendations of the Pre-School Committee helped to shape the form of the assistance. In 1975-76, instead of the Children's Commission, an Office of Child Care was set up to advise on and administer a programme 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. The grants in 1975-76 amounted to \$55.1m, of which \$48.8m was paid to the States and \$6.4m was paid direct to local government authorities. Of the \$48.8m, Victoria received \$11.5m for recurrent expenditure and \$1.3m for capital expenditure. Of the \$6.4m, local government authorities in Victoria received \$0.2m for recurrent expenditure and \$2.2m for capital expenditure.

Health insurance programme

Section 30 of the *Health Insurance Act* 1973 authorised the Commonwealth Government to enter into agreements with State Governments for the provision by the States of free standard ward public hospital treatment and free public hospital outpatient services. In essence the agreements provided that the Commonwealth Government met 50 per cent of the net recurrent costs of the

“recognised” hospitals referred to in the agreements. Victoria entered into such an agreement with effect from 1 August 1975.

On 25 May 1976, following receipt of legal advice that the agreements made were invalid, the Commonwealth Government suspended hospital payments to the States. The *State Grants (Hospital Operating Costs) Act 1976* then authorised interim payments until new cost-sharing arrangements negotiated with the States came into operation on 1 October 1976.

Payments totalling \$575.2m were made to the States up to 25 May 1976, and a further \$294.5m up to 30 June 1976, of which \$215.6m was a pre-payment for the period 1 July to 30 September 1976. Victoria received a total of \$230m under both arrangements in 1975-76.

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. Within this scheme the Commonwealth Government meets 75 per cent of capital costs and 90 per cent of operating costs of approved projects administered by the State and 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. From 1955-56 the Commonwealth Government had also made grants to the States for capital expenditure on mental health institutions and final grants under this earlier programme were made in 1973-74. Grants for mental hospitals from 1973-74 were made available under the hospitals development programme (see following section). In 1975-76, \$49.4m was paid to the States under the Community Health Programme, of which Victoria received \$10.9m (\$7.7m for recurrent expenditure and \$3.2m for capital expenditure).

Hospitals development programme

This programme commenced in 1973-74 and covers grants to the States for capital expenditure on public general hospitals, mental hospital facilities, public nursing homes, and health hostels. In 1975-76, \$107.2m was paid to the States for these purposes, of which Victoria received \$27.3m.

Employment grants

The scheme for unemployment relief begun in 1971 continued through 1975-76 on the same conditions as during 1974-75 but on a phasing-out basis. The grants provided by the Commonwealth Government were divided in 1974-75 and 1975-76 between the States in proportion to seasonally adjusted numbers of unemployed (excluding school leavers). In 1975-76, \$30m was paid to the States for the relief of unemployment, and of this amount Victoria received \$8.2m.

Regional Employment Development Scheme

The scheme instituted in 1974-75 provides grants by the Commonwealth Government to State Government departments, State semi-government authorities, local government authorities, and non-government bodies. Total grants to the State (including semi-government authorities) in 1975-76 were \$15.0m, of which Victoria received \$5.4m. In addition, Victorian local government authorities received direct payments of \$14.2m and Victorian non-government bodies received \$1.7m.

Grants for roads

The Commonwealth Government assistance for expenditure on roads has taken two main forms—general assistance, and assistance for specific roads or road projects. Payments of the latter kind were subsumed in the general

programme of roads assistance introduced in 1974-75. The Commonwealth Government's proposals for the triennium 1974-75 to 1976-77 envisaged an expenditure of \$1,126m mainly for national highways and arterial roads. In 1975-76 the actual grants made totalled \$442.1m including \$8.6m for transport planning and research. Victoria's share of these amounts was \$92.0m and \$2.9m, respectively.

Urban public transport grants

Under an agreement concluded with the States in 1974 the Commonwealth Government is meeting two thirds of the cost of approved urban public transport projects, including railways, in the States for five years until 1977-78. The grants in 1975-76 amounted to \$34.1m, of which Victoria received \$9.5m.

National sewerage programme

In 1973-74 the Commonwealth Government instituted a programme of assistance to the States designed to eliminate the backlog of sewerage works in principal urban areas, including from 1974-75, amounts for research, training, monitoring, and planning. Total assistance to the States in 1975-76 amounted to \$113.2m. \$34.8m of this amount comprised grants and \$78.4m, advances, of which Victoria received \$10.8m and \$24.8m, respectively.

Grants for local government authorities

In 1972 the Commonwealth Government took the view that it should provide general purpose funds for local authorities and that these funds should be provided in such a way as to promote financial equality between local authorities and regional groupings of such authorities. The Commonwealth Government accepted the recommendations of the Grants Commission for 1974-75 and 1975-76 on the provision of these grants. The grants were in the first instance to be paid to the State for transmission to individual local government authorities in the amounts specified and with no conditions attached to their use. In 1975-76, \$79.9m was so paid and Victoria's share of these grants was \$20.2m.

Local government assistance under personal income tax sharing arrangements

Following discussions at the February and April 1976 Premiers' Conferences, an agreement was reached at the June 1976 Conference on instituting a scheme of general purpose assistance for local government in 1976-77 through the medium of a share of the proceeds of personal income tax collections.

In 1976-77, \$140m will be provided to the States for distribution to local government (of which the Commonwealth Grants Commission recommended that Victoria should receive \$35.4m). The total amount will be expressed as a percentage of personal income tax collections in 1975-76, and this percentage is to be applied to collections in determining the amount of assistance in subsequent years.

Each State will be required to devote a minimum of 30 per cent of each year's assistance for distribution among all local authorities based on population and other factors as agreed to by the Commonwealth and State Governments. The remainder is to be distributed to local authorities with regard to their respective financial needs, on the recommendation of the State Grants Commissions the States have agreed to establish.

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 1970-71 to 1974-75, are shown in the following table:

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

Nature of advance	1970-71	1971-72	1972-73	1973-74	1974-75
Housing for servicemen	3,548	1,165	2,019	2,691	4,193
Housing (b)	36,500	..	1,500	53,500	98,159
Growth centres	..	..	..	1,055	24,479
Land acquisitions	..	..	..	3,531	8,010
Sewerage	..	..	..	9,300	28,196
Dairy adjustment programme	..	143	45	73	4,371
Canned fruit industry	4,200	..	849	..	..
Rural reconstruction	..	6,375	10,178	5,700	4,976
Other	815	..	2,217	950	3,858
Total	45,063	7,683	16,808	76,800	176,242

(a) Excluding Loan Council borrowings.

(b) In 1971-72 there were no specific advances for housing, the State meeting these expenditures from within its ordinary Loan Council borrowings. In 1972-73 the same arrangements applied except for an advance of \$1.5m to supplement the programmes financed from these Loan Council borrowings.

Commonwealth Government payments made direct to local government authorities

While there are no Commonwealth Government programmes of direct payments to local government authorities designed for the specific purpose of providing financial assistance to these authorities there are, however, a number of programmes under which local government authorities are among bodies that are eligible for, and have received, Commonwealth Government assistance paid directly to them. The comments on grants for pre-school and child care and regional employment development on pages 563 and 564 should be noted. For further details see the Budget Paper *Payments to or for the States and Local Government Authorities*.

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 moneys, 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. Moneys to the credit of the Account were 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 1970-71 to 1974-75. The table has been re-structured to show amounts broadly in line with the categories of receipts as published in the Victorian Treasurer's Finance Statement 1974-75.

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

Source of receipts	1970-71	1971-72	1972-73	1973-74	1974-75
Taxation (a)	199,028	309,695	405,838	547,232	706,076
Recoveries of debt charges—					
Interest	44,029	48,047	50,106	53,358	65,166
Redemption and repayment of advances	5,041	5,334	5,942	6,666	7,704
Other	1,167	1,226	3,455	3,415	3,957

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

Source of receipts	1970-71	1971-72	1972-73	1973-74	1974-75
Railways—					
Ordinary income	107,465	110,396	108,851	112,258	126,557
Other	535	1,570	1,560	1,954	2,447
Forestry—					
Royalties	5,391	5,945	6,209	7,556	9,850
Other	1,063	1,231	1,230	1,219	1,712
Lands, survey, and mining—					
Royalties	17,255	24,423	25,910	34,690	38,812
Other	3,508	3,743	4,021	4,378	5,031
Ports and harbours	4,512	4,782	4,324	4,834	5,550
Water supply, sewerage, irrigation, and drainage	14,397	16,290	17,144	18,780	22,708
Fees and charges	27,789	32,220	34,860	47,479	61,034
Fines	5,477	6,021	7,226	8,623	10,313
Miscellaneous (b)	20,876	23,272	25,421	29,642	43,622
Commonwealth Government recurrent payments—					
Financial Agreement Act	4,254	4,254	4,254	4,254	4,255
Financial assistance	351,024	348,464	396,087	437,604	548,404
Special revenue assistance	10,560	13,621	..	6,020	13,861
Debt charges assistance	2,783	5,566	8,348	11,131	13,914
Education grants (c)	..	..	..	10,112	39,069
Departmental charges—social welfare and health benefits (c)	3,571	3,731	4,416	5,475	6,954
Tuberculosis arrangement	3,020	3,143	2,191	2,570	4,865
Pre-school child education and care (c)	..	..	..	1,296	5,577
School dental programme (c)	..	..	..	..	1,606
Other (c)	29	961	630	1,324	3,289
Commonwealth Government capital payments—					
Works grant	51,020	55,890	63,405	70,789	87,370
Education grants (c)	..	1,700	3,405	8,552	49,524
Sewerage Agreement (c)	..	..	..	9,300	34,236
Other (c)	1,072	1,907	1,942	1,607	1,227
Loan raisings	121,670	171,670	187,115	149,738	184,809
Loan repayments, n.e.i.	4,843	5,786	7,262	9,066	4,918
Total receipts	1,011,379	1,210,889	1,381,153	1,610,923	2,114,416

(a) For details of total taxation collections see page 569.

(b) Includes repayments of advances by the Housing Commission under the Commonwealth Government—State Housing Agreement.

(c) There are also other receipts credited to Trust Funds. See page 582.

The principal payments for each of the years 1970-71 to 1974-75 are shown in the following table. The table has been re-designed following the re-organisation of Victorian Government departments in recent years and generally conforms to the purpose classification of government expenditure described in the publication *Public Authority Finance: Authorities of the Australian Government, 1974-75*. The purpose classification is derived from that outlined in the United Nations publication *A System of National Accounts*.

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

Purpose of payment	1970-71	1971-72	1972-73	1973-74	1974-75
Public debt charges—					
Interest (including exchange)	117,074	131,832	140,131	149,370	164,398
Sinking fund	22,280	23,841	25,519	27,395	28,836
Other	420	432	533	658	1,258
Commonwealth—State Housing Agreement—					
Interest	20,257	22,158	22,059	23,114	25,930
Repayments	4,900	5,189	5,376	5,573	6,053

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

Purpose of payment	1970-71	1971-72	1972-73	1973-74	1974-75
Railways—					
Working expenses (a)	126,309	135,052	152,674	184,759	239,103
Other	2,906	3,848	3,653	4,147	4,676
Agricultural, pastoral, etc., services	11,434	12,849	14,499	17,590	23,884
Culture and recreation	6,688	7,502	9,759	11,787	18,079
Development and decentralisation	1,429	1,677	2,236	7,378	13,251
Education—					
Registered schools	8,763	11,433	13,818	18,195	23,568
State schools—					
Primary and secondary (b)	183,344	219,767	266,071	332,725	444,036
Technical and vocational	10,223	11,180	12,327	15,619	20,306
Universities	22,042	23,829	30,070	16,173	44
Other higher education	38,559	46,791	58,246	52,193	39,710
Other	10,208	14,072	16,662	20,989	37,843
Forestry	6,960	7,780	8,375	9,621	12,436
Health services—					
Mental hygiene and mental hospitals	28,960	34,171	37,701	46,393	62,353
Payments to Hospitals and Charities Fund	75,134	87,890	105,643	141,470	194,702
Other	10,851	11,968	13,578	17,244	24,353
Lands, survey, and mining	10,785	14,114	15,150	23,436	28,739
Law, order, and public safety—					
Justice	10,881	12,700	14,681	19,314	25,373
Police	33,228	40,732	47,712	59,771	80,185
Prisons and probation	4,981	5,812	6,513	7,729	10,204
Public safety, etc.	274	302	336	572	586
Legislative and general administration	14,578	15,578	16,205	26,412	36,680
Local government, n.e.i.	1,331	1,497	1,731	2,069	2,679
Grants and advances to municipalities and semi-government authorities (c)	2,488	2,849	3,473	9,892	30,019
Subsidies to semi-government authorities	2,552	2,807	3,368	4,419	4,784
Pay-roll tax	6,645	10,249	13,483	19,150	29,573
Pensions and superannuation (d)	12,029	13,867	16,744	20,430	26,029
Ports and harbours	1,451	1,811	1,866	4,467	5,770
Protection of the environment (including sewerage)	164	377	1,365	3,617	5,497
Social welfare, n.e.i.	10,982	15,838	18,339	19,497	30,370
Water supply, irrigation, and drainage	13,116	14,513	16,073	19,899	24,628
Miscellaneous (e)	12,371	14,342	17,650	21,320	41,394
Appropriation to Works and Services Account	164,782	230,241	247,536	246,537	347,087
Total	1,011,379	1,210,889	1,381,153	1,610,923	2,114,416

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

(b) Including secondary technical.

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

(d) Railways pensions included under "Railways—Working expenses".

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

VICTORIAN GOVERNMENT TAXATION

As mentioned on page 555 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 responsibility now left to the States comprises motor taxation, stamp duties, and liquor, land, lottery, racing, pay-roll, and, until recently, 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 574-5 for 1974-75 allocation.)

VICTORIA—TAXATION COLLECTIONS

Particulars	1970-71	1971-72	1972-73	1973-74	1974-75
	\$'000	\$'000	\$'000	\$'000	\$'000
Pay-roll tax (a)	..	98,716	149,136	221,080	327,200
Probate and gift duties (b)	49,927	44,632	50,317	59,499	60,716
Land tax	28,442	29,105	29,443	32,958	52,968
Liquor tax	11,827	12,811	13,260	14,505	21,940
Lottery tax	6,436	6,790	9,255	15,558	28,808
Racing taxes	21,222	25,042	31,916	37,662	48,087
Taxes on the ownership and operation of motor vehicles—					
Vehicle registration fees and taxes	51,853	54,347	57,363	61,995	74,964
Drivers', etc., licences and fees	5,051	7,769	7,522	7,876	12,687
Stamp duty (vehicle registration)	7,007	8,961	12,407	17,309	23,579
Road transport taxes	1,927	2,119	2,265	3,605	5,296
Road maintenance contributions	8,903	9,136	9,745	10,359	10,038
Motor car third party insurance surcharges	2,915	3,028	3,100	3,336	5,166
Stamp duties, n.e.i.	73,581	79,759	107,714	148,090	141,729
Statutory authority levy—					
Gas and Fuel Corporation	1,125	1,640	1,920	2,180	3,000
State Electricity Commission	6,600	9,120	9,260	9,720	11,520
Licences and registration fees, n.e.i.	2,555	2,849	3,761	5,129	7,642
Other taxes	2,433	2,683	3,061	2,890	2,282
Total	281,804	398,510	501,445	653,750	837,623
Paid to—					
Consolidated Fund	199,028	309,695	405,838	547,232	706,076
Trust funds	82,776	88,815	95,607	106,518	131,547
	\$	\$	\$	\$	\$
Per head of population	80.95	112.71	140.11	180.67	228.45

(a) Includes pay-roll tax paid by State departments.

(b) Includes gift duty from 1 January 1972 only. Gift duty collected prior to 1 January 1972 is included with "Stamp duties, n.e.i."

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 benevolent institutions, public hospitals, non-profit private hospitals, non-profit 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 1973-74, \$4,019,906 and in 1974-75, \$7,023,137 was so paid. Total receipts of pay-roll tax for the year ending 30 June 1975, excluding rebates and pay-roll tax paid by Victorian Government departments, amounted to \$327.2m.

Probate duties

The *Probate Duty Act 1962* (a completely revised Act) fixed 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 situate 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.

VICTORIA—RATES OF PROBATE DUTY, 1976

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
	Does not exceed	1,200	Nil	Nil	Nil	Nil
Exceeds	1,200 but does not exceed	3,000	Nil	Nil	5	7.5
"	3,000 " " " "	10,000	Nil	Nil	10	10
"	10,000 " " " "	13,000	Nil	10	15	17.5
"	13,000 " " " "	20,000	Nil	15	15	20
"	20,000 " " " "	24,000	Nil	10	12.5	17.5
"	24,000 " " " "	30,000	15	10	12.5	17.5
"	30,000 " " " "	48,000	15	12.5	17.5	20
"	48,000 " " " "	50,000	12.5	12.5	17.5	20
"	50,000 " " " "	60,000	12.5	15	20	20
"	60,000 " " " "	70,000	17.5	20	20	20
"	70,000 " " " "	90,000	20	22.5	25	25
"	90,000 " " " "	100,000	22.5	27.5	30	37.5
"	100,000 " " " "	110,000	25	27.5	30	37.5
"	110,000 " " " "	120,000	27.5	32.5	32.5	40
"	120,000 " " " "	130,000	30	32.5	32.5	40
"	130,000 " " " "	140,000	37.5	35	37.5	40
"	140,000 " " " "	150,000	37.5	37.5	40	42.5
"	150,000 " " " "	160,000	45	37.5	40	42.5
"	160,000 " " " "	170,000	45	40	42.5	42.5
"	170,000 " " " "	180,000	45	42.5	42.5	45
"	180,000 " " " "	190,000	47.5	42.5	45	45
"	190,000 " " " "	200,696 (a)	47.5	..	..	..
"	190,000 " " " "	200,810 (b)	..	45	..	..
"	190,000 " " " "	230,070 (c)	..	..	45	..
"	190,000 " " " "	233,258 (d)	..	..	..	47.5
When the final balance exceeds (a), (b), (c), or (d), 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

NOTE. Categories of beneficiaries shown above are:

- A. Widow, widower, children under 21 years of age, wholly dependent adult children, or wholly dependent widowed mother.
- B. Children over the age of 21 years not being wholly dependent, or 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 0.42 per cent on the total unimproved value up to \$17,500 with a graduated increase in the rate to reach 4 per cent where the unimproved value exceeds \$1,000,000. 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, which is less than half a hectare in area and is used exclusively for residential purposes by the owner, land tax is not charged unless the unimproved value exceeds \$15,000.

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 1970 to 1974. The exemption from tax of land used for primary production purposes as from 1 January 1969, increases in land valuations, and increases from time to time in the amount of exemption from tax of land used for other purposes are mainly responsible for the fluctuations in the figures shown in the table.

VICTORIA—LAND TAX ASSESSMENTS

Year	Number of taxpayers	Total tax payable	Average tax payable per taxpayer	Total unimproved value (a)
		\$'000	\$	\$'000
1970	82,703	27,688	334.79	1,953,443
1971	62,486	28,670	458.82	1,983,513
1972	62,665	29,149	465.16	2,007,367
1973	63,488	30,139	474.72	2,056,115
1974	66,558	58,398	877.41	3,057,498

(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	1970-71	1971-72	1972-73	1973-74	1974-75
Licences—					
Victuallers	8,218	8,758	8,974	9,502	13,914
Spirit merchants and grocers	2,634	2,911	3,071	3,501	5,902
Others	203	242	246	292	475
Club certificates	544	613	670	750	1,138
Permits—extended hours, etc.	189	230	244	328	409
Fees	38	58	56	132	101
Total	11,827	12,811	13,260	14,505	21,940

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 Consultation Act* 1958, with the object of providing additional finance for hospitals, charitable institutions, and recreational promotion. During 1972 a further type of consultation named "Tattsлото" was introduced, and in 1974, "Soccerpools".

The Act provides that 31 per cent of the total amount subscribed to each consultation and 30 per cent of the total subscribed to soccer pools be paid into the Consolidated Fund. Each year an equivalent amount of this duty on consultations and one third of the soccer pools 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 further provides that, of the soccer pools duty, two thirds is paid out of the Consolidated Fund for the promotion of sport and recreation, at such intervals as the Treasurer determines.

In the following table, the amounts subscribed to consultations, the duty paid to the Consolidated Fund, and the amounts allocated to the Hospitals and Charities Fund, the Mental Hospitals Fund, and other funds, are shown for each of the years 1970-71 to 1974-75:

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

Particulars	1970-71	1971-72	1972-73	1973-74	1974-75
Subscriptions to—					
Ordinary consultations (a)	21,360	20,942	19,003	18,241	17,680
Tattsлото consultations	..	446	11,143	33,944	69,550
Soccerpool consultations	..	..	..	..	4,898
Duty paid to Consolidated Fund	6,436	6,790	9,255	15,558	28,808
Allocation out of Consolidated Fund—					
Hospitals and Charities Fund	5,346	5,425	7,509	13,203	24,388
Mental Hospitals Fund	1,090	1,365	1,728	2,345	3,462
Other funds, etc. (b)	..	..	19	10	958

(a) Includes subscriptions to football pool lotteries of \$97,706 in 1972-73 and \$26,428 in 1973-74.

(b) 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 totalisator, the turnover tax on bookmakers' holdings, and stamp duty on betting tickets.

The *Racing (Totalizator Commissions) Act* 1975 increased the commission to be deducted from all investments on the on-course and from win, place, and quinella, investments on the off-course totalisators in respect of horse races (including trotting), and greyhound races. As from 1 November 1975 a deduction of 15 per cent is made from investments on the on-course totalisator (metropolitan) and divided as follows: doubles, quinella, trio, trifecta, and forecast investments, 6.75 per cent to revenue and 8.25 per cent to the club; win and place investments, 9.75 per cent to revenue and 5.25 per cent to the club. In respect of country race meetings, 4.75 per cent of total investments is paid to revenue and 10.25 per cent to the club.

Under the provisions of the *Racing Totalizators Extension Act* 1960, off-course betting is permitted on race-course totalisators. 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 totalisator the following commission is deducted :

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

The commission is allocated in the following proportions :

**VICTORIA—INVESTMENTS ON OFF-COURSE TOTALISATOR:
COMMISSION DEDUCTED**

Paid to—	Win, place, and quinella	Daily and feature doubles	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	Nil	2.00	4.00
Total	15.00	17.00	19.00

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

Year	Totalisator investments		Invest- ments with licensed book- makers (a)	Racing taxation			
	On- course	Off- course		Totali- sator	Book- makers' turnover	Other (b)	Total
1970-71	47,776	225,863	196,166	16,793	3,532	896	21,222
1971-72	57,149	271,993	217,898	20,154	3,944	944	25,042
1972-73	56,633	321,192	228,756	26,131	4,822	962	31,916
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	7,076	386	48,087

(a) Estimated.

(b) Includes entertainments (admission) tax, stamp duty on betting tickets, and club and book-makers' 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.

VICTORIA—RATES OF GIFT DUTY, 1976

Where the value of all relevant gifts—	The rate per centum of duty shall be—
\$	
Does not exceed 4,000	Nil
Exceeds 4,000 but does not exceed 6,000	1.5 per cent plus 0.001 per cent for each dollar of the excess over \$4,000
" 6,000 " " " " 14,000	3.5 per cent plus 0.000125 per cent for each dollar of the excess over \$6,000
" 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—	1970-71	1971-72	1972-73	1973-74	1974-75
VEHICLE REGISTRATION FEES AND TAXES					
Consolidated Fund—					
Registration fees—recreational vehicles	..	..	..	14	14
Country Roads Board Fund—					
Motor registration fees, etc.	33,118	34,635	35,998	38,962	46,244
Additional registration fees (part)	2,112	2,397	2,561	2,726	130
Level Crossings Fund—					
Additional registration fees (part)	1,056	1,199	1,281	1,363	..
Road (Special Projects) Fund—					
Increase in registration fees (Act No. 7283)	15,558	16,106	16,577	17,956	21,230
Transport Regulation Fund—					
Motor omnibus registration fees	10	10	10	11	9
Traffic Authority Fund—					
Surcharge on motor registration	..	..	936	962	1,007
Transport Fund—					
Additional registration fees (part)	..	..	..	..	6,331
Total	51,853	54,347	57,363	61,995	74,964
DRIVERS, ETC., LICENCES AND FEES					
Consolidated Fund—					
Drivers licence fees (part)	2,376	3,647	3,488	3,648	4,778
Learner drivers test fees (whole) and drivers test fees (part)	..	..	..	..	2,429
Country Roads Board Fund—					
Drivers licence fees (part)	828	939	901	944	1,229
Drivers test fees (part)	275	448	517	548	485
Learner drivers permits (part)	..	..	..	..	160
Municipalities Assistance Fund—					
Drivers licence fees (part)	1,187	1,823	1,744	1,824	2,389
Drivers Licence Suspense Account—					
Drivers licences, learner drivers permits, and drivers test fees (all part)	384	912	872	912	1,217
Total	5,051	7,769	7,522	7,876	12,687
STAMP DUTY (VEHICLE REGISTRATION)					
Consolidated Fund	7,007	8,961	12,407	17,309	23,579
ROAD TRANSPORT TAXES					
Country Roads Board Fund—					
Sale of log books	10	10	10	11	10
Transport Regulation Fund—					
Licences, etc.	984	1,025	1,071	2,398	4,349
Permits	933	1,084	1,184	1,196	937
Total	1,927	2,119	2,265	3,605	5,296
ROAD MAINTENANCE CONTRIBUTIONS					
Country Roads Board Fund—					
Road charges under Commercial Goods Vehicles Act	8,903	9,136	9,745	10,359	10,038
MOTOR CAR THIRD PARTY INSURANCE SURCHARGES					
Consolidated Fund	2,915	3,028	3,100	3,336	5,166

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

Paid to—	1970-71	1971-72	1972-73	1973-74	1974-75
TOTAL					
Consolidated Fund	12,299	15,636	18,995	24,306	35,966
Country Roads Board Fund	45,247	47,565	49,731	53,551	58,295
Level Crossings Fund	1,056	1,199	1,281	1,363	..
Municipalities Assistance Fund	1,187	1,823	1,744	1,824	2,389
Road (Special Projects) Fund	15,558	16,106	16,577	17,956	21,230
Transport Regulation Fund	1,927	2,119	2,265	3,605	5,295
Drivers Licence Suspense Account	384	912	872	912	1,217
Traffic Authority Fund	..	..	936	962	1,007
Transport Fund	..	..	..	..	6,331
Total	77,657	85,361	92,401	104,479	131,730

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 569, and amounted to \$2,062,000 in 1970-71, \$2,138,000 in 1971-72, \$2,188,000 in 1972-73, \$2,356,000 in 1973-74, and \$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 and \$1,929,548 in 1974-75. The Board also received levies from authorised insurers of \$653,330 in 1973-74 and \$9,046,670 in 1974-75. (See also pages 671-3.)

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.

The rates of duty payable at 1 December 1975 on the principal dutiable classes of documents, etc., are shown in the following table :

VICTORIA—STAMP DUTIES: RATES PAYABLE, 1 DECEMBER 1975

Dutiable class	Duty payable	
SHARE TRANSFERS—On sale for full value—	} up to \$100—per \$25 or part 14c over \$100—per \$100 or part 60c	
Based on consideration		
TRANSFER OF REAL PROPERTY—	} for each \$100 or part— \$ \$ 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	
Gifts and settlements (a)—Based on value		
Other transfers on sale—Based on consideration		
LEASES AND ASSIGNMENTS OF LEASES OF REAL PROPERTY		} variable scale according to nature
INSURANCE COMPANIES (OTHER THAN LIFE)—Annual licences		
LIFE ASSURANCE POLICIES—On the sum insured		} each \$200 (or part) of annual premium income \$14 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	9c	
Drawn outside Victoria but negotiated, transferred, endorsed, or paid in Victoria	9c	
BILLS OF EXCHANGE OR PROMISSORY NOTES—		
Payable on demand	9c	
Drawn or made out of Victoria and duly stamped with <i>ad valorem</i> duty of another State	9c	

VICTORIA—STAMP DUTIES : RATES PAYABLE, 1 DECEMBER 1975—*continued*

Dutiable class	Duty payable	
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, for each \$100 or part	1c
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%
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%
GUARANTEES AND INDEMNITIES		50c
OTHER AGREEMENTS AND INSTRUMENTS—		
Partnerships, sale of business, etc.	} \$5 each	
Caveats		
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		50c
DEEDS—not otherwise chargeable		\$5
MOTOR CAR—		
On every application for registration and every notice of acquisition of a motor car or trailer—		
For every \$200 and part of \$200 of the market value of such motor car or trailer		\$5
STATEMENT ON SALE OF CATTLE OR SWINE—		
(i) Cattle Statement—		
For every \$5 and part of \$5	} 2c	
(a) of the amount of the purchase money in respect of one head of cattle sold singly; or		
(b) of the total amount of the purchase money in respect of any number of cattle sold in one lot		
Provided that the stamp duty in respect of the amount of the purchase money of any one head of cattle whether sold singly or as part of a lot, shall not exceed 20 cents		
(ii) Swine Statement—		
For every \$5 and part of \$5	} 2c	
(a) of the amount of the purchase money in respect of one pig sold singly; or		
(b) of the total amount of the purchase money in respect of any number of pigs sold in one lot		
Provided that the stamp duty in respect of the amount of the purchase money of any one pig, whether sold singly or as part of a lot, shall not exceed 16 cents		

(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 on page 575 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.

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.

COMMONWEALTH GOVERNMENT TAXATION

Specific collections*Commonwealth Government estate duty*

The Commonwealth Government levies duties on deceased estates. The amount of such duty collected throughout Australia during each of the five years to 1974-75 was: 1970-71, \$70.1m; 1971-72, \$67.3m; 1972-73, \$66.4m; 1973-74, \$66.0m; and 1974-75, \$63.8m.

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, arrangements are being introduced (details of which are given in 1976-77 Budget Paper No. 7, *Payments to or for the States and Local Government Authorities, 1976-77*) which will enable 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.

A new personal income tax system was introduced in the 1975-76 Budget with the following principal features:

- (1) The introduction of a new rate scale, effective from 1 July 1975;
- (2) replacement of most deductions of a concessional nature by rebates of tax involving: (i) increased allowances for dependants; and (ii) most other expenditure formerly qualifying as concessional deductions being allowed by way of rebate at 40 per cent, subject to a minimum concessional rebate of \$540; and
- (3) the introduction of a concessional rebate for a sole parent.

The property income surcharge which had applied in 1974-75 was not re-imposed in 1975-76 and the low income family rebate and aged persons rebate were discontinued.

No income tax is levied where the minimum taxable income does not exceed the following levels:

No dependants	\$ 2,518
Sole parent with—	
One child	4,000
Two children (neither students)	4,556
Two children (both students)	4,741
Housekeeper and one child (under 16 years of age) sole parent rebate not available	4,741
Dependent spouse with—	
No children	4,000
One child	4,741
Two children (neither students)	5,229
Two children (both students)	5,372

AUSTRALIA—GENERAL RATES OF TAX—INDIVIDUALS
(1975-76 income year)

Total taxable income		Tax on taxable income	
Not less than	Not more than		
\$	\$	\$	\$
0	2,000	—	20 cents for each \$1
2,000	5,000	400 plus 27 cents for each \$1	in excess of 2,000
5,000	10,000	1,210 plus 35 cents for each \$1	in excess of 5,000
10,000	15,000	2,960 plus 45 cents for each \$1	in excess of 10,000
15,000	20,000	5,210 plus 55 cents for each \$1	in excess of 15,000
20,000	25,000	7,960 plus 60 cents for each \$1	in excess of 20,000
25,000 and over		10,960 plus 65 cents for each \$1	in excess of 25,000

Rebates

(1) Dependants, housekeeper, and zone allowance :

The deductions from assessable income previously allowed for the maintenance of dependants, housekeeper, and zone allowance in respect of specified isolated localities, have been converted to rebates of tax. The following rebates from tax payable on taxable income, derived during the year of income ended 30 June 1976, are allowable to resident taxpayers :

Dependant, etc. (resident)	Rebate
	\$
Spouse or daughter—housekeeper	400
Students under 25 years of age	200
Children under 16 years of age, not being students—	
First child	200
Others	150
Invalid relatives—16 years of age and over	200
Parents /parent-in-law	400
Housekeeper	400
Sole parent	200
Zone and overseas allowance—	
Zone A	\$216 + 25 per cent of above rebates
Zone B	\$36 + 4 per cent of above rebates

(2) Concessional expenditure :

This rebate replaces the concessional deductions previously allowed in respect of expenditure on education, medical, life insurance, etc. The minimum concessional rebate reduces gross tax payable by \$540 (40 per cent of \$1,350). However, where allowable expenditure exceeds \$1,350, the rebate is calculated at 40 per cent of the total amount expended.

Other deductions

The following remain as allowable deductions against assessable income :

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

A graduated deduction is also allowable in respect of housing loan interest paid on a residence, where the combined income of husband and wife does not exceed \$13,999.

VICTORIA—INCOME TAX : INDIVIDUALS, 1974-75
(1973-74 income year)

Grade of net income (a)	Number of taxpayers			Net income	Taxable income	Net income tax assessed
	Males	Females	Persons			
\$				\$'000	\$'000	\$'000
1- 1,199	6,246	10,030	16,276	17,392	17,021	613
1,200- 1,999	36,835	82,262	119,097	192,958	178,561	11,549
2,000- 2,999	71,335	126,214	197,549	496,402	446,790	39,641
3,000- 3,999	90,543	135,116	225,659	791,927	707,253	86,384
4,000- 4,499	61,894	57,971	119,865	509,245	447,417	64,337
4,500- 4,999	71,853	41,674	113,527	538,847	464,480	72,388
5,000- 5,499	79,391	29,123	108,514	569,478	482,921	80,561
5,500- 5,999	81,356	20,222	101,578	583,472	488,013	86,440
6,000- 6,499	76,392	13,966	90,358	564,237	467,703	87,584
6,500- 6,999	67,517	10,607	78,124	526,816	434,211	85,584
7,000- 7,499	55,980	7,926	63,906	462,742	378,511	77,965
7,500- 7,999	46,084	5,922	52,006	402,463	328,052	70,514
8,000- 8,999	65,128	8,011	73,139	618,747	503,413	114,230
9,000- 9,999	41,341	5,423	46,764	442,424	359,319	86,949
10,000-14,999	72,357	11,090	83,447	982,784	809,442	223,919
15,000-19,999	16,998	2,955	19,953	340,200	290,638	100,029

VICTORIA—INCOME TAX : INDIVIDUALS, 1974-75—*continued*
(1973-74 income year)

Grade of net income ^(a)	Number of taxpayers			Net income	Taxable income	Net income tax assessed
	Males	Females	Persons			
20,000-29,999	9,775	1,592	11,367	269,861	238,321	101,005
30,000-49,999	3,443	505	3,948	145,651	133,620	67,889
50,000-99,999	764	132	896	57,463	54,081	31,016
100,000 and over	115	22	137	20,764	19,389	12,125
Total	955,347	570,763	1,526,110	8,533,871	7,249,157	1,500,725

(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.

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, 1975-76 FINANCIAL YEAR
(1974-75 income year)

Type of Company	Rates per Cent
Private (a)	42.5
Public—	
Non-profit (b)—	
Friendly society dispensary	37.5
Other	42.5
Other	42.5

(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 \$1,830, the maximum amount of tax payable is 55 per cent of the taxable income over \$416, less any rebate or 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 \$1,664, 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 1970-71 to 1974-75 :

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

Particulars	1970-71	1971-72	1972-73	1973-74	1974-75
State Superannuation Fund—					
Railways	6,176	6,533	7,308	8,325	9,695
Other (a)	11,365	13,237	16,086	19,585	24,959
Total	17,541	19,770	23,394	27,910	34,654
Police Superannuation Fund	5	5	4	4	4
Coal Mine Workers Pensions Fund	20	14	7	8	..
Parliamentary Contributory Superannuation Fund	429	361	361	490	637
Married Women's Superannuation Fund	10	27	49	76	94
Other pensions, gratuities, etc.	202	222	236	266	335
Grand total	18,207	20,401	24,052	28,755	35,724

(a) Includes contributions to the Pensions Supplementation Fund from 1972-73.

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 to be limited to a maximum of 9 per cent of salary. Officers at present contributing more than 9 per cent of salary will have their contributions reduced to 9 per cent.
- (4) Widows' pensions, including present widows' pensions, to be increased from five eighths to two thirds of officers' pensions.
- (5) The existing rights to convert part of the pension into a lump sum will be retained.
- (6) Married women to be eligible to elect to be contributors to the superannuation scheme.
- (7) Railway officers, who previously elected to limit their superannuation entitlement to a maximum of six units, or to forego superannuation altogether, to have the right to reinstate their situation.

VICTORIA—STATE SUPERANNUATION FUND

Particulars	1970-71	1971-72	1972-73	1973-74	1974-75
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts—					
Contributions—					
Officers	21,763	24,966	27,876	33,790	43,213
Consolidated Fund (a)	17,419	20,381	22,146	25,006	28,916
Interest	9,771	11,177	12,599	14,748	17,705
Other	225	523	855	958	1,592
Total	49,177	57,047	63,477	74,502	91,425
Disbursements—					
Pension payments	21,871	24,747	27,342	29,909	34,432
Lump sum payments	6,771	5,400	7,130	9,733	9,691
Contributions refunded	1,876	2,194	2,469	3,055	3,148
Transfer to Pensions Supplementation Fund	3,756	3,636	4,476	5,927	7,117
Other	219	98	112	(b) 5,925	(b) 8,377
Total	34,493	36,075	41,529	54,549	62,763
Balance in Fund at 30 June	179,524	200,495	222,444	242,397	271,059

VICTORIA—STATE SUPERANNUATION FUND—*continued*

Particulars	1970-71	1971-72	1972-73	1973-74	1974-75
Contributors at 30 June	57,078	(c) 58,000	(c) 59,500	(c) 60,520	(c) 64,710
Pensioners at 30 June—					
Ex-employees	11,228	} n.a.	} n.a.	} n.a.	} n.a.
Widows	7,896				
Children	1,092				
Total	20,216	n.a.	n.a.	n.a.	n.a.

(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 Supplemental 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.

(c) Estimated.

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, 1973-74 (a)

Particulars	Victoria government	Local government	Semi-government	Total
INCOME				
Contributions—	\$'000	\$'000	\$'000	\$'000
Employees	34,736	4,120	12,461	51,317
Employing authorities (a)	27,903	5,549	18,634	52,086
Interest, etc.	16,416	3,436	18,138	37,990
Total	79,056	13,106	49,232	141,393
EXPENDITURE				
Pensions	41,195	192	4,667	46,054
Lump sum payments	13,155	4,878	13,017	31,051
Other	5,960	965	369	7,294
Total	60,311	6,036	18,052	84,399
ASSETS (c)				
Government securities—				
Commonwealth Government	3,992	5	791	4,788
Local and semi-government	183,690	45,440	58,625	287,755
Other securities, etc.	69,931	7,649	181,433	259,014
Total	257,613	53,095	240,849	551,557
Contributors (b)	number	number	number	number
Pensioners (c)—	64,030	20,208	39,099	123,337
Ex-employees	} n.a.	58	2,635	} n.a.
Widows		2	1,098	
Children		10	280	

(a) This figure does not agree with that shown in the table on page 579 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.

(b) Estimated number at end of year.

(c) At end of year.

Further reference, 1976

VICTORIAN TRUST FUNDS 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 moneys provided by the Commonwealth Government for specific purposes. Other funds record the transactions of State insurance offices, of the Hospitals and Charities Commission and, in relation to capital works, of the Country Roads Board and the Works and Services Account. The Trust Fund also includes accounts which are in the nature of suspense accounts. Certain of these accounts are governed by legislation while others are clearing accounts for book-keeping purposes.

The transactions recorded annually are numerous and of considerable magnitude in total. Debits to all funds and accounts in 1974-75 aggregated \$2,573.0m and credits \$2,627.2m. At the end of the year the liability of the State on account of all trust funds or accounts (including securities to the value of \$15.6m lodged with the Treasurer) was \$321.0m. Of this total, investments in government and other securities amounted to \$192.5m, cash advanced was \$28.1m while the balance, \$100.4m, 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 1974-75 :

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

Particulars	Balance at 1 July 1974	1974-75		Balance at 30 June 1975
		Debits	Credits	
Commonwealth and Commonwealth—Victorian	21.8	668.3	670.4	23.8
Compensation and insurance	112.3	274.5	330.4	168.2
Social, health, and welfare	4.0	211.6	214.3	6.8
Suspense	42.9	667.6	662.7	38.0
Works and development	37.7	490.6	490.7	37.8
Other	32.4	260.3	258.6	30.8
Total	251.2	2,573.0	2,627.2	305.4

(a) Excluding securities (i.e., shares of the Gas and Fuel Corporation of Victoria) amounting to \$15.6m at 30 June 1975 lodged with the Treasurer and included in the Trust Fund.

Specific accounts*Commonwealth and Victorian*

In this category there were over 94 separate funds in existence at 30 June 1975 including 20 established during the financial year ending on that date. In terms of financial turnover the most important were (1) Australian Aid Roads accounts with credits totalling \$74.7m; (2) subsidy accounts for Victorian universities credited with \$118.9m; (3) accounts credited with grants for advanced education \$126.1m; and (4) a number of accounts credited with advances from the Commonwealth Government for housing and repayments of principal and interest by borrowers totalling in all \$115.0m for the year.

Compensation and insurance

The principal accounts under this heading are (1) those dealing with the financial activities of the State Insurance offices represented by credits totalling \$219.1m for 1974-75; and (2) receipts of third party insurance premiums \$106.7m for allocation to approved insurers and the Motor Accidents Board.

Social, health, and welfare

The major fund in this category is the Hospital and Charities Fund which in 1974-75, was credited with \$196.0m, almost all of which represented transfers from the Consolidated Fund.

Suspense accounts

Various railways suspense accounts comprise almost half of the credits in this category. Pay-roll deductions account for a further \$215.3m.

Works and development

The two major funds in this category are the Country Roads Board Fund (credits \$55.5m in 1974-75) and the Works and Services Account. The Country Roads Board Fund provides rather less than half of the finance required by the Country Roads Board to carry out its functions. Other sources of funds for the Board are referred to in Chapter 6 of this *Year Book*. The Works and Services Account, undoubtedly the most important of all Victorian Trust Funds, was credited with \$347.1m in 1974-75 and its origin and transactions are referred to below in some detail.

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 Commonwealth 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—	1970-71	1971-72	1972-73	1973-74	1974-75
Agricultural, pastoral, etc. (a) services	7,779	7,085	9,512	4,074	6,497
Culture and recreation	1,552	3,391	4,672	5,627	8,317
Development and decentralisation (b)	195	270	16	5,245	5,865
Education—					
Primary and secondary (c)	31,174	27,800	34,978	42,597	82,375
Technical and vocational	7,078	14,798	11,852	11,940	25,448
Universities	5,386	6,939	9,681	2,923	7
Other higher education	7,925	7,247	9,574	7,052	1,761
Other	824	244	1,411	2,035	6,718
Electricity supply	5,000	11,000	16,000	16,000	13,000
Forestry	3,566	3,652	4,300	4,715	6,820
Gas supply	100	2,058	142	40	40
Grants to municipalities (d)	3,991	5,157	4,095	3,570	5,634
Health services—					
Mental hygiene and mental hospitals	3,613	3,926	4,181	6,700	9,484
Other hospitals	15,256	13,813	15,615	21,247	27,649
Other	664	727	721	964	1,318
Housing (e)	2,615	39,645	40,433	1,971	2,196
Lands, survey, and mining	364	376	1,116	1,469	2,942
Law, order, and public safety	2,129	3,215	3,969	4,057	7,425
Legislature and general administration	5,540	6,047	5,502	11,294	12,300
Natural disaster relief	83	5	..	..	3,250
Ports and harbours	4,333	3,769	2,986	1,146	2,176
Protection of the environment (including sewerage)	11,852	21,873	24,580	42,487	60,086
Transport—					
Railways	15,930	15,546	16,116	18,447	19,138
Tramways	2,150	1,200	3,855	8,350	..
Roads and bridges	1,287	1,468	1,588	1,038	665

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

Expenditure on—	1970-71	1971-72	1972-73	1973-74	1974-75
Social welfare	1,760	2,382	2,365	2,349	3,582
Water supply, irrigation, and drainage	16,810	17,674	17,670	18,441	24,720
Miscellaneous	595	643	815	1,082	1,387
Total	159,551	221,950	247,742	246,860	340,800

(a) Expenditure on destruction of vermin and noxious weeds was charged mainly to the Consolidated Fund from 1973-74.

(b) Includes advances of \$5m to the Victorian Development Corporation in 1973-74 and 1974-75.

(c) Includes secondary technical.

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

(e) In 1971-72 and 1972-73 funds required for general housing purposes were treated as part of the States Loan Council borrowings programme and therefore disbursed in Victoria through the Works and Services Account. In 1973-74 it was decided to return to the system in force from 1945-46 to 1970-71, i.e. separate funds for housing as approved by the Loan Council which were then credited to and disbursed from Trust Accounts created for the purpose by the Victorian Treasury.

PUBLIC DEBT

The public debt chiefly comprises moneys 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 moneys have been used in Victoria principally for the construction of railways, roads, water supply and sewerage works, schools, hospitals, and 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 1975. These liabilities include advances of \$688.7m for housing purposes under the Commonwealth-State Housing Agreements, \$37.5m for sewerage, \$31.9m for rural and dairy reconstruction, \$25.5m for growth centres, \$11.5m for land acquisition, and \$12.3m 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 1970-71 to 1974-75. 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	1970-71	1971-72	1972-73	1973-74	1974-75
DEBT MATURING IN AUSTRALIA					
Debt outstanding at 1 July	2,175,649	2,274,719	2,424,680	2,591,969	2,711,720
New debt incurred—					
Commonwealth Government loan floatations	362,429	382,104	358,667	430,217	411,344
Domestic raisings	1				
Less conversion and redemption loans	240,081	209,903	171,115	279,516	226,111
Total new debt incurred	122,349	172,201	187,553	150,701	185,233
Less repurchases and redemptions from National Debt Sinking Fund	23,278	22,240	20,264	30,950	36,299
Net increase in debt	99,071	149,961	167,289	119,751	148,934
Debt outstanding at 30 June	2,274,719	2,424,680	2,591,969	2,711,720	2,860,654
DEBT MATURING IN LONDON					
Debt outstanding at 1 July	45,158	42,490	38,855	22,910	19,304
New debt incurred—					
Commonwealth Government loan floatations					
Less conversion and redemption loans	..	..	..	..	..
Total new debt incurred	..	..	..	..	..
Less repurchases and redemption from National Debt Sinking Fund	2,668	2,042	11,461	888	776
Adjustment due to variation in rate of exchange	..	-1,593	-4,484	-2,719	+819
Net increase in debt	-2,668	-3,635	-15,945	-3,606	+43
Debt outstanding at 30 June	42,490	38,855	22,910	19,304	19,346
DEBT MATURING IN NEW YORK, CANADA, SWITZERLAND, AND THE NETHERLANDS					
Debt outstanding at 1 July	33,554	30,632	24,812	18,031	15,587
New debt incurred—					
Commonwealth Government loan floatations	..	..	..	..	..
Less conversion and redemption loans	..	..	..	..	..
Total new debt incurred	..	..	..	..	..
Less repurchases and redemptions from National Debt Sinking Fund	3,138	4,409	3,820	1,567	1,939
Adjustment due to variation in rate of exchange	+216	-1,412	-2,961	-877	+2,524
Net increase in debt	-2,922	-5,820	-6,781	-2,444	+585
Debt outstanding at 30 June	30,632	24,812	18,031	15,587	(a)16,172
TOTAL					
Debt outstanding at 1 July	2,254,361	2,347,842	2,488,348	2,632,910	2,746,610
New debt incurred—					
Commonwealth Government loan floatations	362,429	382,104	358,667	430,217	411,344
Domestic raisings	1				
Less conversion and redemption loans	240,081	209,903	171,115	279,516	226,111
Total new debt incurred	122,349	172,201	187,553	150,701	185,233
Less repurchases and redemptions from National Debt Sinking Fund	29,084	28,691	35,545	33,405	39,014
Adjustment due to variation in rate of exchange	+216	-3,005	-7,445	-3,596	+3,342
Net increase in debt	93,481	140,505	144,562	113,701	149,561
Debt outstanding at 30 June	2,347,842	2,488,348	2,632,910	2,746,610	2,896,172

(a) Includes New York, \$A9,415,227; Canada, \$A1,708,175; Switzerland, \$A3,839,566; and the Netherlands, \$A1,208,631.

Particulars concerning the due dates of loans outstanding at 30 June 1975 are shown in the following table. Where the Victorian Government has the option of redemption during a specified period, the loans have been classified according to the latest date of maturity.

VICTORIA—DUE DATES OF LOANS, 30 JUNE 1975
(\$A'000)

Due date (financial year)	Amount maturing—				Total
	In Australia	In London	In New York	Elsewhere overseas	
1975-76	379,861	421	..	(a) 3,840	384,121
1976-77	227,696	..	..	..	227,696
1977-78	187,149	2,620	..	..	189,768
1978-79	103,657	11,793	711	..	116,162
1979-80	149,140	..	1,013	..	150,153
1980-81	157,019	..	1,007	(b) 1,708	159,734
1981-82	161,658	4,040	1,752	(c) 1,209	168,658
1982-83	76,694	..	3,252	..	79,946
1983-84	167,622	473	..	..	168,095
1984-85	168,215	..	..	..	168,215
1985-86	121,548	..	1,680	..	123,228
1986-87	57,700	..	..	..	57,700
1987-88	98,790	..	..	..	98,790
1988-89	131,261	..	..	..	131,261
1989-90	107,890	..	..	..	107,890
1991-92	151,361	..	..	..	151,361
1992-93	50,018	..	..	..	50,018
1993-94	105,137	..	..	..	105,137
1994-95	13,348	..	..	..	13,348
1999-2000	6,911	..	..	..	6,911
2000-01	26,264	..	..	..	26,264
2001-02	48,305	..	..	..	48,305
2003-04	86,764	..	..	..	86,764
2005-06	73,029	..	..	..	73,029
Not yet fixed	3,617	..	..	..	3,617
Total	2,860,654	19,346	9,415	6,756	2,896,172

(a) Maturing in Switzerland

(b) Maturing in Canada.

(c) Maturing in the Netherlands

The following table shows details of the amounts of loans outstanding in Australia, London, New York, Canada, Switzerland, and the Netherlands, and the amount of debt per head of population at the end of each of the years 1970-71 to 1974-75:

VICTORIA—PUBLIC DEBT: LOANS OUTSTANDING

At 30 June—	Amount of loans maturing in—						Total debt	
	Australia	London	New York	Canada	Switzerland	The Netherlands	Amount	Per head of population
	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000	\$A
1971	2,274,719	42,490	23,769	2,547	2,784	1,533	2,347,842	674.40
1972	2,424,680	38,855	18,230	2,359	2,784	1,440	2,488,348	703.76
1973	2,591,969	22,910	11,780	1,830	3,076	1,345	2,632,910	735.64
1974	2,711,720	19,304	9,846	1,742	2,868	1,131	2,746,610	759.05
1975	2,860,654	19,346	9,415	1,708	3,840	1,209	2,896,172	789.87

The following table shows the rates of interest which were payable on the public debt at 30 June 1975, and the amount of the debt at each rate maturing in Australia, London, New York, and elsewhere overseas, respectively :

VICTORIA—RATES OF INTEREST ON PUBLIC DEBT AT
30 JUNE 1975

Rate of interest	Amount maturing—				Total
	In Australia	In London	In New York	Elsewhere overseas	
per cent	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000
11.0	33,672	..	..	..	33,672
10.0	5,152	..	..	..	5,152
9.5	100,458	..	..	..	100,458
9.2	47,083	..	..	..	47,083
9.0	97,812	..	..	..	97,812
8.5	220,550	..	..	..	220,550
8.3	61,025	..	..	..	61,025
8.2	15,161	..	..	..	15,161
8.1	49,210	..	..	..	49,210
8.0	51,759	..	..	..	51,759
7.0	201,528	..	..	..	201,528
6.8	78,547	..	..	..	78,547
6.7	16,030	..	..	..	16,030
6.6	52,520	..	..	..	52,520
6.5	57,726	..	..	..	57,726
6.4	2,534	..	..	..	2,534
6.2	73,466	..	..	..	73,466
6.0	194,511	893	..	..	195,404
5.9	13,353	..	..	..	13,353
5.8	61,700	..	..	..	61,700
5.75	23,208	..	1,680	(a)1,708	26,596
5.7	27,706	..	..	..	27,706
5.6	31,967	..	..	..	31,967
5.5	..	18,453	5,004	..	23,457
5.4	109,715	..	..	..	109,715
5.375	67,305	..	..	..	67,305
5.3	54,895	..	..	..	54,895
5.25	445,636	..	2,021	..	447,657
5.2	4,182	..	..	..	4,182
5.0	526,168	..	711	(b)1,209	528,088
4.9	48,243	..	..	..	48,243
4.8	28,488	..	..	..	28,488
4.625	14,150	..	..	..	14,150
4.5	38,758	..	..	(c)3,840	42,597
3.875	106	..	..	..	106
3.4875	1	..	..	..	1
3.1	553	..	..	..	553
3.0	1,778	..	..	..	1,778
2.7125	195	..	..	..	195
2.325	984	..	..	..	984
1.0	2,817	..	..	..	2,817
Total	2,860,654	19,346	9,415	6,756	2,896,172
Average rate of interest	6.36	5.52	5.45	4.91	6.35

(a) Maturing in Canada.

(b) Maturing in the Netherlands.

(c) Maturing in Switzerland.

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 1970-71 to 1974-75. 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, the total liability per head of population, 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	Per head of population	Average rate
	\$A'000	\$A'000	\$A'000	\$A	per cent
1971	123,121	3,955	127,076	36.50	5.41
1972	134,229	3,451	137,680	38.94	5.53
1973	143,789	2,217	146,006	40.79	5.55
1974	152,655	1,888	154,543	42.71	5.63
1975	181,912	1,913	183,825	50.13	6.35

(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 1970-71 to 1974-75 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)			
1970-71	113,374	2,455	1,392	352	117,574	420	117,994
1971-72	127,941	2,339	1,203	349	131,832	432	132,264
1972-73	136,931	1,964	922	314	140,131	533	140,664
1973-74	147,347	1,112	620	291	149,370	658	150,027
1974-75	162,311	1,253	492	(c) 342	164,398	1,258	165,656

(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, \$A109,173; Switzerland, \$A167,079; and the Netherlands, \$A65,947.

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 1970-71 to 1974-75, 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	1970-71	1971-72	1972-73	1973-74	1974-75
Contributed under Financial Agreement—					
Victorian Government	22,291	23,846	25,519	27,401	28,549
Commonwealth Government	5,926	6,378	6,809	7,195	7,815

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

Particulars	1970-71	1971-72	1972-73	1973-74	1974-75
Total contributions under Financial Agreement	28,217	30,224	32,328	34,595	36,364
Interest on investments	27	44	63	79	49
Special contributions by Victoria	25	25	25	14	14
Total	28,270	30,293	32,416	34,688	36,427
Total to date	375,959	406,252	438,669	473,357	509,784

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

Particulars	1970-71	1971-72	1972-7	1973-74	1974-75
Australia—					
Face value	23,278	22,240	20,264	30,950	36,299
Net cost	23,274	22,236	20,231	30,948	36,297
London—					
Face value	2,668	2,042	11,461	888	776
Net cost	2,324	1,911	11,171	589	540
New York—					
Face value	2,868	4,122	3,547	1,374	1,634
Net cost	2,629	3,978	3,630	1,270	1,426
Canada—					
Face value	131	143	123	51	133
Net cost	117	123	117	42	118
Netherlands—					
Face value	139	144	150	141	173
Net cost	139	145	145	135	164
Total—					
Face value	29,084	28,691	35,545	33,405	39,014
Net cost	28,483	28,393	35,293	32,984	38,544
Total to date—					
Net cost	372,794	401,187	436,481	469,465	508,009

NEW FEDERALISM POLICY

Introduction

The central element of the Commonwealth Government's federalism policy is the sharing of personal income tax with the States.

Other elements of the policy are :

- (1) Sharing by local government in the proceeds of personal income tax ;
 - (2) a more selective use of specific purpose payments to the States with the absorption of such payments, where appropriate, into general purpose funds ;
 - (3) the establishment of an advisory Council for Inter-Government Relations ;
- and
- (4) a review of the functions of the different levels of government and the elimination of unnecessary overlapping waste and interference.

Details*Personal Income Tax Sharing between the Commonwealth and the States*

From 1976-77 general revenue assistance that was formerly paid by the Commonwealth to the States by way of financial assistance grants has been replaced by a system of sharing of the proceeds from personal income tax between the Commonwealth and the States.

Personal income tax sharing will be introduced in two stages. Under Stage 1 the Commonwealth will continue to be the sole Government imposing income taxes in Australia, with each State receiving a specified proportion of personal income tax collections. Under Stage 2 for which it is expected arrangements will be settled so that it may commence in 1977-78, Stage 1 entitlements will continue to operate, but each State will be free to impose a surcharge or to grant a rebate of personal income tax.

Tax sharing arrangements are to apply to receipts from personal income tax only, not to receipts from company taxes, withholding taxes on dividends, and interest.

Stage 1 Entitlements

Under Stage 1 of the scheme, which began in 1976-77, the States are entitled to receive a fixed percentage of Commonwealth personal income tax each year. That percentage for 1976-77 and for subsequent years, subject to any decisions made, given relevant points mentioned below, will be 33.6 per cent. Victoria's share is estimated to be \$852.5m in 1976-77.

In determining the allocation of the total amount between States, it has been decided that the distribution will be such that the relative per capita distribution of the total amount in 1976-77 between the States will be the same as the per capita distribution of Financial Assistance Grants in 1975-76. The Agreement provides that these relativities should be reviewed before 1980.

The Commonwealth has guaranteed that a State's entitlement in any year will not be less in absolute terms than that which it received in the previous year. In addition, the Commonwealth has guaranteed that during the first four years of the Agreement the States will not receive less than they would have received under the previous system of financial assistance grants.

The amounts received by the States are dependent on actual personal income tax collections. Total collections will vary as changes in Commonwealth Government taxation are announced. As a part of the new federalism arrangements the Commonwealth has given firm assurances that :

- (1) It will ensure that the States are kept fully informed of relevant tax changes made by the Commonwealth and of their estimated effects on the States' entitlements ;
- (2) it will participate in a review of the arrangements when there are changes in Commonwealth tax legislation which would have effects on the States' entitlements of such significance as to warrant such a review ;
- (3) longer term trends in regard to such matters as changes in the relative importance of personal income tax vis-à-vis other taxes will be kept under notice between the Commonwealth and State Governments ; and
- (4) when post-budget changes in Commonwealth personal income tax legislation with substantial effects on the States' entitlements are made, the Commonwealth will consider, in consultation with the States, appropriate adjustments to offset the effect of such changes on the States' entitlements.

Stage 2 Entitlements

Under Stage 2 of the arrangements, Stage 1 entitlements will continue. However, each State will be 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 will remain uniform throughout Australia. There will continue to be one income tax assessment form and the Commonwealth will remain the sole income tax collection agency.

Where the States wish to impose a surcharge or grant a rebate of tax, the Commonwealth is to act as agent for the State concerned. The level of surcharge or rebate will be a matter for determination by each State. However, in

exercising their powers the States have agreed to work in parallel with, and not in negation of, the overall economic management policies of the Commonwealth. Equalisation arrangements will continue to operate so that the smaller, less populous States will be able to enjoy the same relative advantage from a surcharge as those States with a broader tax base.

Local Government

In 1976-77 local government will receive an amount equal to 1.52 per cent of Commonwealth Government collections from personal income tax collections in 1975-76. This amount will be distributed between the States in accordance with recommendations of the Commonwealth Grants Commission. Allocations to individual councils within States will be determined in accordance with recommendations made by State Grants Committees which are to be established in each State. Victoria's share of the pool in 1976-77 is 25.8 per cent, or \$35.4m.

Specific Purpose Payments

Another element of the new federalism concerns specific purpose payments. Specific purpose payments have grown at a much faster rate than general purpose payments in recent years. Specific purpose payments will be examined to determine which of them can be absorbed into the general arrangements for income tax sharing. It was agreed at the April 1976 Premiers' Conference that absorption would not commence before 1977-78 but that the necessary work by Commonwealth and State officers would take place during 1976-77.

Advisory Council for Intergovernmental Relations

Following discussions at Premiers' Conferences in 1976 it was agreed that a Council for Intergovernmental Relations would be established. The Council will comprise members of the Commonwealth and State Parliaments, representatives from local government, and private citizens. Subjects for investigation and advice by the Council will be referred to it by Premiers' Conferences, and may include matters raised originally at the initiative either of local government or the Council itself.

Elimination of Duplication of Effort between Governments

A fourth part of the federalism policies involves a review of the function of the different levels of government in Australia so as to eliminate unnecessary duplication of effort. One of the matters on which the Administrative Review Committee was asked to report was "possible means of improving Commonwealth-State administrative arrangements with particular reference to the degree of Commonwealth involvement in the supervision of State expenditure of Commonwealth financial assistance, and to the avoidance of duplication and overlapping of activities".

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