

PUBLIC FINANCE

VICTORIAN BUDGET SUMMARY, 1977-78

Introduction

The Victorian Budget for 1977-78 was presented in the Legislative Assembly of the Victorian Parliament on 7 September 1977, by the Premier and Treasurer, the Hon. R. J. Hamer, E.D.

Aspects of the Budget highlighted by the Premier were: (1) No increases in State taxation; (2) progressive abolition of Probate Duty; (3) increased exemptions from Payroll Tax; (4) a new indexed scale for Land Tax, with total exemption for the normal house block; (5) higher exemption from Gift Duty; (6) reduction in Workers Compensation insurance costs; (7) a new Family and Community Services programme; (8) loans to professional fishermen for boats and equipment; (9) additional assistance with fuel bills for certain decentralised industries; and (10) increased support for unemployment schemes, especially training schemes for young people.

The Premier referred to the Victorian Government concern with unemployment and inflation. The Victorian Government saw a need to expand employment through public works involving private enterprise and to study the longer term aspects of structural unemployment. It had initiated the scheme for a short-term wage-price freeze and would give its support if such a scheme were attempted again. The Victorian Government favoured significant reduction in official interest rates as soon as practicable. Lower than expected personal income tax sharing entitlements from the Commonwealth, constraints upon the Victorian Government loan programme, and a reduction in Commonwealth grants to the States for capital works complicated attempts to maintain the real level of public works.

Revenue, 1977-78

Estimated total receipts into the Consolidated Fund in 1977-78 increased by \$320m to \$3,283m. Of the increase, State taxation accounted for \$100m; other State sources, \$62m (including \$12m in railways operating income); income tax sharing entitlement from the Commonwealth, \$144m; and Loan Council allocation, \$17m.

Expected receipts of \$852m under the new personal income tax sharing arrangements were not achieved for the year 1976-77 because the Commonwealth tax collections failed to reach the Budget estimate. Tax sharing entitlements of the States for 1977-78 were set at \$4,336.1m which was 33.6 per cent of a preliminary estimate of personal income tax collections for that year. Victoria's share was estimated at \$987.1m. The figure of \$4,336.1m will

be related to actual personal income tax collections in 1976-77 to determine a percentage figure which will be applied to the previous year's tax collections to calculate entitlements for future years.

Probate duty was to be abolished as soon as possible. There would be no duty on property passing to children of the deceased in the case of estates of persons dying on or after 1 January 1978. From that date also the level of exemption from payroll tax would be \$60,000, reducing by \$2 for each \$3 increase in total payroll above \$60,000 to a new flat exemption of \$27,000 at payrolls of \$109,500 and above.

Land Tax concessions were to be:

- (1) Indexing of the land tax rate scale in line with the average movement in land values to remove the effect of progression in tax rates.
- (2) Lessening of the effect of higher valuations available for land tax purposes by reductions in tax as assessed of 15 per cent in 1978, 10 per cent in 1979, and 5 per cent in 1980.
- (3) The exemption level for residential properties to be \$27,500 with a gradual increase to full taxation at \$33,000.

The exemption level under the Gift Duty Act was to be increased to \$10,000 to apply to gifts made on or after 1 January 1978. The surcharge of 10 per cent on workers compensation premiums was abolished from 15 September 1977.

Expenditure, 1977-78

Education

The provision for expenditure on education for 1977-78 was \$1,195m, \$1,060m derived from State sources and \$135m from the Commonwealth. The principal items included were: (1) provisions for education salaries \$652m; (2) education allowances to parents \$25.5m; (3) direct grants to School Councils \$35.1m; (4) education works programme \$158.1m (\$50.7m from Commonwealth); (5) per capita payments to registered schools \$45.4m; and (6) funds for special education \$26.8m.

Health services

The provision for health services and hospitals in the Budget was \$538m. Payments from the Hospitals and Charities Fund towards the running costs of public hospitals, hospitals for the aged and other institutions was \$252.8m. Expenditure from the Fund has two elements: (1) the State share of the net operating costs of recognised hospitals in accordance with arrangements with the Commonwealth to share costs equally under Medibank, and (2) the State contributions toward the operating costs of other institutions, mainly hospitals for the aged, where the Medibank cost-sharing arrangements do not apply. Allocation from the Works and Services Account for hospital buildings was \$32m, and from Commonwealth grants \$10.8m. Total provision for mental health services was \$131.4m and the allocation from the Works and Services Programme for capital works for the Mental Hygiene Authority was \$11.5m. The Premier noted that reduced Commonwealth commitments to the Community Health Programme and School Dental Services added to the burden of the Victorian Government. Expenditure on pre-school support was estimated at \$27.4m for 1977-78. Under an agreed formula a direct contribution would be made towards the cost of the nursing schools in five private hospitals training nurses; payments in 1977-78 were estimated at \$2m.

Social welfare

Funds provided to the Social Welfare Department in 1977-78 were \$85.9m. An allocation of \$1.8m was made for the introduction of the new Family and Community Services Programme which will assist voluntary and local government agencies to provide necessary services to families and individuals in need of them.

Police

The allocation to the Victoria Police was \$144.5m. The strength of the Police Force was to increase to 7,000. The motor vehicle fleet was to expand to 1,442. The allocation from the Works and Services Account was \$11.1m including \$3.6m for expenditure at the new Police Training Academy at Glen Waverley. Provision was made for new stations, further development of the police PATROL computer system, and for the development of a Police Air Wing.

State development and decentralisation

The total budget allocation for the Department of State Development was \$32.5m. From 1 January 1978 approved decentralised industries using gas in their operations would receive a subsidy to bring the cost of gas down to the equivalent of that paid by a metropolitan consumer using natural gas. The Victorian Development Corporation was allocated \$6.5m from the Works and Services Account and could also borrow a further \$1m in order to expand its lending activities. The Small Business Development Corporation was making considerable progress in providing assistance to small business. Although the Commonwealth commitment to the Albury-Wodonga growth centre would be considerably reduced this year, the Victorian Government would carry out its original commitment.

Tourism

The total allocation from the Consolidated Fund to the Tourist Fund in 1977-78 was \$3.2m.

Energy, research, and development

The new Department of Minerals and Energy will take a leading role in the development and administration of the Government's overall energy policy. Total Budget provision for the new Department was \$6.6m. A major research effort was being made towards the development of appropriate technology for the production of oil from coal. The Victorian Solar Energy Research Committee would advise the Government on possible future uses of solar energy.

Agriculture and rural matters

Budget provision for the activities of the Department of Agriculture was \$40.4m. The Government had provided a wide range of assistance to individual farmers, to communities, and to municipal councils in areas affected by droughts and bushfires. Assistance would continue to beef and dairy producers under the Rural Adjustment Programme. The capacity of the Rural Finance and Settlement Commission would be strengthened to meet the special requirements of the rural community for long term finance. A workable rationalisation plan for canneries was being sought.

Conservation

The Budget provided \$28m for the Ministry of Conservation. Allocations included \$2.2m for environmental studies in the Westernport, Port Phillip, and Gippsland Lakes regions, and \$4.7m for National Parks Services. Developments included the combined vehicle, air, and noise emission testing station, and work towards the establishment of a regional garbage disposal programme. The Soil Conservation Authority was allocated \$3.9m. The licensing provisions of the *Wildlife Act* 1975 would come into operation in 1977-78 and research work was proceeding on the control and eradication of European Carp from inland waters. The Rural Finance and Settlement Commission was to introduce a scheme of loans to assist commercial fishermen purchase vessels and equipment.

The arts

Provision for the Ministry for the Arts was \$40.4m. The maximum per capita subsidy for grants for municipal library services was increased to \$2.75m, bringing estimated expenditure for the year to \$9.9m. Provisions for grants to groups engaged in cultural and artistic activities were \$2.5m; the Victorian Film Corporation \$1.8m; the State Film Centre \$658,000. Contributions by the public to the Art Foundation would be matched on a dollar for dollar basis up to \$2.5m. "Arts Victoria" 1978 would have crafts as its theme. The former Metropolitan Meat Market would be adapted as a centre for professional artists and craftsmen. A contract had recently been let for completion of the Concert Hall part of the Victorian Arts Centre.

Youth, sport and recreation

The allocation to the Department of Youth, Sport and Recreation was \$9.4m. Subsidies provided towards the cost of sport and recreational facilities in 1977-78 total \$2.26m. Other provisions were made for assistance to sports associations; recreational facilities in municipalities; the "Life. Be In It" programme; assistance to youth organisations and clubs; special "outreach" youth work; after-school and holiday programmes, and youth and family camps and National Fitness Camps.

Local government

The Victoria Grants Commission was established as a permanent independent body to determine the detailed distribution of funds to local government in Victoria under the income tax sharing arrangements. In 1977-78 municipalities in Victoria were to receive \$42m which represents the State's share of 1.52 per cent of personal income tax collections made by the Commonwealth in 1976-77. Following a review of the relative shares of each State by the Commonwealth Grants Commission, Victoria received an increased share of 25.45 per cent. Assistance to local government from State sources included subsidies towards library facilities; salaries of infant welfare sisters; home-help house-keeping services; and salaries of municipal recreation officers. Assistance to councils for part-time supervision of school crossings was to be \$1.4m.

Immigration and ethnic affairs

Provision for the Ministry of Immigration and Ethnic Affairs was \$536,000. Advisory Councils were appointed to assist in migration policy and ethnic affairs.

Public transport

The cost of public transport to the Consolidated Fund was estimated at \$238.2m. The allocation of State funds from the Works and Services Account for railways was \$36.8m. Work was to continue on the duplication of the Geelong line and a start was to be made on the electrification of the Geelong line to Werribee. The Melbourne and Metropolitan Tramways Board was provided with \$14.3m for capital works. Since it would be necessary to subsidise railway operations to the order of \$152.6m, it was likely that fares would rise later in the financial year. Subsidy to the Tramways Board would be \$30.5m. Fare concessions to pensioners and to school children required provisions of \$5.5m and \$2.8m, respectively.

Water resources and sewerage

Cost increases and the cessation of Commonwealth assistance under the National Sewerage Programme made it necessary to put forward the target dates for completion of a number of projects. Funds allocated to the State Rivers and Water Supply Commission from the Works and Services Account were \$46.7m. The total works programme of the Melbourne and Metropolitan Board of Works for 1977-78 was \$194.5m. Allocations to the Board from State

sources under the Works and Services Programme and the Semi-Government Borrowing Programme were \$143m.

Consolidated Fund

VICTORIA—CONSOLIDATED FUND: RECEIPTS, BUDGET SUMMARY, 1977-78 (\$'000)

Head of receipt	1976-77 (Actual)	1977-78 (Estimate)
Current account—		
State taxation	1,022,207	1,122,550
Other State sources	393,948	443,945
Railways operating income	163,911	176,000
Commonwealth Government payments—		
Financial Agreement	4,254	4,254
Personal income tax sharing entitlement (a)	841,700	986,124
Other Commonwealth Government payments accounted for through the Consolidated Fund	102,846	122,868
Total	2,528,865	2,855,741
Works and services—		
Proceeds of loan raisings	228,706	240,142
Loan repayments	13,652	13,000
Commonwealth Government payments—		
Works grant	114,354	120,071
School building grants	45,612	49,286
Urban public transport grants	11,331	4,560
Sewerage advances	13,100	..
Total	426,755	427,059
Grand total	2,955,620	3,282,800

(a) Includes \$1m overpaid in 1976-77 and subsequently deducted from 1977-78 entitlement (see page 477).

VICTORIA—CONSOLIDATED FUND : PAYMENTS, BUDGET SUMMARY, 1977-78 (\$'000)

Function of payments	1976-77 (Actual)	1977-78 (Estimate)
Current account—		
Special appropriations	485,472	556,740
Departmental votes	1,728,686	1,970,839
Railways operating expenses (a)	305,618	328,630
Total	2,519,776	2,856,209
Works and services—		
Appropriation to Works and Services Account	435,844	426,591
Grand total	2,955,620	3,282,800

(a) This item does not include railways debt charges, which are included in the item "special appropriations" as follows : charges on total debt 1976-77 (Actual) \$41,017,889 ; 1977-78 (Estimate) \$45,700,000 ; charges on debt since 1960—1976-77 (Actual) \$17,370,574 ; 1977-78 (Estimate) \$20,900,000.

ECONOMIC AND SOCIAL RESPONSIBILITIES OF GOVERNMENTS

General

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

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

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

Victorian governmental financial activity

In Victoria governmental financial activity is carried out through :

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

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

Many State authorities have been granted a degree of financial autonomy by legislation and are vested with independent borrowing powers. A number of these are included in the category of public trading enterprises (or public utilities) who, for services provided, make charges designed to cover operating costs. Usually, they have been created to control a specific activity or provide

specific services including, *inter alia*, transport services, 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 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	1971-72	1972-73	1973-74	1974-75	1975-76
OUTLAY					
Final consumption expenditure	679.3	835.2	1,065.1	1,482.7	1,988.5
Gross capital formation—					
Increase in stocks	-2.2	2.1	1.7	15.4	4.4
Expenditure on new fixed assets	578.4	638.4	727.0	1,073.2	1,278.8
Expenditure on existing assets (net)	23.4	43.6	76.4	121.8	123.3
Total gross capital formation	599.5	684.1	805.2	1,210.4	1,406.6
Transfer payments—					
Interest	266.3	290.8	312.8	349.8	400.8
Transfers to persons	35.1	44.5	46.2	54.8	62.7
Subsidies	3.8	5.1	5.2	7.5	11.0
Transfers overseas	..	..	..	0.1	0.1
Grants for private capital purposes	5.6	6.1	8.6	14.7	18.7
Total transfer payments	310.8	346.5	372.8	426.9	493.3
Net advances—					
To the private sector	25.8	18.1	15.1	65.2	86.3
To public financial enterprises	..	..	5.0	5.0	5.8
Total net advances	25.8	18.1	20.1	70.2	92.1
Total outlay	1,615.4	1,883.8	2,263.1	3,190.2	3,980.4
Total outlay—					
Current outlay	990.1	1,181.7	1,437.8	1,909.6	2,481.7
Capital outlay	625.3	702.1	825.3	1,280.6	1,498.7

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

Item	1971-72	1972-73	1973-74	1974-75	1975-76
RECEIPTS AND FINANCING ITEMS					
Receipts—					
Taxes, fees, fines, etc.	544.7	662.5	841.8	1,073.3	1,309.4
Income from public enterprises	121.1	111.2	104.5	88.2	114.1
Property income—					
Interest	31.5	35.7	44.9	53.6	57.8
Land rent, royalties	25.9	27.5	35.0	40.4	46.8
Total property income	57.4	63.2	79.9	94.1	104.6
Grants from the Commonwealth					
Government—					
For current purposes	431.5	502.5	621.9	920.1	1,374.9
For capital purposes	136.5	159.1	203.4	349.7	387.0
Total receipts	1,291.2	1,498.5	1,851.5	2,525.4	3,289.9
Financing items—					
Net borrowing—					
Local authority and public corporation securities	144.7	186.0	173.3	208.7	289.8
Other general government securities	1.9	1.3	0.2	1.7	2.8
Advances from the Commonwealth					
Government (net)—					
For loan works purposes	141.4	154.7	115.1	148.4	181.2
Other	1.5	10.5	69.3	158.3	174.0
Net receipts of private trust funds	35.8	45.0	50.8	111.3	-80.7
Reduction in cash and bank balances	-65.6	-29.7	-33.6	-91.6	-94.7
Reduction in security holdings	-18.2	-71.9	-55.4	-25.0	39.9
Other funds available (including errors and omissions)—					
Depreciation allowances	66.2	71.0	74.9	79.2	86.7
Other	16.6	18.3	17.0	73.8	91.5
Total financing items	324.2	385.3	411.6	664.8	690.5
Total funds available	1,615.4	1,883.8	2,263.1	3,190.2	3,980.4

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

Purpose	1971-72	1972-73	1973-74	1974-75	1975-76
FINAL CONSUMPTION EXPENDITURE CLASSIFIED BY PURPOSE					
General public services—					
Law, order, and public safety	62.0	71.8	88.6	122.7	148.6
General administration, n.e.c.	44.4	59.6	76.2	99.6	118.9
Education	339.7	419.1	536.8	766.1	946.3
Health	135.4	160.2	209.0	283.4	499.2
Social security and welfare	14.1	17.0	22.0	31.7	42.1
Housing and community amenities—					
Housing	0.3	0.4	0.5	0.6	0.7
Community and regional development	1.8	2.0	4.3	7.9	10.8
Protection of the environment	5.5	7.8	12.0	17.6	22.3
Recreation and culture	23.9	29.4	35.5	50.8	67.7
Economic services—					
Agriculture, forestry, and fishing	23.7	32.9	37.5	45.7	57.4
Mining, manufacturing, and construction	3.4	4.1	5.6	7.4	9.1
Electricity and gas	..	0.1	..	..	..
Water supply	-1.4	-1.4	-2.2	-1.0	0.6
Rail transport	-0.2	0.9	0.3	0.3	0.4
Sea transport	0.3	0.3	..	..	..
Road systems and regulation	8.5	10.9	13.9	15.1	18.1
Other transport services, n.e.c.	..	0.1	0.1	0.1	0.9
Other economic services (including general administration)	17.8	20.1	25.0	34.4	45.2
Other purposes	0.1	..	0.1	0.1	..
Total	679.3	835.2	1,065.1	1,482.7	1,988.5

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

Purpose	1971-72	1972-73	1973-74	1974-75	1975-76
EXPENDITURE ON NEW FIXED ASSETS CLASSIFIED BY PURPOSE					
General public services—					
Law, order, and public safety	5.0	5.8	8.4	9.1	14.0
General administration, n.e.c.	15.3	17.5	20.3	42.9	67.8
Education	75.3	86.9	100.5	170.9	170.4
Health	18.0	20.2	30.2	48.7	73.5
Social security and welfare	1.3	1.1	1.3	1.2	2.0
Housing and community amenities—					
Housing	15.9	16.9	19.3	57.8	29.1
Community and regional development	0.7	0.5	0.5	1.9	8.2
Protection of the environment (incl. sewerage and drainage)	68.5	87.7	95.6	124.4	140.8
Recreation and culture	8.8	10.5	9.9	16.1	27.2
Economic services—					
Agriculture, forestry, and fishing	20.9	21.9	26.8	40.0	50.3
Mining, manufacturing and construction	4.5	8.5	13.0	7.3	12.8
Electricity and gas	98.3	98.9	95.4	131.2	174.6
Water supply	39.4	48.6	50.4	63.9	74.7
Rail transport	20.0	25.3	34.9	56.8	72.4
Sea transport	11.6	11.0	16.1	19.9	20.2
Road systems and regulation	170.1	171.0	197.5	265.2	318.6
Other transport services, n.e.c. (a)	0.9	1.0	1.1	7.0	9.7
Other economic services (incl. general administration)	3.8	5.2	5.7	8.9	12.3
Total	578.4	638.4	727.0	1,073.2	1,278.8

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

Commonwealth-State financial relations under the Commonwealth Constitution, 1977**COMMONWEALTH GOVERNMENT PAYMENTS TO VICTORIA****General**

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

However, the lack of balance between the spending functions and the sources of revenue (mainly taxation) available to the Commonwealth and State governments, respectively, has led to a system of grants from the Commonwealth Government to the States including more recently, grants made to the States for passing on to local government authorities and to direct payments by the Commonwealth Government to individual local authorities within each State. Grants may be either unconditional or earmarked for specific purposes such as roads or universities. Important examples of the former are financial assistance grants and from 1976-77 personal income tax sharing entitlements payable under the uniform tax system, and special grants payable under the provisions of 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 1976-77 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 local government and non-government bodies) are given below. These payments include grants paid to the States for transmission to local government. More information on such payments is given in Chapter 6 of this *Year Book*.

Financial Agreements

Under the terms of the Financial Agreement of 1927 the Commonwealth Government undertook to share debt charges with the States. In 1929 the Commonwealth Government assumed responsibility for the payment of interest on debt, on the understanding that the States would reimburse these payments less a sum of \$15.2m which the Commonwealth Government agreed to contribute annually for a period of 58 years from 1 July 1927. Victoria's share of this is \$4.3m. The Financial Agreement also provided for the creation of sinking funds for the extinction of debt existing at 30 June 1927 or incurred subsequently. Contributions to these sinking funds are made jointly by the Commonwealth and State Governments on bases laid down. Over the course of 1975-76 amendments to the Financial Agreement provided for new sinking fund arrangements for State debt. The amendments had retrospective effect to 30 June 1975 and also gave effect to the transfer of \$1,000m of State debt to the Commonwealth from 30 June 1975. In 1976-77 the sinking fund contribution made by the Commonwealth Government on account of debt incurred by Victoria was \$8.0m.

Nature of payment

Financial assistance grants

When the Commonwealth Government took over the States' income taxing powers during the Second World War in order to meet its war-time obligations, it became the sole authority for levying taxes on income. In return for vacating this field of taxation the States received an annual payment from the Commonwealth Government as reimbursement for the loss of income tax revenue. Over the years a number of challenges to the validity of the income tax legislation have been made. These are discussed on pages 546-7 of the *Victorian Year Book* 1975 and in earlier editions. Previous *Year Books* have also covered the arrangements for tax reimbursement grants (or financial assistance grants as they became known after 1958-59) by the Commonwealth Government leading up to the fixing of the financial assistance grants for 1975-76, of which Victoria's share was \$706.4m.

Personal Income Tax sharing with the States

A formula system was used to make annual determinations of financial assistance grants up to the end of 1975-76. Commencing with the year 1976-77 financial assistance grants were replaced by arrangements under which State Governments will be entitled to a specified share of Commonwealth net personal income tax collection. For tax sharing arrangements with local government see Chapter 6, page 172.

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

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

Actual payments in 1976-77 were made from an estimated \$10,990m net personal income tax collections for 1976-77, and Victoria received \$841.7m of \$3,695.6m distributed to the States. Net personal income tax collections as finally determined for 1976-78 were \$10,876.8m which was \$113.2m less than the estimated figure on which payments had been made. Thirty-three point six per cent of \$10,876.8m was \$3,654.6m of which Victoria's share was \$833.3m. However, the guarantee under the financial assistance formula referred to above entitled all States, except Queensland, to amounts greater than those calculated as a percentage of \$10,876.8m. The entitlement finally arrived at was \$3,676.0m of which Victoria was entitled to \$840.7m. This, in effect, meant that all States, other than Queensland, were not entitled to any more in 1976-77 than they would have received if the previous financial assistance grants scheme was to have continued. An amount of \$19.6m was overpaid in 1976-77 and payments in 1977-78 were to be reduced by this amount. Victoria's 1977-78 payment would be reduced by \$1.0m.

Because of the uncertainty associated with the use of the current year's tax collections as the base of the tax sharing scheme, it was agreed at the July 1977 Premiers Conference that the preceding year's tax collections would be used as the base in future (local government tax sharing entitlements are at present based on tax collections made in the preceding year). The States' tax sharing entitlements in respect of 1977-78 was fixed at \$4,336.1m (see also pages 467 and 505).

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

Nature of payment	1971-72	1972-73	1973-74	1974-75	1975-76
General revenue assistance (b)	362,085	396,087	443,624	562,266	706,389
Financial Agreement—					
Interest on State debt	4,254	4,254	4,254	4,254	4,254
Sinking fund on State debt (c)	6,378	6,809	7,195	7,525	7,500
Debt charges assistance	5,566	8,348	11,131	13,914	..
Capital assistance grants	55,890	63,405	70,789	87,370	108,871
Research grants	1,177	1,620	1,540	1,821	1,553
Government schools—					
Capital grants	5,650	7,346	12,647	50,367	38,279
Recurrent grants	..	..	10,172	35,859	51,855
Non-government schools—					
Capital grants	1,937	2,140	5,364	8,071	10,779
Recurrent grants	9,655	13,337	18,083	31,797	42,175
Schools—joint programmes	..	..	870	4,669	6,551
Technical and further education	1,500	3,350	7,272	13,379	17,029
Colleges of advanced education	12,921	19,718	60,391	118,571	145,620
Teachers colleges	2,750				
Universities	25,255	29,223	67,596	117,128	120,233
Pre-schools and child care	..	..	1,514	9,297	4,502
Child migrant education	1,158	1,819	3,282	5,191	12,797
Hospitals	..	..	150	7,330	27,280
Medibank—public hospital running costs	..	..	..	..	229,570
Community health	..	..	4,386	4,976	10,863
School dental scheme	..	..	1,344	4,097	3,395
Dwellings for aged pensioners	2,243	1,478	650	1,343	2,827
Aboriginal advancement	400	770	948	2,130	1,358
Housing assistance grants	1,005	1,679	1,679	1,679	1,679
Employment grants	6,075	25,670	2,647	11,200	8,200
Regional Employment Development Scheme	..	..	..	4,292	5,404
Area improvement programme	..	..	2,400	4,608	4,896

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

(\$'000)

Nature of payment	1971-72	1972-73	1973-74	1974-75	1975-76
Sewerage	..	..	150	10,634	10,784
Land acquisition	..	..	..	993	3,417
Leisure, recreation, and cultural facilities	..	..	498	839	1,731
Agricultural extension services	1,364	1,490	1,601	1,877	2,022
Bovine brucellosis and T.B. eradication	700	1,150	1,681	2,064	2,459
Dairy adjustment programme	142	45	72	1,172	2,388
Rural reconstruction	2,125	3,392	1,900	1,658	1,675
Roads	49,820	57,240	65,720	74,710	89,080
Urban public transport	..	..	..	18,867	9,332
Transport planning and research	..	..	..	1,241	3,106
Local government general purposes grants	..	..	..	14,630	20,242
Natural disaster relief	..	40	22	9,338	5,972
Other payments	2,390	4,348	7,559	6,923	10,123
Total	562,440	654,758	819,130	1,258,080	1,736,190

(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.

Capital assistance grants

From 1970-71 the Commonwealth Government has made interest free capital grants to support that part of the States' Loan Council programmes from which debt charges are not normally recoverable (e.g., schools, police buildings, etc.). These grants are distributed between the States in proportion to their respective borrowing programmes and have risen from 24.3 per cent of each States' total Loan Council programme in 1970-71 to 33.3 per cent in 1975-76 and 1976-77. In 1976-77 they amounted to \$425.0m of which Victoria received \$114.4m.

Education

From 1977 the fixed triennial system of the past has been converted to a three-year rolling programme encompassing four broad areas of payment to the States for education: universities, colleges of advanced education, technical and further education, and schools. Under this rolling programme a firm allocation is determined for the first year of the period and planning guidelines are given for the second and third years of the period. Cost supplementation arrangements relating to both recurrent and capital costs are to be confined, after 1977, to the wages and salaries component of recurrent programmes.

Tertiary education

In 1977 the Tertiary Education Commission was established as a replacement for the three former Commissions: the Universities Commission, the Commission on Advanced Education, and the Technical and Further Education Commission. Programmes of assistance to States in these areas are administered by the new Commission. In 1978, base levels of expenditure on universities and colleges of advanced education are to be maintained at the same real levels as for 1977, and the base level of expenditure on technical and further education is to increase by 10 per cent in real terms. In the planning guidelines a 2 per cent real growth in the base level of expenditure for the tertiary area as a whole was set for each of the years 1979 and 1980.

Assistance to the States for the recurrent expenditures of universities dates from 1951-52; in 1957-58 assistance was first given for expenditure on capital programmes. In 1973-74 the Commonwealth assumed full financial responsibility in this area. In 1976-77 total grants for universities were \$568.5m of which

Victoria received \$145.2m (\$139.4m for recurrent expenditure and \$5.8m for capital expenditure).

The Commonwealth Government has made grants to the States for colleges of advanced education since 1965-66; for teachers colleges since 1967-68 and for pre-school teachers colleges since 1968-69. In 1976-77 the total grants made to the States for these institutions amounted to \$446.4m of which Victoria received \$161.9m (\$135.9m for recurrent expenditure and \$26.0m for capital expenditure).

Grants towards capital expenditure for technical and further education have been made by the Commonwealth Government since 1964-65 and towards recurrent expenditure since 1973-74. In 1976-77, grants to the States were \$77.9m of which Victoria received \$23.2m (\$13.9m for recurrent expenditure and \$9.3m for capital expenditure).

Grants for schools

The Commonwealth Government has been providing assistance for secondary schools since 1964-65. The range of assistance has been progressively extended and by 1975-76 the Commonwealth was providing grants for both government and non-government schools in a number of categories. Under the three-year rolling programme an amount which would represent the same amount in real terms as for the 1977 programme is expected to be provided in 1978. For 1979 and 1980 the rolling programme planning guidelines are based on a 1 per cent per annum growth rate in base levels of expenditure in real terms.

Health Insurance Programme (Medibank)

The States entered into agreements in 1975 with the Commonwealth Government for the provision of free standard ward public hospital treatment without means test and free public hospital outpatient services. There were agreed arrangements in respect of charges in wards other than standard wards. In essence, the agreements provided that the Commonwealth Government met 50 per cent of the net recurrent costs of hospitals referred to as "recognised" hospitals in the agreements. When these agreements were found to be invalid new cost-sharing agreements were negotiated and became effective on 1 October 1976. The main change from the previous arrangements was that the Commonwealth was now to meet 50 per cent of budgets as approved by the Commonwealth and the State Health Ministers. In 1976-77 the States received \$630.2m of which Victoria's share was \$149.9m. These figures do not include a pre-payment to all States in 1975-76 of \$215.6m which would normally have been paid in 1976-77.

Pre-school and child care

From 1972-73 grants for services for children were made by the Commonwealth Government direct to local government authorities and non-profit organisations. Payments to the States commenced in 1973-74 under a broader scheme of assistance providing capital and recurrent assistance for pre-school child care projects including home care, vacation and after school care projects, and various other community-initiated projects. The grants in 1976-77 amounted to \$52.1m, of which Victoria received \$12.7m for recurrent expenditure and \$4.6m for capital expenditure.

Grants to community health facilities and services

Under the Community Health Programme which commenced in 1973-74 the Commonwealth Government provides grants to the States and other eligible organisations. From 1 July 1977 the Commonwealth Government meets 50 per cent of new capital costs and 75 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. In 1976-77 \$64.5m was paid to the States under the Community Health Programme of which Victoria received \$15.0m (\$11.4m for recurrent expenditure and \$3.7m 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 1976-77 \$108.0m was paid to the States for these purposes of which Victoria received \$27.0m.

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 \$1,100m mainly for national highways and arterial roads. In 1976-77 the actual grants made totalled \$433.8m and Victoria's share of this was \$91.1m.

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 1976-77 amounted to \$58.4m, of which Victoria received \$15.9m.

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. This programme has been discontinued from 1977-78. Total assistance to the States in 1976-77 amounted to \$49.8m. Of this amount \$15.9m comprised grants and \$33.8m advances, of which Victoria received \$5.8m and \$12.0m respectively.

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 1972-73 to 1976-77, are shown in the following table:

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

Nature of advance	1972-73	1973-74	1974-75	1975-76	1976-77
Housing for servicemen	2,019	2,691	4,192	6,082	4,191
Housing (b)	1,500	53,500	98,159	98,159	98,159
Growth centres	..	1,054	24,504	22,276	15,793
Land acquisitions	..	3,531	8,010	12,222	4,926
Sewerage	..	9,300	28,196	24,780	11,970
Dairy adjustment programme	45	73	4,371	7,677	3,565
Canned fruit industry	849	..	..	1,706	..
Rural reconstruction	10,178	5,700	4,976	5,025	2,850
Dartmouth Dam	675	950	2,500	2,800	1,875
Other	1,542	..	1,358	2,342	5,881
Total	16,808	76,799	176,266	183,069	149,210

(a) Excluding Loan Council borrowings.

(b) In 1972-73 the advance of \$1.5m was to supplement the housing programme financed from Loan Council borrowings.

Further reference, 1977

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 1971-72 to 1975-76.

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

Source of receipts	1971-72	1972-73	1973-74	1974-75	1975-76
Taxation (a)	309,695	405,838	547,232	707,358	888,056
Recoveries of debt charges—					
Interest	48,047	50,106	53,358	65,166	76,777
Redemption and repayment of advances	5,334	5,942	6,666	7,704	9,343
Other	1,226	3,455	3,415	3,957	4,077
Railways—					
Ordinary income	110,396	108,851	112,258	126,557	142,571
Other	1,570	1,560	1,954	2,447	4,372
Forestry—					
Royalties	5,945	6,209	7,556	9,850	11,994
Other	1,231	1,230	1,219	1,712	1,696
Lands, survey, and mining—					
Royalties	24,423	25,910	34,690	38,812	43,334
Other	3,743	4,021	4,378	5,031	6,141
Ports and harbours	4,782	4,324	4,834	5,550	5,974
Water supply, sewerage, irrigation, and drainage	16,290	17,144	18,780	22,708	27,220
Fees and charges, n.e.i.	32,220	34,860	47,479	59,753	69,485
Fines	6,021	7,226	8,623	10,313	12,576
Miscellaneous (b)	23,272	25,421	29,642	43,622	53,385
Commonwealth Government recurrent payments—					
Financial Agreement Act	4,254	4,254	4,254	4,254	4,254
Financial assistance	348,464	396,087	437,604	548,405	706,389
Special revenue assistance	13,621	..	6,020	13,861	..
Debt charges assistance	5,566	8,348	11,131	13,914	..
Education grants (c)	..	..	10,112	39,069	57,966
Departmental charges—social welfare and health benefits (c)	3,731	4,416	5,475	6,954	9,817
Tuberculosis arrangement	3,143	2,191	2,570	4,865	4,205
Pre-school child education and care (c)	..	..	1,296	5,577	10,150
School dental programme (c)	..	..	..	1,606	1,365
Other (c)	137	406	780	2,246	4,488
Commonwealth Government capital payments—					
Works grant	55,890	63,405	70,159	87,370	108,871
Education grants (c)	1,700	3,405	9,182	49,524	45,075
Sewerage Agreement (c)	..	..	9,300	34,236	30,809
Other (c)	2,731	2,166	2,151	2,270	4,682

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

Source of receipts	1971-72	1972-73	1973-74	1974-75	1975-76
Loan raisings	171,670	187,115	149,738	184,809	217,744
Loan repayments, n.e.i.	5,786	7,262	9,066	4,918	5,380
Total receipts	1,210,889	1,381,153	1,610,923	2,114,416	2,568,197

(a) For details of total taxation collections see pages 483-4.

(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 pages 496-7.

The principal payments for each of the years 1971-72 to 1975-76 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: Federal Authorities, 1976-77*. 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	1971-72	1972-73	1973-74	1974-75	1975-76
Public debt charges—					
Interest (including exchange)	131,832	140,131	149,370	164,398	175,734
Sinking fund	23,841	25,519	27,395	28,836	29,000
Other	432	533	658	1,258	1,042
Commonwealth—State Housing Agreement—					
Interest	22,158	22,059	23,114	25,930	29,735
Repayments	5,189	5,376	5,573	6,053	7,714
Railways—					
Working expenses (a)	135,052	152,674	184,759	239,103	267,923
Other	3,848	3,653	4,147	4,676	5,638
Agricultural, pastoral, etc., services	12,849	14,499	17,590	23,884	29,725
Culture and recreation	7,502	9,759	11,787	18,079	24,361
Development and decentralisation	1,677	2,236	7,378	13,251	21,153
Education—					
Registered schools	11,433	13,818	18,195	23,568	33,219
State schools—					
Primary and secondary (b)	219,767	266,071	332,725	444,036	560,223
Technical and vocational	11,180	12,327	15,619	20,306	25,051
Universities	23,829	30,070	16,173	44	20
Other higher education	46,791	58,246	52,193	39,710	39,970
Other	14,072	16,662	20,989	37,840	48,795
Forestry	7,780	8,375	9,621	12,436	14,990
Health services—					
Mental hygiene and mental hospitals	34,171	37,701	46,393	62,353	80,760
Payments to Hospitals and Charities Fund	87,890	105,643	141,470	194,702	225,834
Other	11,968	13,578	17,244	24,353	29,624
Lands, survey, and mining	14,114	15,150	23,436	28,739	33,383
Law, order, and public safety—					
Justice	12,700	14,681	19,314	25,373	32,757
Police	40,732	47,712	59,771	80,185	100,815
Prisons and probation	5,812	6,513	7,729	10,204	12,956
Public safety, etc.	302	336	572	586	1,117
Legislative and general administration	15,578	16,205	26,412	36,680	51,574
Local government, n.e.i.	1,497	1,731	2,069	2,679	3,213

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

Purpose of payment	1971-72	1972-73	1973-74	1974-75	1975-76
Grants and advances to municipalities and semi-government authorities (c)	2,849	3,473	9,892	30,019	37,668
Subsidies to semi-government authorities	2,807	3,368	4,419	4,784	6,158
Pay-roll tax	10,249	13,486	19,154	29,578	37,658
Pensions and superannuation (d)	13,867	16,744	20,430	26,029	38,567
Ports and harbours	1,811	1,866	4,467	5,770	6,960
Protection of the environment (including sewerage)	377	1,365	3,617	5,497	6,942
Social welfare, n.e.i.	15,838	18,339	19,497	30,259	41,617
Water supply, irrigation, and drainage	14,513	16,073	19,899	24,628	29,102
Miscellaneous (e)	14,342	17,648	21,316	41,503	51,106
Appropriation to Works and Services Account	230,241	247,536	246,537	347,087	426,092
Total	1,210,889	1,381,153	1,610,923	2,114,416	2,568,197

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

In Victoria, taxation collections by the Victorian Government are allocated by statute either to the Consolidated Fund or to special funds. One of the principal items of Victorian taxation—taxes on the ownership and operation of motor vehicles—is allocated between the Consolidated Fund and special funds. (See pages 488-9 for 1975-76 allocation.)

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

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
Pay-roll tax (a)	98,716	149,136	221,080	327,200	389,889
Probate and gift duties	44,632	50,317	59,499	60,716	71,392
Land tax	29,105	29,443	32,958	52,968	56,253
Liquor tax	12,811	13,260	14,505	21,940	24,831
Lottery tax	6,790	9,228	15,549	27,338	40,251
Football and soccer pools taxes (b)	..	27	9	1,470	6,762
Racing taxes	25,042	31,916	37,662	48,087	56,577
Taxes on the ownership and operation of motor vehicles—					
Vehicle registration fees and taxes	54,347	57,363	61,995	74,964	92,496
Drivers', etc., licences and fees	7,769	7,522	7,876	12,687	14,865
Stamp duty (vehicle registration)	8,961	12,407	17,309	23,579	31,500
Road transport taxes	2,119	2,265	3,605	5,296	5,873
Road maintenance contributions	9,136	9,745	10,359	10,038	10,132
Motor car third party insurance surcharges	3,028	3,100	3,336	5,166	7,317

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

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
Stamp duties, n.e.i.	79,759	107,714	148,090	141,729	192,764
Statutory authority levy—					
Gas and Fuel Corporation	1,640	1,920	2,180	3,000	3,820
State Electricity Commission	9,120	9,260	9,720	11,520	13,520
Licenses and registration fees, n.e.i.	2,849	3,761	5,129	7,820	11,114
Business franchise licenses—					
Tobacco	..	..	..	1,104	12,184
Other taxes	2,683	3,061	2,890	2,202	1,698
Total	398,510	501,445	653,750	838,825	1,043,237
Paid to—					
Consolidated Fund	309,695	405,838	547,232	707,358	888,056
Trust funds	88,815	95,607	106,518	131,467	155,182

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

(b) Football pools only in 1972-73 and 1973-74. Soccer pools only in 1974-75 and 1975-76.

Specific collections

Pay-roll tax

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

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

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

Under the *Decentralized Industry Incentive Payments Act* 1972, operative from 1 July 1973, incentive payments in the form of pay-roll tax rebates may be made to a manufacturing or processing industry at a decentralised or special establishment, as defined in the Act. In 1974-75, \$7,023,137 and in 1975-76 \$11,484,395 was so paid. Total receipts of pay-roll tax for the year ending 30 June 1976, excluding rebates and pay-roll tax paid by Victorian Government departments, amounted to \$389.9m. For changes proposed in 1977-78 see page 468.

Probate duties

The *Probate Duty Act* 1962 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. An amendment to the Act in 1976 eliminated duty payable on any portion of an estate passing to the widow or widower of the deceased. For changes proposed in 1977-78 see page 468.

VICTORIA—RATES OF PROBATE DUTY, 1977

On that part of the final balance which—				The rate of duty per \$1 shall be where the final balance passes to—			
				Category A	Category B	Category C	Category D
\$				cents	cents	cents	cents
Exceeds	1,200	Does not exceed	1,200	Nil	Nil	Nil	Nil
		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. 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 1971 to 1975. Municipal valuations and the rate of land tax increased in 1974. For changes proposed in 1977–78 see page 468.

VICTORIA—LAND TAX ASSESSMENTS

Year	Number of taxpayers	Total tax payable	Average tax payable per taxpayer	Total unimproved value (a)
		\$'000	\$	\$'000
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	877.40	3,057,498
1975	72,777	59,388	816.03	3,189,019

(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	1971-72	1972-73	1973-74	1974-75	1975-76
Licences—					
Victuallers	8,758	8,974	9,502	13,914	14,949
Spirit merchants and grocers	2,911	3,071	3,501	5,902	7,324
Others	242	246	292	475	569
Club certificates	613	670	750	1,138	1,296
Permits—extended hours, etc.	230	244	328	409	571
Fees	58	56	132	101	120
Total	12,811	13,260	14,505	21,940	24,831

Lottery tax

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

The Act provides that 31 per cent of the total amount subscribed to each consultation and 30 per cent of the total subscribed to soccerpools be paid into the Consolidated Fund. Each year an equivalent amount of this duty on consultations (other than Gold Lotteries) and one third of the soccerpools duty is paid out of the Consolidated Fund, in such proportions as the Treasurer determines, into both the Hospitals and Charities Fund and the Mental Hospitals Fund. The Act also provides that, of the soccerpools duty, two thirds is paid out of the Consolidated Fund for the promotion of sport and recreation, at such intervals as the Treasurer determines. The Act further provides that an equivalent of the duty on Gold Lotteries is paid out of the Consolidated Fund to the Historical and Community Projects Fund.

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

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
Subscriptions to—					
Ordinary consultations (a)	20,942	19,003	18,241	17,680	16,460
Tattslooto consultations	446	11,143	33,944	69,550	116,001
Soccerpool consultations	..	..	..	4,898	5,709
Duty paid to Consolidated Fund	6,790	9,255	15,558	28,808	47,013
Allocation out of Consolidated Fund—					
Hospitals and Charities Fund	5,425	7,509	13,203	24,388	36,231
Mental Hospitals Fund	1,365	1,728	2,345	3,462	4,633
Soccerpools duty, other States (b)	..	..	..	..	4,924
Other funds, etc. (c)	..	19	10	958	1,225

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

(b) Collected on behalf of, and subsequently paid to, other States.

(c) Allocated for various sport and recreation purposes.

Racing taxes

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

The *Racing (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 totalizators 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 totalizator (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 totalizators. The Totalizator Agency Board, appointed under the Act, conducts the off-course betting scheme which came into operation on 11 March 1961.

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

- (1) From investments for win, place, and quinella—15 per cent;
- (2) from investments for daily doubles 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 TOTALIZATOR:
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—TOTALIZATOR INVESTMENTS, INVESTMENTS WITH
LICENSED BOOKMAKERS, AND TOTAL RACING TAXATION
(\$'000)

Year	Totalizator investments		Investments with licensed book-makers (a)	Racing taxation			
	On-course	Off-course		Totalizator	Book-makers' turnover	Other (b)	Total
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	7,072	390	48,087
1975-76	83,498	488,070	396,023	47,905	8,376	295	56,577

(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. For changes proposed in 1977-78 see page 468.

VICTORIA—RATES OF GIFT DUTY, 1977

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—	1971-72	1972-73	1973-74	1974-75	1975-76
VEHICLE REGISTRATION FEES AND TAXES					
Consolidated Fund—					
Registration fees—recreational vehicles	..	..	14	14	10
Country Roads Board Fund—					
Motor registration fees, etc.	34,635	35,998	38,962	46,244	58,031
Additional registration fees (part)	2,397	2,561	2,726	130	..
Level Crossings Fund—					
Additional registration fees (part)	1,199	1,281	1,363	..	..
Road (Special Projects) Fund—					
Increase in registration fees (Act No. 7283)	16,106	16,577	17,956	21,230	26,684
Transport Regulation Fund—					
Motor omnibus registration fees	10	10	11	9	1
Traffic Authority Fund—					
Surcharge on motor registration	..	936	962	1,007	1,051
Transport Fund—					
Additional registration fees (part)	..	..	..	6,331	6,719
Total	54,347	57,363	61,995	74,964	92,496

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

Paid to—	1971-72	1972-73	1973-74	1974-75	1975-76
DRIVERS, ETC., LICENCES AND FEES					
Consolidated Fund—					
Drivers licence fees (part)	3,647	3,488	3,648	4,778	5,771
Learner drivers test fees (whole) and drivers test fees (part)	..	..	..	2,429	2,628
Country Roads Board Fund—					
Drivers licence fees (part)	939	901	944	1,229	1,479
Drivers test fees (part)	448	517	548	485	437
Learner drivers permits (part)	..	..	..	160	192
Municipalities Assistance Fund—					
Drivers licence fees (part)	1,823	1,744	1,824	2,389	2,885
Drivers Licence Suspense Account—					
Drivers licences, learner drivers permits, and drivers test fees (all part)	912	872	912	1,217	1,473
Total	7,769	7,522	7,876	12,687	14,865
STAMP DUTY (VEHICLE REGISTRATION)					
Consolidated Fund	8,961	12,407	17,309	23,579	31,500
ROAD TRANSPORT TAXES					
Country Roads Board Fund—					
Sale of log books	10	10	11	10	12
Transport Regulation Fund—					
Licences, etc.	1,025	1,071	2,398	4,349	4,975
Permits	1,084	1,184	1,196	937	886
Total	2,119	2,265	3,605	5,296	5,873
ROAD MAINTENANCE CONTRIBUTIONS					
Country Roads Board Fund—					
Road charges under Commercial Goods Vehicles Act	9,136	9,745	10,359	10,038	10,132
MOTOR CAR THIRD PARTY INSURANCE SURCHARGES					
Consolidated Fund	3,028	3,100	3,336	5,166	7,317
TOTAL					
Consolidated Fund	15,636	18,995	24,306	35,966	47,226
Country Roads Board Fund	47,565	49,731	53,551	58,295	70,284
Level Crossings Fund	1,199	1,281	1,363	..	..
Municipalities Assistance Fund	1,823	1,744	1,824	2,389	2,885
Road (Special Projects) Fund	16,106	16,577	17,956	21,230	26,684
Transport Regulation Fund	2,119	2,265	3,605	5,295	5,862
Drivers Licence Suspense Account	912	872	912	1,217	1,473
Traffic Authority Fund	..	936	962	1,007	1,051
Transport Fund	..	..	..	6,331	6,719
Total	85,361	92,401	104,479	131,730	162,184

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 pages 483-4 and amounted to \$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, \$1,929,548 in 1974-75 and \$1,960,904 in 1975-76. The Board also received levies from authorised insurers of \$653,330 in 1973-74, \$9,046,670 in 1974-75 and \$16,340,095 in 1975-76. (See also pages 582-3.)

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
Based on consideration	over \$100—per \$100 or part	60c
TRANSFER OF REAL PROPERTY—	for each \$100 or part—	
Gifts and settlements (a)—Based on	\$	\$
value	up to 7,000	1.50
Other transfers on sale—Based on	over 7,000 to 15,000	1.75
consideration	" 15,000 " 40,000	2.00
	" 40,000 " 100,000	2.25
	" 100,000 " 500,000	2.50
	" 500,000 " 1,000,000	3.00
	" 1,000,000	3.50
LEASES AND ASSIGNMENTS OF LEASES OF REAL PROPERTY	variable scale according to nature	
INSURANCE COMPANIES (OTHER THAN LIFE)	each \$200 (or part) of annual	
—Annual licences	premium income	\$14
LIFE ASSURANCE POLICIES—On the sum insured	up to \$2,000—per \$200 or part	12c
	over \$2,000—\$1.20 for first \$2,000 plus per \$200 or part of remainder	24c
CHEQUES—		
Payable on demand		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
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		

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

Dutiable class	Duty payable
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	
(a) of the amount of the purchase money in respect of one head of cattle sold singly; or	2c
(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	
(a) of the amount of the purchase money in respect of one pig sold singly; or	2c
(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 490 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 5 years to 1975-76 was: 1971-72, \$67.2m; 1972-73, \$66.4m; 1973-74, \$65.9m; 1974-75, \$63.7m; 1975-76, \$76.1m.

Commonwealth income tax

Uniform taxation of income throughout Australia was adopted in 1942, when the Commonwealth Government became the sole authority levying this tax. However, arrangements 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 are being introduced. Details of these arrangements are given in 1976-77 and 1977-78 *Budget Paper No. 7, Payments to or for the States and Local Government Authorities*.

For the income tax year ended 30 June 1977 the following were the principal changes:

(1) The introduction of tax indexation to the existing personal income tax rate scale—effective from 1 July 1976.

- (2) The minimum concessional rebate was increased to \$610.
- (3) Abolition of concessional rebates in respect of child and student dependants.
- (4) Assessability of certain pensions which were previously exempt from income tax. These include widows pensions, supporting mothers benefits and service pensions, irrespective of the age of the recipient. Unemployment benefits also become subject to tax from 1 July 1976.
- (5) Commencing with the 1976-77 income year there will be an annual tax deduction allowable to taxpayers holding eligible trading stock for business purposes. This stock valuation adjustment is based on the amount of the annual increase in the valuation of the trading stock. It will generally be calculated by applying the annual movement in the goods component of the Consumer Price Index from one June quarter to the next to the value at which trading stock on hand at the beginning of the year of income has been brought to account for income tax purposes. For 1976-77 the adjustment was 5 per cent.

AUSTRALIA—GENERAL RATES OF TAX : INDIVIDUALS
(1976-77 income year)

Total taxable income		Tax on taxable income	
Not less than	Not more than		
\$	\$	\$	\$
1	2,260	Nil	plus 20 cents for each \$1
2,260	5,650	452.00	plus 27 cents for each \$1 in excess of 2,260
5,650	11,300	1,367.30	plus 35 cents for each \$1 in excess of 5,650
11,300	16,950	3,344.80	plus 45 cents for each \$1 in excess of 11,300
16,950	22,600	5,887.30	plus 55 cents for each \$1 in excess of 16,950
22,600	28,250	8,994.80	plus 60 cents for each \$1 in excess of 22,600
28,250 and over		12,384.80	plus 65 cents for each \$1 in excess of 28,250

NOTE. Tax is not payable by an individual unless the taxable income exceeds \$1,040. Where it exceeds \$1,040 but does not exceed \$1,492 the tax is limited to 66% of the excess. However, because of the general concessional rebate of \$610 allowable to all resident taxpayers, a resident taxpayer is not called on to pay tax unless the taxable income is at a higher level than \$1,041. A resident taxpayer who is not subject to averaging provisions (applicable to primary producers) or to special notional income provisions does not pay tax unless the taxable income is \$2,846 or more.

Rebates

- (1) Dependants, housekeeper, zone allowance :

The following rebates from tax payable on taxable income, derived during the year of income ended 30 June 1977 are allowable to resident taxpayers :

Dependant, etc.	Rebate
	\$
Spouse or daughter—housekeeper	500
Invalid relatives—16 years and over	226
Parents/parent-in-law	452
Housekeeper	500
Sole parent	350
Zone and overseas allowance—	
Zone A and overseas forces	\$216 + 25 per cent of above rebates (a)
Zone B	\$36 + 4 per cent of above rebates (a)

(a) Plus notional rebates for students and dependent children.

- (2) Concessional expenditure :

Expenditure on education, medical, life insurance, etc., qualifies for concessional rebates. A minimum concessional rebate is allowed which reduces

gross tax payable by \$610 (40 per cent of \$1,525). However, where allowable expenditure exceeds \$1,525 the rebate is calculated at 40 per cent of the allowable expenditure.

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 expenses 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. The deduction is now limited to the first five years of use of the first home.

VICTORIA—INCOME TAX : INDIVIDUALS, 1975-76 (1974-75 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	5,849	8,115	13,964	14,830	14,580	304
1,200- 1,999	29,315	59,469	88,784	142,127	133,627	4,142
2,000- 2,999	46,018	86,559	132,577	335,106	309,711	15,694
3,000- 3,999	60,203	95,847	156,050	546,775	497,767	38,017
4,000- 4,499	33,101	50,982	84,083	357,551	324,393	32,026
4,500- 4,999	37,311	51,766	89,077	423,216	381,998	42,971
5,000- 5,499	44,861	53,235	98,096	515,476	462,699	58,176
5,500- 5,999	55,917	48,764	104,681	601,875	532,942	73,226
6,000- 6,499	64,548	36,981	101,529	634,265	552,076	81,835
6,500- 6,999	68,970	25,452	94,422	637,015	544,970	86,646
7,000- 7,499	70,435	18,881	89,316	647,238	547,364	93,425
7,500- 7,999	66,565	15,121	81,686	632,585	531,112	97,171
8,000- 8,999	110,477	18,548	129,025	1,092,928	908,909	182,191
9,000- 9,999	78,808	10,716	89,524	847,694	698,373	155,740
10,000-14,999	147,125	18,849	165,974	1,952,645	1,616,535	441,361
15,000-19,999	27,824	4,105	31,929	541,612	464,004	165,293
20,000-29,999	13,165	1,998	15,163	360,133	320,181	140,530
30,000-49,999	4,671	645	5,316	194,648	178,391	93,007
50,000-99,999	1,027	145	1,172	74,241	70,279	41,673
100,000 and over	156	32	188	27,333	25,791	16,929
Total	966,346	606,210	1,572,556	10,579,292	9,115,705	1,860,357

(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:
1976-77 FINANCIAL YEAR (1975-76 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.

Health insurance levy

On 1 October 1976 a new scheme of national health insurance was introduced to cover medical and hospital expenses of residents of Australia. Under this scheme a compulsory health insurance levy is imposed, of which the responsibility of collection rests with the Commissioner of Taxation. For the period from 1 October 1976 to 30 June 1977 the amount of this levy was 1.875 per cent of taxable income up to a maximum of \$112.50 for those taxpayers with no dependants. For those taxpayers with a dependant or dependants the maximum payable was \$225. However, exemptions from this levy are given to taxpayers who are insured with private health insurance funds, certain defence and repatriation personnel, specified pensioners, and low income earners.

SUPERANNUATION

Victorian pensions and gratuities

The following table shows details of Victorian Government expenditure on pensions, gratuities, etc., during each of the years 1971-72 to 1975-76:

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

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
State Superannuation Fund—					
Railways	6,533	7,308	8,325	9,695	12,642
Other (a)	13,237	16,086	19,585	24,959	35,603
Total	19,770	23,394	27,910	34,654	48,245
Police Superannuation Fund	5	4	4	4	4
Coal Mine Workers Pensions Fund	14	7	8		
Parliamentary Contributory Superannuation Fund	361	361	490	637	2,442
Married Women's Superannuation Fund	27	49	76	94	68
Other pensions, gratuities, etc.	222	236	266	335	440
Grand total	20,401	24,052	28,755	35,724	51,199

(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 limited to a maximum of 9 per cent of salary ;
- (4) widows' pensions, including present widows' pensions, increased from five eighths to two thirds of officers' pensions ;
- (5) the existing rights to convert part of the pension into a lump sum retained ;
- (6) married women eligible to elect to be contributors to the superannuation scheme ; and
- (7) railway officers, who previously elected to limit their superannuation entitlement to a maximum of six units, or to forego superannuation altogether, have the right to reinstate their situation.

VICTORIA—STATE SUPERANNUATION FUND
(\$'000)

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
Receipts—					
Contributions—					
Officers	24,966	27,876	33,790	43,213	50,468
Consolidated Fund (a)	20,381	22,146	25,006	28,916	37,480
Interest	11,177	12,599	14,748	17,705	18,499
Other	523	855	958	1,592	12,440
Total	57,047	63,477	74,502	91,425	118,887
Disbursements—					
Pension payments	24,747	27,342	29,909	34,432	42,564
Lump sum payments	5,400	7,130	9,733	9,691	34,311
Contributions refunded	2,194	2,469	3,055	3,148	3,654
Transfer to Pensions Supplementation Fund	3,636	4,476	5,927	7,117	8,720
Other	98	112	(b) 5,925	(b) 8,377	..
Total	36,075	41,529	54,549	62,763	89,249
Balance in Fund at 30 June	200,495	222,444	242,397	271,059	300,698

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

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

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

**VICTORIA—GOVERNMENT SUPERANNUATION SCHEMES OPERATED
THROUGH SEPARATELY CONSTITUTED FUNDS, 1974-75**

Particulars	Victorian Government	Local government	Semi- government	Total
INCOME (a)				
	\$'000	\$'000	\$'000	\$'000
Contributions—				
Employees	44,496	5,290	16,640	66,425
Employing authorities	(b)34,641	7,141	28,137	69,919
Interest, etc.	19,950	4,428	21,389	45,766
Total	99,087	16,859	66,165	182,110
EXPENDITURE (a)				
Pensions	49,986	643	5,624	56,253
Lump sum payments	13,243	5,070	15,350	33,663
Other	8,281	1,202	413	9,895
Total	71,510	6,915	21,386	99,811
ASSETS (c)				
Government securities—				
Commonwealth Government	1,600	5	5,650	7,256
Local and semi-government	195,250	45,993	62,486	303,729
Other securities, etc.	96,117	17,210	217,589	330,916
Total	292,968	63,208	285,725	641,900
Contributors (c)	number (d) 67,873	number 20,471	number 42,419	number (d) 130,763

(a) Excludes transfers between funds.

(b) This figure does not agree with that shown in the table on page 494 as the latter includes the Consolidated Fund's share of pensions accrued at the end of the year and because this table excludes the Parliamentary Contributory Superannuation Fund, the Coal Mine Workers Pension Fund, and government expenditure on other pensions, gratuities, etc.

(c) At end of year.

(d) Estimated.

Further reference, 1977

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.

The transactions recorded annually are numerous and of considerable magnitude in total. Debits to all funds and accounts in 1975-76 aggregated \$3,142.0m and credits \$3,137.2m. At the end of the year the liability of the State on account of all trust funds or accounts (including shares to the value of \$15.6m lodged with the Treasurer) was \$316.2m. Of this total, investments in government and other securities amounted to \$70.7m, cash advanced was \$31.8m, while the balance, \$213.7m, 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 1975-76. This classification follows the revised form of presentation of the Trust Fund used by the State Treasurer from 1975-76.

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

Particulars	Balance at 1 July 1975	1975-76		Balance at 30 June 1976
		Payments	Receipts	
State government funds	272.6	2,257.8	2,190.4	205.2
Joint Commonwealth and State funds	0.3	30.9	34.6	4.1
Commonwealth government funds	23.7	835.4	894.2	82.6
Bequests, deposits, etc.	24.4	17.8	18.0	24.5
Total	321.0	3,142.0	3,137.2	316.2

Specific accounts

Victorian Government funds

The accounts included in this category are those established to receive and expend money received under statutory provisions or Parliamentary appropriation, operating accounts of various authorities, and departmental suspense and clearing accounts. In terms of financial turnover the most important accounts, other than suspense and clearing accounts, were: (1) Works and Services Account, credited with \$426.1m and referred to in more detail on page 498; (2) Hospital and Charities Fund, credited with \$225.8m; (3) Insurers' Guarantee and Compensation Supplementation Fund, credited with \$76.4m; and (4) Country Roads Board Fund, credited with \$65.1m. The accounts dealing with the financial activities of the State Insurance offices closed with transfers of \$158.8m to the State Insurance Office. The major suspense and clearing accounts were: (1) The Railway Charges in Suspense Account, credited with \$307.3m; (2) Motor Accidents and Insurance Premiums Suspense Account, with receipts of third party insurance premiums \$131.0m for distribution to approved insurers and the Motor Accident Board; and (3) Payroll Deduction Suspense Account, with credits of \$280.3m.

Joint Commonwealth and Victorian funds

The major accounts under this heading are the Dartmouth Dam Construction Account and the Victorian Natural Disasters Relief Account with receipts of \$21.5m and \$13.6m, respectively.

Commonwealth Government funds

These accounts are created under the *Public Account Act* to receive and expend moneys received as a grant or payment under any Commonwealth Government Act. The main broad categories here together with their respective credits were: (1) education \$337.2m; (2) health \$235.8m; (3) housing \$114.6m; and (4) transport \$101.5m.

Moneys held for bequests, donations, deposits and research

The major item included in this category relates to shares of the Gas and Fuel Corporation of Victoria to the value of \$15.6m purchased by the State.

Works and Services Account

When the Victorian Government amalgamated the Consolidated Revenue Fund and the Loan Fund in 1970-71 into one account to be known as the Consolidated Fund it created, at the same time, a trust fund, the Works and

Services Account, which was to cater for expenditure by the 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—	1971-72	1972-73	1973-74	1974-75	1975-76
Agricultural, pastoral, etc. (a) services	7,085	9,512	4,074	6,497	11,529
Culture and recreation	3,391	4,672	5,627	8,317	14,514
Development and decentralisation (b)	270	16	5,245	5,865	6,560
Education—					
Primary and secondary (c)	27,800	34,978	42,597	82,375	103,665
Technical and vocational	14,798	11,852	11,940	25,448	28,815
Universities	6,939	9,681	2,923	7	103
Other higher education	7,247	9,574	7,052	1,761	1,138
Other	244	1,411	2,035	6,718	1,735
Electricity supply	11,000	16,000	16,000	13,000	14,000
Forestry	3,652	4,300	4,715	6,820	8,177
Gas supply	2,058	142	40	40	40
Grants to municipalities (d)	5,157	4,095	3,570	5,634	7,485
Health services—					
Mental hygiene and mental hospitals	3,926	4,181	6,700	9,484	14,003
Other hospitals	13,813	15,615	21,247	27,649	27,793
Other	727	721	964	1,318	2,195
Housing (e)	39,645	40,433	1,971	2,196	2,700
Lands, survey, and mining	376	1,116	1,469	2,942	4,058
Law, order, and public safety	3,215	3,978	4,072	7,425	11,526
Legislature and general administration	6,047	5,502	11,294	12,300	14,820
Natural disaster relief	5	..	..	3,250	3,500
Ports and harbours	3,769	2,986	1,146	2,176	2,944
Protection of the environment (including sewerage)	21,873	24,580	42,487	60,086	65,251
Transport—					
Railways	15,546	16,116	18,447	19,138	32,277
Tramways	1,200	3,855	8,350	..	..
Roads and bridges	1,468	1,588	1,038	665	1,428
Social welfare	2,382	2,356	2,334	3,582	3,972
Water supply, irrigation, and drainage	17,674	17,670	18,441	24,720	31,708
Miscellaneous	643	815	1,082	1,387	1,287
Total	221,950	247,742	246,860	340,800	417,221

(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, and \$5.8m in 1975-76.

(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 1976. These liabilities include advances of \$785.1m for housing purposes under the Commonwealth-State Housing Agreements, \$62.2m for sewerage, \$46.2m for rural and dairy reconstruction, \$47.8m for growth centres, \$23.7m for land acquisition, and \$12.1m 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 1971-72 to 1975-76. 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	1971-72	1972-73	1973-74	1974-75	1975-76
DEBT MATURING IN AUSTRALIA					
Debt outstanding at 1 July	2,274,719	2,424,680	2,591,969	2,711,720	2,618,754 ^(a)
New debt incurred—					
Commonwealth Government loan floatations	382,104	358,667	430,217	411,344	578,909
Domestic raisings	209,903	171,115	279,516	226,111	360,898
Less conversion and redemption loans					
Total new debt incurred	172,201	187,553	150,701	185,233	218,011
Less repurchases and redemptions from National Debt Sinking Fund	22,240	20,264	30,950	36,299	29,710
Net increase in debt	149,961	167,289	119,751	148,934	188,301
Debt outstanding at 30 June	2,424,680	2,591,969	2,711,720	2,860,654	2,807,054
DEBT MATURING IN LONDON					
Debt outstanding at 1 July	42,490	38,855	22,910	19,304	19,346
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	2,042	11,461	888	776	1,009
Adjustment due to variation in rate of exchange	-1,593	-4,484	-2,719	+819	-2,665
Net increase in debt	-3,635	-15,945	-3,606	+43	-3,674
Debt outstanding at 30 June	38,855	22,910	19,304	19,346	15,673
DEBT MATURING IN NEW YORK, CANADA, SWITZERLAND, AND THE NETHERLANDS					
Debt outstanding at 1 July	30,632	24,812	18,031	15,587	16,172
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	4,409	3,820	1,567	1,939	5,780
Adjustment due to variation in rate of exchange	-1,412	-2,961	-877	+2,524	+922
Net increase in debt	-5,820	-6,781	-2,444	+585	-4,858
Debt outstanding at 30 June	24,812	18,031	15,587	16,172	(b)11,314

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

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
	TOTAL				(a)
Debt outstanding at 1 July	2,347,842	2,488,348	2,632,910	2,746,610	2,654,272
New debt incurred—					
Commonwealth Government loan floatations	382,104	358,667	430,217	411,344	578,909
Domestic raisings	209,903	171,115	279,516	226,111	360,898
Less conversion and redemption loans	172,201	187,553	150,701	185,233	218,011
Less repurchases and redemptions from National Debt Sinking Fund	28,691	35,545	33,405	39,014	36,499
Adjustment due to variation in rate of exchange	-3,005	-7,445	-3,596	+3,342	-1,742
Net increase in debt	140,505	144,562	113,701	149,561	179,769
Debt outstanding at 30 June	2,488,348	2,632,910	2,746,610	2,896,172	2,834,041

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

(b) Includes New York, \$A8,452,757; Canada, \$A1,872,490; and the Netherlands, \$A988,444.

The following table shows details of the amounts of loans outstanding in Australia, London, New York, Canada, Switzerland, and the Netherlands at the end of each of the years 1971-72 to 1975-76:

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

At 30 June—	Amount of loans maturing in—						Total debt
	Australia	London	New York	Canada	Switzerland	The Netherlands	
1972	2,424,680	38,855	18,230	2,359	2,784	1,440	2,488,348
1973	2,591,969	22,910	11,780	1,830	3,076	1,345	2,632,910
1974	2,711,720	19,304	9,846	1,742	2,868	1,131	2,746,610
1975	2,860,654	19,346	9,415	1,708	3,840	1,209	2,896,172
1976	2,807,054	15,673	8,453	1,872	..	988	2,834,041

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 1971-72 to 1975-76. The liability, therefore, represents the amount of interest payable in the ensuing year without regard to new loan raisings and redemptions during that year. The table shows particulars of the annual interest payable in Australia and in overseas countries respectively, and the average rate of interest liability.

VICTORIA—ANNUAL INTEREST LIABILITY
ON PUBLIC DEBT (a)

At 30 June—	Payable in Australia	Payable in overseas countries	Total	Average rate
	\$A'000	\$A'000	\$A'000	per cent
1972	134,229	3,451	137,680	5.53
1973	143,789	2,217	146,006	5.55
1974	152,655	1,888	154,543	5.63
1975	181,912	1,913	183,825	6.35
1976	199,930	1,483	201,412	7.11

(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 1971-72 to 1975-76 are shown in the following table :

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

Year	Interest paid on loans maturing—				Total interest	Commission 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)			
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	342	164,398	1,258	165,656
1975-76	173,909	968	509	(c) 347	175,734	1,041	176,775

(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, $\$A104,823$; Switzerland, $\$A183,633$; and the Netherlands, $\$A58,332$.

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 1971-72 to 1975-76, 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	1971-72	1972-73	1973-74	1974-75	1975-76
Contributed under Financial Agreement—					
Victorian Government	23,846	25,519	27,401	28,839	29,049
Commonwealth Government	6,378	6,809	7,195	7,525	7,500
Total contributions under Financial Agreement	30,224	32,328	34,595	36,364	36,549
Interest on investments	44	63	79	49	..
Special contributions by Victoria	25	25	14	14	..
Total	30,293	32,416	34,688	36,427	36,549
Total to date	406,252	438,669	473,357	509,784	546,332

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

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76(a)
Australia—					
Face value	22,240	20,264	30,950	36,299	29,710
Net cost	22,236	20,231	30,948	36,297	29,697

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

Particulars	1971-72	1972-73	1973-74	1974-75	(a) 1975-76
London—					
Face value	2,042	11,461	888	776	1,009
Net cost	1,911	11,171	589	540	962
New York—					
Face value	4,122	3,547	1,374	1,634	1,650
Net cost	3,978	3,630	1,270	1,426	1,531
Canada—					
Face value	143	123	51	133	76
Net cost	123	117	42	118	65
Netherlands—					
Face value	144	150	141	173	165
Net cost	145	145	135	164	166
Switzerland—					
Face value	..	..	..	..	3,889
Net cost	..	..	..	..	4,049
Total—					
Face value	28,691	35,545	33,405	39,014	36,499
Net cost	28,393	35,293	32,984	38,544	36,469
Total to date—					
Net cost	401,187	436,481	469,465	508,009	544,479

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

Local government and semi-governmental bodies : new money loan raisings

The following table shows particulars of the new money loan raisings for capital works, during each of the years 1970-71 to 1974-75, by local government, semi-governmental, and other public bodies in Victoria :

**VICTORIA—LOCAL GOVERNMENT, SEMI-GOVERNMENTAL, AND
OTHER PUBLIC BODIES: NEW MONEY LOAN RAISINGS**
(\\$'000)

Particulars	1970-71	1971-72	1972-73	1973-74	1974-75
LOCAL GOVERNMENT					
Due to government	458	277	39	181	465
Due to public creditor	26,155	37,248	43,478	38,932	51,249
Total	26,613	37,525	43,517	39,113	51,715
SEMI-GOVERNMENTAL, ETC.					
Due to government	55,940	50,204	70,092	100,544	143,239
Due to public creditor	141,113	158,458	203,297	196,722	234,983
Total	197,053	208,662	273,389	297,266	378,222
ALL AUTHORITIES					
Due to government	56,398	50,481	70,131	100,724	143,704
Due to public creditor	167,268	195,706	246,775	235,654	286,233
Total	223,666	246,187	316,906	336,379	429,937

NEW FEDERALISM POLICY

Introduction

From 1976-77, financial assistance grants were replaced by personal income tax sharing arrangements between the Commonwealth and the States.

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

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 duplication of effort.

Personal income tax sharing between the Commonwealth and the States

Personal income tax sharing is being introduced in two stages. Under Stage 1, which commenced in 1976-77, the Commonwealth continues 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 enabling legislation was introduced by the Commonwealth in the autumn 1977 session of Parliament, 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.

In determining the allocation of the total amount between States, the distribution will be such that the initial per capita relativities between the States will be the same as the relativities in the Financial Assistance Grants in 1975-76. The Agreement provides that these relativities should be reviewed before the end of 1980-81.

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 to be introduced in 1977-78, 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

Each year local government will receive an amount equal to 1.52 per cent of Commonwealth Government collections from net personal income tax collections in the previous year. 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 Commissions which are to be established in each State. Following a review by the Commonwealth Grants Commission of the relative shares of each State, Victoria's share was increased from 25.28 per cent to 25.45 per cent. For 1977-78 the grant to Victoria for on-passing as general purpose assistance for local government authorities was \$42.1m. Further information on this topic is given in chapter 6 of this *Year Book*.

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.

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 Commonwealth's federalism policy is 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".

Further developments in 1976-77

At the 1977 Premiers' Conferences further discussion was had on the earlier agreement that there would be a periodic review of relativities between States' entitlements under Stage 1. It was agreed that the review body should be composed of the Chairman of the Commonwealth Grants Commission, two members of the Commission, plus three associate members, one nominated by New South Wales and Victoria and two by the other four States. Guidelines were suggested for the review body. Consideration was given to a proposal to change tax-sharing entitlements from 33.6 per cent of the current year's personal income tax collection to an appropriate percentage of the preceding year's collection. For 1977-78 it was agreed that the Commonwealth should provide in its Budget for an amount of \$4,336.1m for the States' tax sharing entitlement. The figure of \$4,336.1m will be related to actual personal income tax collections in 1976-77 to determine a percentage figure which will be applied to the previous year's tax collections to calculate entitlements for future years.

FIRE AUTHORITIES**Metropolitan Fire Brigades Board**

Until January 1974 municipalities within the Metropolitan Fire District contributed one third, and fire insurance companies transacting business in the same area provided two thirds, of the amount required to maintain metropolitan fire brigades. As a result of amended legislation, operative since the beginning of 1974, contributions have subsequently been received in the proportions of one eighth from the Victorian Government, one eighth from municipal councils, and three quarters from fire insurance companies. During 1975-76 contributions by municipalities were equivalent to 0.42 cents in the dollar of the annual value of property, amounting to \$693m, while fire insurance companies contributed at a rate of \$30.05 for every \$100 of fire insurance premiums paid on insured property. Premiums received in the Metropolitan Fire District in 1975-76 amounted to \$58.6m.

Particulars of the revenue, expenditure, and loan indebtedness of the Metropolitan Fire Brigades Board for each of the years 1971-72 to 1975-76 are shown in the following table :

VICTORIA—METROPOLITAN FIRE BRIGADES BOARD :
REVENUE, EXPENDITURE, ETC.
 (\$'000)

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
REVENUE					
Statutory contributions—					
Treasurer of Victoria			889	2,376	2,937
Municipalities	3,149	3,864	3,264	2,372	2,937
Insurance companies	6,299	7,652	10,040	14,254	17,624
Brokers and owners	170	125	118	194	299
Charges for services	858	966	1,220	1,623	1,992
Interest and sundries	527	538	673	808	1,046
Total	11,003	13,146	16,204	21,627	26,835
EXPENDITURE					
Salaries	7,800	8,749	11,223	14,587	16,558
Other	3,466	3,857	5,792	6,712	7,955
Total	11,266	12,606	17,015	21,299	24,513
Net surplus (+) or deficit (—)	—264	+540	—811	+328	+2,322
Loan indebtedness at 30 June	1,717	2,883	3,236	3,683	4,296

The following table shows particulars of the number of fire stations operated by the Metropolitan Fire Brigades Board and the number of staff employed at 30 June for each of the years 1972 to 1976 :

VICTORIA—METROPOLITAN FIRE BRIGADES BOARD : NUMBER OF FIRE STATIONS AND STAFF EMPLOYED AT 30 JUNE

Particulars	1972	1973	1974	1975	1976
Fire stations	46	47	47	47	47
Staff employed—					
Fire fighting	1,226	1,248	1,321	1,396	1,430
All other	250	251	272	282	292

Further reference, 1977

Country Fire Authority

The headquarters of the Country Fire Authority are situated in Malvern, a suburb of Melbourne, where an operations centre is in direct radio contact with every fire control region throughout Victoria. At 30 June 1976 there were 103 permanent firemen employed in brigades at Ballarat, Bendigo, Boronia, Dandenong, Frankston, Geelong, North Geelong, Geelong West, and Springvale, with a total of 92 permanent brigade officers at these stations and at Chelsea, Doveton, Mildura, Morwell, Norlane, Shepparton, Traralgon, Wangaratta, and Warrnambool.

The revenue of the Country Fire Authority consists mainly of statutory contributions, in the proportion of one third from the Victorian Treasury's Municipalities Assistance Fund and two thirds from insurance companies underwriting fire risks in the country area of Victoria. There were 143 insurance companies thus contributing during 1975-76.

Up to 30 June 1976 the Authority had raised 108 loans, representing a total of \$10.9m, which has been used for the provision of buildings and equipment for brigades.

Particulars of revenue, expenditure, surplus, and loan expenditure and indebtedness of the Country Fire Authority, for each of the years 1971-72 to 1975-76, are shown in the first of the following tables. The second table shows particulars of the number of fire brigades, personnel, and motor vehicles for the same years.

VICTORIA—COUNTRY FIRE AUTHORITY : REVENUE, EXPENDITURE, ETC. (\$'000)

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
REVENUE					
Statutory contributions—					
Municipalities Assistance Fund	1,498	1,638	2,144	2,883	3,756
Insurance companies	2,996	3,277	4,288	5,766	7,512
Other	103	166	212	326	336
Total	4,597	5,081	6,644	8,975	11,604
EXPENDITURE					
Salaries and wages	2,009	2,474	3,346	4,662	5,442
Other	2,285	2,579	2,965	4,110	5,079
Total	4,294	5,053	6,311	8,772	10,521
Net surplus	303	28	333	203	1,083
Loan expenditure	668	446	628	944	1,987
Loan indebtedness (at 30 June)	4,275	4,650	5,235	6,179	7,468

**VICTORIA—COUNTRY FIRE AUTHORITY : NUMBER OF FIRE
BRIGADES, PERSONNEL, AND MOTOR VEHICLES AT 30 JUNE**

Particulars	1972	1973	1974	1975	1976
Fire brigades—					
Urban	212	212	215	215	215
Rural	1,049	1,054	1,061	1,061	1,060
Personnel—					
Permanent	319	331	371	398	431
Volunteer	113,221	114,709	117,250	118,283	114,145
Vehicular fleet—					
Self-propelled	1,379	1,390	1,411	1,452	1,498
Trailer units	383	395	420	389	401

Further reference, 1977

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