

**Chapter 3:**  
**BUDGET RECEIPTS**

**3.1 Budget Receipts, 1997-98**

**3.2 Forward Estimates of Budget Receipts**



## 3.1 BUDGET RECEIPTS, 1997-98

### OVERVIEW

Budget receipts for 1997-98 are projected to increase by 6.4 per cent to \$23.8 billion, consisting of a 5.7 per cent increase in current receipts and a 24.0 per cent increase in capital receipts.

Table 3.1 is a summary of major Budget receipts aggregates from 1994-95 to 1997-98. Over this period, the share of own source receipts has increased from 60.4 to 64.4 per cent, reflecting subdued growth in Commonwealth funding including the requirement to make Fiscal Contribution Payments to assist in reducing the Commonwealth budget deficit.

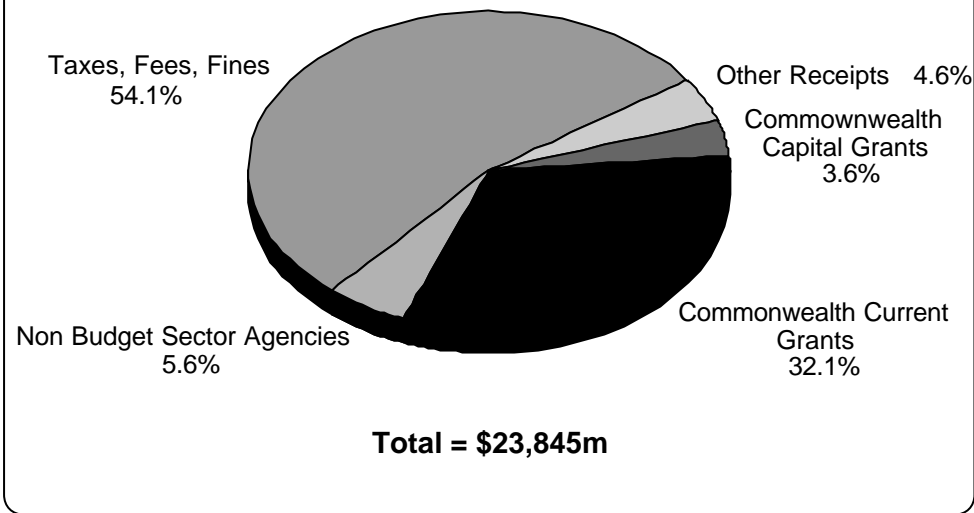
Tables 3.4 to 3.8 provide details of Budget receipts for 1996-97 and 1997-98 and show changes between the current year's projected receipts and the 1997-98 Budget estimates.

**Table 3.1: Budget Receipts, 1994-95 to 1997-98**

	1994-95	1995-96		1996-97		1997-98	
	\$m	\$m	% change	\$m	% change	\$m	% change
<b>CURRENT RECEIPTS</b>							
Taxes, Fees and Fines	10,145	10,871	7.2	11,825	8.8	12,912	9.2
Income from Non Budget Sector							
Agencies	1,152	1,292	12.2	1,456	12.7	1,341	(-) 7.9
Commonwealth Grants	6,888	7,339	6.5	7,373	0.5	7,646	3.7
Other	727	808	11.1	889	10.0	864	(-) 2.8
<b>TOTAL, CURRENT RECEIPTS</b>	<b>18,912</b>	<b>20,310</b>	<b>7.4</b>	<b>21,543</b>	<b>6.1</b>	<b>22,763</b>	<b>5.7</b>
<b>CAPITAL RECEIPTS</b>							
Commonwealth Grants	1,008	912	(-) 9.5	861	(-) 5.6	854	(-) 0.8
Other Capital Receipts	12	8	(-) 33.3	11	(-) 37.5	228	n.a.
<b>TOTAL, CAPITAL RECEIPTS</b>	<b>1,020</b>	<b>920</b>	<b>(-) 9.8</b>	<b>872</b>	<b>(-) 5.2</b>	<b>1,081</b>	<b>24.0</b>
<b>TOTAL, RECEIPTS</b>	<b>19,932</b>	<b>21,230</b>	<b>6.5</b>	<b>22,415</b>	<b>5.6</b>	<b>23,844</b>	<b>6.4</b>

An overview of forward estimates of Budget receipts is provided in Section 3.2.

**Figure 3.1  
Budget Receipts, 1997-98**



## TAX MEASURES

### Measures Introduced Since the 1996-97 Budget

Since the 1996-97 Budget a number of tax changes have been introduced principally relating to the need to fund the State Fiscal Contribution Payments to the Commonwealth. New South Wales is required to make Fiscal Contribution Payments totalling \$540 million over three years. These payments are being funded through adjustments to payroll tax, motor vehicle registration duty and land tax. These tax measures as well as other tax changes since the 1996-97 Budget are summarised in Table 3.2.

**Table 3.2 Tax Measures Introduced Since the 1996-97 Budget (\$1996-97)**

Initiative (a)	Revenue Gain	
	1996-97	Full Year
	\$m	\$m
Include employer superannuation contributions in the payroll tax base and decrease the rate of tax from 7.0% to 6.85% from 1 July 1996 with a further reduction to 6.7% from 1 July 1999	104.0	113.0
Increase the stamp duty on motor vehicle registrations from 2.5% to 3.0% from 1 July 1996 until 30 June 1999	62.0	62.0

**Table 3.2 Tax Measures Introduced Since the 1996-97 Budget (\$1996-97) (cont)**

Initiative (a)	Revenue Gain	
	1996-97	Full Year
	\$m	\$m
Increase the rate of land tax from 1.5% to 1.65% for the 1997, 1998 and 1999 land tax years	47.0	55.0
Replace the 29.7% tax on lottery and lotto subscriptions and the 34% tax on soccer pool subscriptions with an annual licence fee and 15% tax on subscriptions to all products from 1 January 1997	...	...
Change the basis of taxation for hotel gaming machines from turnover to player loss from 1 April 1997	...	2.0
Revise the rates of duty applying to club gaming machines including the introduction of a top marginal rate of tax on annual profits greater than \$2.5 million from 1 March 1997	0.5	2.0
Introduce a new rate of duty on the profits of multi-terminal gaming machines in clubs at a rate of 30% from 1 March 1997	...	0.1

**Payroll Tax**

From 1 July 1996, the payroll tax base was expanded to include employer superannuation contributions within the definition of the taxable payroll. At the same time the rate of tax was reduced from 7 per cent to 6.85 per cent. From 1 July 1999, the rate of tax will be further reduced to 6.7 per cent. The expansion of the payroll tax base combined with the first stage reduction in the rate of tax will raise around \$104 million in 1996-97 and \$113 million in a full year.

The extension of the payroll tax base to employer superannuation contributions improves the efficiency characteristics of payroll tax since remuneration decisions will no longer be influenced by State tax considerations. The burden of payroll tax in New South Wales is still broadly in line with other States when the impact of thresholds are taken into account.

**Stamp Duty on Motor Vehicle Registrations**

Between 1 July 1996 and 30 June 1999, the stamp duty on the transfer of motor vehicle registrations has been increased from 2.5 per cent to 3 per cent. This will raise around \$62 million in 1996-97 (full year impact).

The current rate of stamp duty is broadly in line with other States. In addition, because the amount payable increases in line with vehicle values, the increased burden of the tax will fall more heavily on those transferring higher valued vehicles.

## Land Tax

For the 1997, 1998 and 1999 land tax years, the rate of land tax has been increased from 1.5 per cent to 1.65 per cent. This will raise around \$47 million in 1996-97 and \$55 million in a full year.

## Lotteries and Lotto

As part of the corporatisation process, the taxation arrangements applying to NSW Lotteries were restructured effective from 1 January 1997.

The new arrangements involve a two tier tax structure involving, an annual fee and a 15 per cent tax on subscriptions. The annual fee is based on 14.7 per cent of estimated subscriptions in 1996-97, with the amount thereafter indexed to forecast changes in the Sydney CPI. Previously, lottery products were taxed at a rate of 29.7 per cent of subscriptions, except Soccer Pools which were taxed at a rate of 34 per cent of subscriptions.

The annual fee component will be adjusted after the end of each financial year for any variance between the actual CPI and the forecast. The annual fee will also be subject to a cap of 15 per cent of subscriptions.

## Hotel Gaming Device Duty

Prior to 1 April 1997, gaming machines in hotels were taxed at 3 per cent on the first \$2 million of annual *turnover* per hotel and 4 per cent on the excess. Since 1 April 1997 the basis of taxation has changed to *profits* (player loss) since this more accurately reflects capacity to pay and encourages hotels to offer a better rate of return to the player. This is consistent with the basis of taxation on gaming machines in the Casino and clubs. The following marginal rates of tax now apply to profits from gaming machines in hotels-

### Marginal Tax Rates Applying to Gaming Machines in Hotels

Profit Level (\$)	Marginal Tax Rate (%)
up to 25,000	15.00
25,001 - 400,000	25.00
400,001 - 1,000,000	35.00
in excess of 1,000,000	40.00

## Club Gaming Device Duty

To improve competitive neutrality in the gaming machine industry, a new marginal tax rate of 24.75 per cent on profits (player loss) above \$2.5 million from gaming machines in clubs was introduced from 1 March 1997. Additional tax concessions were also provided for small clubs, with the first \$100,000 of annual profit becoming exempt and the marginal rate of tax on profits between \$100,000 and \$200,000 being reduced from 22.5 per cent to 1 per cent.

A flat 30 per cent tax rate on profits from multi-terminal gaming machines in clubs was also introduced on 1 March 1997.

## Racing Totalisator Taxation

As part of the privatisation of the NSW Totalisator Agency Board (TAB), the effective tax rate applying to both the TAB and on-course racing will be lowered and the basis of taxation changed from turnover to player loss (i.e. the difference between the amount invested and that returned to punters in the form of dividends).

Currently, legislated taxation and deduction rates apply for each type of totalisator bet with the average rate of tax being around 8.4 per cent of turnover (equivalent to 52 per cent of player loss).

In conjunction with the privatisation of the TAB, the taxation of totalisator betting will be set at 28.2 per cent of player loss for both off-course and on-course activity. This change will put the taxation of totalisator betting in New South Wales on an equivalent basis to that operating in Victoria.

## 1997-98 Budget Tax Measures

The tax measures for the 1997-98 Budget are summarised in Table 3.3.

**Table 3.3: 1997-98 Budget Tax Measures**

Initiative	Revenue Gain	
	1997-98	Full Year
	\$m	\$m
Introduce an Electricity Distributors' Levy	100.0	100.0
Increase the rate of land tax from 1.65% to 1.85%	67.0	80.0
Extend the coverage of land tax to owner occupied properties with a land value of \$1 million or more and remove the 2,100 square metre size threshold	42.0	50.0
Increase the marginal rate of club gaming device duty to 30% of annual profit above \$1 million from 1 September 1997	56.0	74.0
Increase the concessional rate of duty on general insurance from 2.5% to 5% where the period of insurance begins on or after 1 July 1997	51.0	56.0
Introduce a 10% duty on accommodation provided by hotels, motels, guest houses etc in and around the Sydney CBD from 1 September 1997.	48.0	64.0
Increase the health insurance levy from 63 cents to 83 cents per week for singles and from \$1.26 to \$1.66 per week for families from 1 July 1997	15.0	15.0

**Table 3.3: 1997-98 Budget Tax Measures (cont)**

Initiative	Revenue Gain	
	1997-98	Full Year
	\$m	\$m
Introduce a 5% marginal rate of stamp duty at \$45,000 on the transfer of certain classes of motor vehicles from 1 July 1997	10.0	11.0
Increase the parking space levy from \$200 per space to \$400 per space from 1 July 1997	7.8	7.8
Broaden the exemption from contracts and conveyances duty for intergenerational rural property transfers between siblings and exempt leases made between generations and siblings from stamp duty from 7 May 1997	n.a.	n.a.

### **Electricity Distributors' Levy**

From 1 July 1997 the maximum price for distribution charges levied on electricity customers eligible to be non-franchise customers will be increased. An Electricity Distributors' Levy will be imposed on electricity distributors equal to the extra revenue gained from the increase in distribution charges. It is estimated that the levy will raise \$100 million in 1997-98.

There will be no increase in electricity prices for franchise customers, which includes the residential sector and small business. The levy will only affect those customers who can avail themselves of the substantial price reductions, often in the order of 20 per cent, that have emerged since the introduction of retail competition in October 1996.

The benefits to consumers of electricity reform have been significant and the introduction of the levy will not stop the Government meeting its target of a 20 per cent real reduction in prices by the turn of the century.

### **Land Tax**

The rate of land tax will be increased from 1.65 per cent to 1.85 per cent for the 1998 and 1999 land tax years and from 1.5 per cent to 1.7 per cent thereafter. This will raise around \$67 million in 1997-98 and \$80 million in a full year.

Owner-occupied land is currently exempt from land tax except where the land exceeds 2,100 square metres. To improve the equity of the tax system, from 31 December 1997, the value of owner-occupied residential land over a threshold of \$1 million will be subject to land tax and the 2,100 metre size threshold will be abolished. This measure is expected to bring additional revenue of \$42 million for 1997-98, and \$50 million in a full year. It should be noted that a threshold of only \$200,000 for owner-occupied residential property applies in Victoria, resulting in the burden of land tax on these properties being higher than in New South Wales. Special arrangements will be put in place to allow deferral of the payment of tax in certain hardship circumstances.

Revenue from land tax has declined substantially over the last few years. In 1991-92, receipts from land tax totalled \$826 million or 9.7 per cent of taxation receipts. This compares with expected receipts of \$786 million. in 1997-98 representing 6.1 per cent of taxation receipts.

### **Club Gaming Device Duty**

Currently the tax rates applying to gaming machines in clubs are significantly lower than for either hotels or the Sydney Harbour Casino. For example, for a profit (player loss) of \$1 million, the average tax rate paid by a club is 18.1 per cent, compared with 30.8 per cent for a hotel and an estimated 30 per cent for the Casino after including the impact of the up front licence fee.

In addition, the tax rates applied to gaming machines in NSW clubs are much lower than those imposed in other States.

In New South Wales, there are currently around 40 clubs that earn over \$10 million per annum in revenue from gaming machines. Given that the gaming operations of large clubs are essentially commercial in nature, the tax rate applying to these clubs will be increased to help ensure competitive neutrality.

From 1 September 1997, the top marginal rates of duty on club gaming machines will be increased from 22.5 per cent of annual profit (player loss) above \$1 million and 24.75 per cent of annual profit above \$2.5 million to 30 per cent of annual profit above \$1 million. The marginal rate of tax of 22.5 per cent on profits between \$200,000 and \$1 million will be unchanged. These changes are expected to raise \$56 million in 1997-98 and \$74 million in a full year.

The changes to the tax regime applying to gaming machines in clubs are as follows

#### **Marginal Tax Rates Applying to Gaming Machines in Clubs**

<b>Profit Level (\$)</b>	<b>Prior to 1 Mar 97 (%)</b>	<b>Current (%)</b>	<b>From 1 Sep 97 (%)</b>
up to 100,000	1.00	0.00	0.00
100,001 - 200,000	22.50	1.00	1.00
200,001 - 1,000,000	22.50	22.50	22.50
1,000,001 - 2,500,000	22.50	22.50	30.00
in excess of 2,500,000	22.50	24.75	30.00

### **General Insurance Duty**

Stamp Duty is currently levied at 2.5 per cent for Class 2 items defined in section 86(1) of the Stamp Duties Act compared to the basic rate of 11.5 per cent. The categories of class 2 insurance includes motor vehicle (excluding compulsory third party), aviation, disability income, occupational indemnity and crop and livestock insurance.

The concessional regime offered in New South Wales is the most generous of all the States. The concessional rate is considerably lower and the extent of the concessional categories considerably larger than in other States.

The concessional rate of duty will be increased from 2.5 per cent to 5 per cent for all policies as defined in section 86(1) of the Stamp Duties Act, excluding crop and livestock insurance, where the period of insurance begins on or after 1 July 1997. This new concessional rate will still be the most generous of all States. The increase in the concessional rate will raise around \$51 million in 1997-98 and \$56 million in a full year.

### **Accommodation Duty**

From 1 September 1997, duty of 10 per cent will be levied on the cost of accommodation provided by hotels, motels, guest houses, etc in and around the Sydney CBD.

The structure of the tax will minimise the tax burden on NSW residents because a substantial proportion of the tax will be paid by foreign and interstate visitors (for business and holiday purposes). Given that high income earners spend proportionately more on holidays, there will be some improvement in the equity of the tax system. The introduction of an accommodation duty will broaden the State's tax base.

It is estimated that the accommodation duty will raise around \$48 million in 1997-98 and \$64 million in a full year.

### **Health Insurance Levy**

To support additional funding provided to the health portfolio in this year's Budget, the health insurance levy will be increased from 63 to 83 cents per week for singles and from \$1.26 to \$1.66 per week for families as from 1 July 1997. This will raise around \$15 million in 1997-98 (full year impact).

### **Stamp Duty on Motor Vehicle Registrations**

Stamp duty of 3 per cent of the market value is currently payable on the transfer of all motor vehicles. It is planned that the flat rate will revert to 2.5 per cent in 1999-2000, when New South Wales' obligation to contribute to the Commonwealth deficit reduction program terminates.

To improve the equity of the tax system, a marginal stamp duty rate of 5 per cent will be introduced on vehicle transfers above \$45,000 for the following RTA classes of motor vehicles: convertibles, coupes, forward control passenger vehicles, small buses, sedans, three wheel cars, snow vehicles, station wagons, four wheel drive vehicles with seats and windows, two wheel drive panel vans with windows and seats and motor homes. This measure will take effect from 1 July 1997, and is expected to raise an additional \$10 million in 1997-98 and \$11 million in a full year.

### **Parking Space Levy**

A parking space levy equal to \$200 is imposed on each car space in the City of Sydney, Milsons Point and the North Sydney areas. These areas were chosen because they are subject to high levels of car use causing congestion and pollution, while being well served by public transport. The revenue raised from this levy is hypothecated to fund public transport infrastructure.

To further assist in the reduction of congestion and pollution in the Sydney Central Business District, the parking space levy will be doubled to \$400 per space from 1 July 1997. This will raise around \$7.8 million in 1997-98 (full year impact). The additional revenue raised from this measure will be used to fund a broad range of public transport infrastructure.

### **Contract and Conveyances Duty**

Exemptions for the transfer of rural property between siblings will be broadened to remove the criterion that considers the source of ownership of the property. This will lower the cost of transferring rural property and encourage continued involvement by the family in farming.

### **Lease Duty**

Leases of rural property established between members of the same family will be exempt from lease duty. This initiative will remove the current distortion which promotes transferring rural property rather than leasing.

### **CURRENT RECEIPTS, 1997-98**

Estimated current receipts in 1997-98 are \$22,763 million, an increase of \$1,220 million or 5.7 per cent on 1996-97.

The two major sources of taxation are payroll tax and stamp duties, together contributing more than half of the State's tax collections. While payroll tax is a relatively stable tax, total stamp duty revenue varies significantly from year to year as its components are affected differently by the business and property cycles.

## Taxes, Fees and Fines

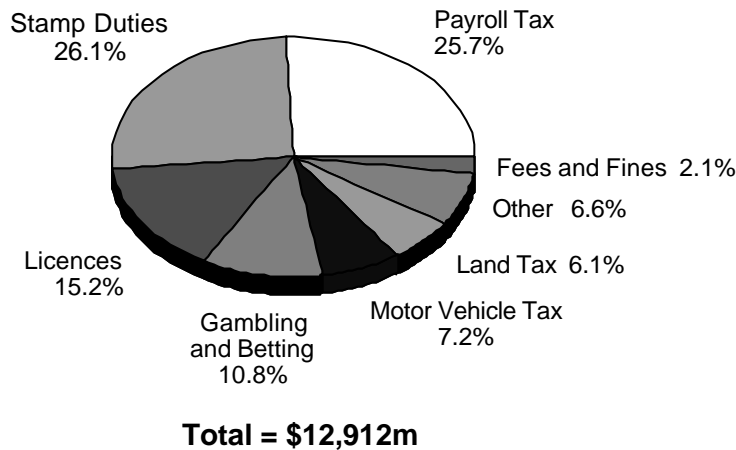
**Table 3.4: Taxes, Fees and Fines**

Category	1996-97		1997-98	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>Stamp Duties</b>				
Contracts and Conveyances	1,230,000	1,450,000	1,575,000	8.6
First Home Purchase Scheme	29,000	22,000	22,000	...
Insurance	268,000	272,000	337,000	23.9
Loan Securities	120,000	132,000	142,000	7.6
Share Transfers	192,000	232,000	245,000	5.6
Motor Vehicle Registration Certificates	319,000	375,000	401,000	6.9
Financial Institutions Duty	526,000	515,000	534,000	3.7
Hiring Arrangements	53,000	53,800	59,000	9.7
Leases	35,000	35,000	35,000	...
Deeds Agreements	6,400	8,500	9,000	5.9
Adhesive Stamps	3,800	3,800	4,000	5.3
Other	9,090	9,100	9,600	5.5
	2,791,290	3,108,200	3,372,600	8.5
<b>Payroll Tax</b>	3,016,085	3,146,372	3,337,852	6.1
<b>Land Tax</b>	576,000	625,000	786,000	25.8
<b>Debits Tax</b>	327,000	320,000	322,000	0.6
<b>Taxes on Motor Vehicle Ownership and Operation</b>				
Weight Tax	634,000	641,000	673,000	5.0
Drivers Licence Fees etc.	61,900	57,700	49,600	(-) 14.0
Vehicle Registration and Transfer Fees	172,500	172,500	180,200	4.5
Other Motor Vehicle Taxes	27,000	26,200	27,400	4.6
	895,400	897,400	930,200	3.7
<b>Health Insurance Levy</b>	44,000	44,000	63,000	43.2
<b>Fire Brigades Levy</b>	178,491	178,966	184,604	3.2
<b>Accommodation Duty</b>	...	...	48,000	n.a.
<b>Gambling and Betting</b>				
Racing	337,123	325,411	339,029	4.2
Club Gaming Devices	472,000	480,000	560,000	16.7
Keno	14,700	14,200	16,900	19.0
Soccer Football Pools	2,700	...	...	n.a.
Lotteries and Lotto	266,900	265,600	270,100	1.7
Footytab Commission	1,950	1,600	1,630	1.9
Casino	84,400	83,900	135,000	60.9
Hotel Gaming Devices	62,000	52,000	69,000	32.7
	1,241,773	1,222,711	1,391,659	13.8

**Table 3.4: Taxes, Fees and Fines (cont)**

Category	1996-97		1997-98	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>Licences</b>				
Petroleum	571,000	562,000	579,000	3.0
Tobacco	874,000	940,000	950,000	1.1
Liquor	305,780	296,720	309,820	4.4
Electricity	...	...	100,000	n.a.
Pollution Control	28,152	33,334	34,321	3.0
Other	4,598	5,947	5,370	(-) 9.7
	1,783,530	1,838,001	1,978,511	7.6
<b>Fees</b>				
Motor Dealers	1,000	1,000	1,030	3.0
Firearms and Dangerous Weapons	704	450	786	74.7
Corporate Affairs	12,000	12,000	12,360	3.0
Environment Protection Authority	855	1,050	876	(-) 16.6
Weights and Measures	1,200	1,200	1,236	3.0
Builder's Licences	...	167	20,068	n.a.
Other	11,556	14,730	20,918	42.0
	27,315	30,597	57,274	87.2
<b>Fines</b>	175,892	183,841	219,612	19.5
<b>Other</b>				
Racecourse Development Fund	11,000	11,000	11,000	...
Government Guarantee of Debt	10,500	14,507	8,769	(-) 39.6
Bush Fire Services Levy	43,962	43,962	51,400	16.9
Parking Space Levy	7,600	7,700	15,600	102.6
Court Fees	45,845	49,055	49,434	0.8
Waste Disposal Levy	28,000	24,000	27,500	14.6
Gas Industry Contributions	6,150	6,169	6,150	(-) 0.3
Private Transport Operators Levy	4,900	4,840	5,400	11.5
Port Cargo Access Charges	15,210	15,951	11,566	(-) 27.5
Other	53,740	52,488	33,780	(-) 35.6
	226,907	229,672	220,599	(-) 4.0
<b>TOTAL, TAXES, FEES AND FINES</b>	<b>11,283,683</b>	<b>11,824,760</b>	<b>12,911,911</b>	<b>9.2</b>

**Figure 3.2**  
**State Tax Receipts, 1997-98**



### Stamp Duties

As shown in Figure 3.3, the major sources of stamp duty receipts are contracts and conveyances, motor vehicle registrations and financial institutions duty.

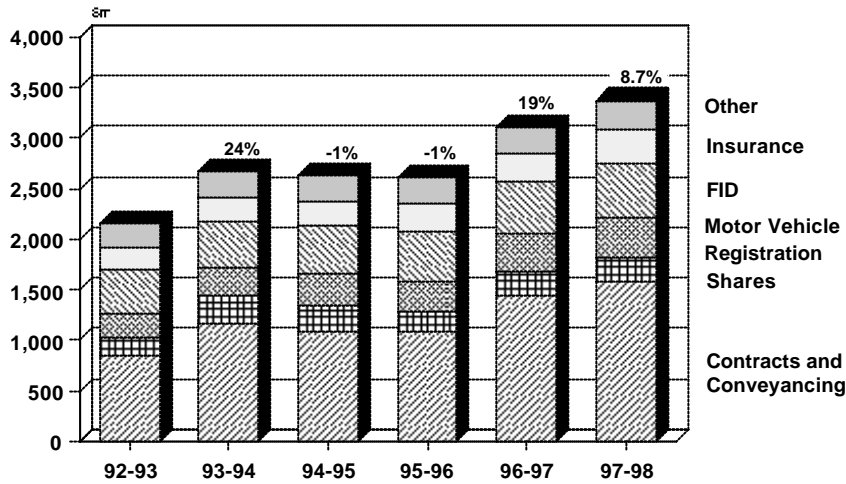
- **Contracts and Conveyances Duty**

The property market settled to a more sustainable level of activity in mid 1995 after a short-lived boom in early 1994. The market experienced a surge in activity again in the latter part of 1996, with transactions being concentrated at the high end of the residential market, as well as in large commercial properties. The upsurge has been sustained into 1997 partly as a result of historically low interest rates and the intense competition between home lending institutions. These factors are expected to result in revenue from contracts and conveyances duty of \$1,450 million in 1996-97, compared with \$1,122.7 million in the previous financial year.

It is expected that the recent upsurge will begin to subside by the end of 1997, bringing contracts and conveyances revenue receipts of around \$1,575 million for 1997-98. Activity in the residential market which has so far been concentrated in the lower North Shore, Inner and Eastern suburbs, is expected to extend to some degree to other parts of Sydney although turnover in the inner areas is likely to moderate.

Due to the volatile nature of the commercial property market, it is not anticipated that the volume of large transactions which occurred in the latter part of 1996 will be repeated in 1997-98. Nevertheless, the underlying level of activity is expected to be sustained.

Figure 3.3  
Stamp Duty Receipts, 1997-98



- **Insurance Duty**

Insurance stamp duty continues to grow broadly in line with nominal Gross State Product and household disposable income. An additional \$51 million is expected for 1997-98 from the increase in concessional rate of duty to 5 per cent which will take effect from 1 July 1997. Total insurance stamp duty revenue for 1997-98 is expected to be around \$337 million.

- **Loan Security Duty**

Loan security duty revenue is expected to continue to grow strongly in 1997-98 in line with the anticipated strength in the property market and the growth in credit. Total revenue for 1997-98 is expected to be \$142 million, reflecting a 7.6 per cent increase on 1996-97.

- **Share Transfer Duty**

It is expected that revenue will increase broadly in line with the nominal value of economic output, although the longer term trend suggests that share transfers are increasing relative to GDP. Share transfer duty for 1997-98 is expected to increase by 5.6 per cent on 1996-97 to \$245 million.

- **Motor Vehicle Registration Duty**

Revenue from this item is determined by vehicle prices and the volume of new and used car sales. Prices are anticipated to grow in line with general price inflation while volumes are expected to grow by 2.0 per cent. The forecast includes the \$10 million expected to be raised from introducing a 5 per cent marginal tax rate on the transfer of selected high value motor vehicles.

- **Financial Institutions Duty**

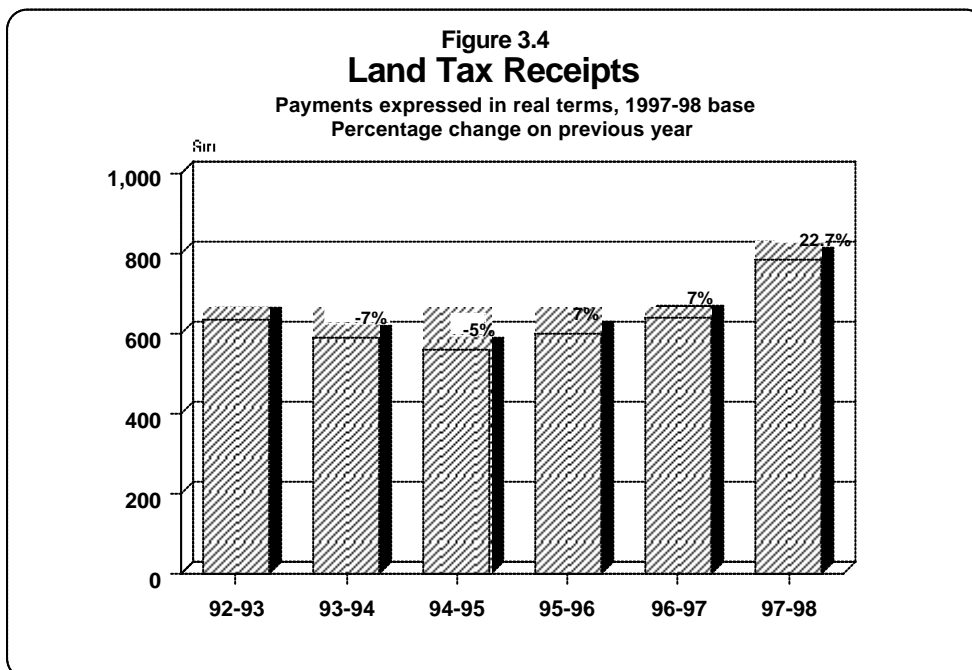
Underlying revenue is expected to grow at a lower rate than the nominal value of economic output. This continuing weak trend in revenue is due to advances in technology and further minimisation strategies. Revenue in 1997-98 is expected to reach \$534 million, up 3.7 per cent on 1996-97.

**Payroll Tax**

Payroll tax receipts are expected to benefit from moderate growth in wages and employment in 1997-98 and the inclusion of superannuation into the tax base since 1996-97. In 1997-98 a total of \$3,338 million is forecast to be collected, representing a growth of 6.1 per cent.

**Land Tax**

In addition to the growth in unimproved capital land values, receipts from land tax in 1997-98 will be enhanced by the increase in the rate of tax from 1.65 to 1.85 per cent and the extension of land tax to high value owner-occupied residential properties.



These two initiatives are expected to increase tax revenue by around \$109 million in 1997-98. The inclusion of Landcom into the tax base as well as additional compliance activity is expected to add an extra \$20 million to revenue. A total of \$786 million in land tax is expected to be collected in 1997-98.

### **Debits Tax**

Revenue is expected to grow by 0.6 per cent in 1997-98 to \$322 million. The growth of this revenue source is constrained by its regressive rate scale and changes in banking practices.

### **Taxes on Motor Vehicle Ownership and Operation**

The major items in this category are motor vehicle weight tax and vehicle registration fees. Estimates for these revenues reflect growth in the stock of motor vehicles, the rate of growth in the number of transfers and the indexation of fees.

The forecasts are based on a vehicle stock growth of 1.9 per cent for 1997-98 and CPI indexation.

Weight tax revenues are expected to increase by 5.0 per cent given expectations regarding stock growth, the increased registration of heavy vehicles in New South Wales and indexation of fees. Vehicle registration fees and transfer fees are estimated to grow by 4.8 per cent to \$152 million and 2.5 per cent to \$28.2 million respectively in 1997-98.

Revenue from drivers' and riders' licence fees is expected to decline in 1997-98 by 14.0 per cent to \$49.6 million as a result of the renewal pattern of three and five year licences.

### **Gambling and Betting**

- **Racing**

Revenue growth in 1996-97 has been adversely affected by the decrease in the number of race meetings, particularly provincial and country races.

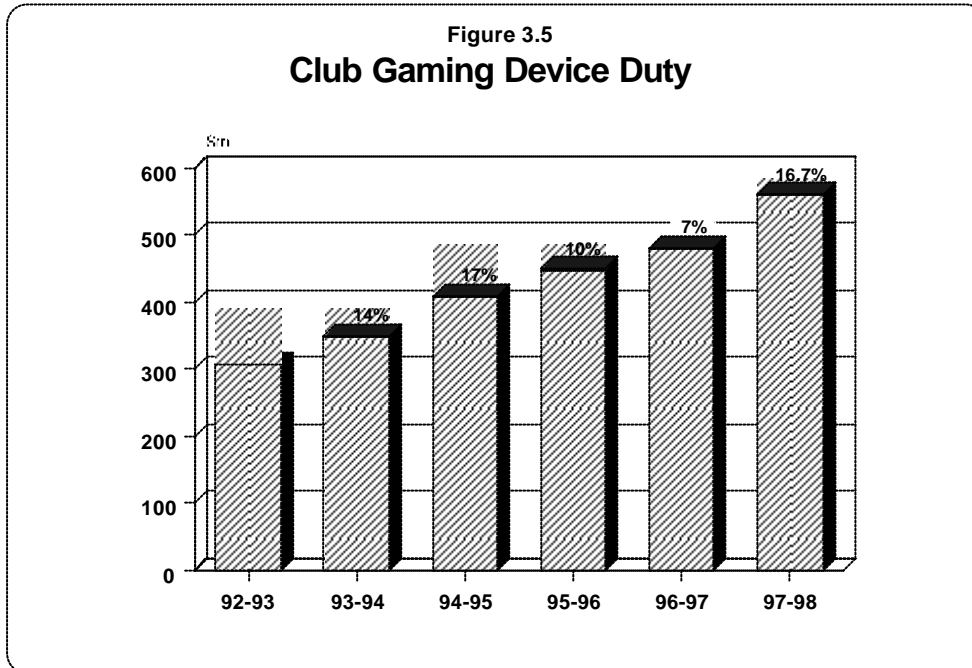
Underlying revenue growth from off-course bets is expected to benefit from increases in household disposable income. Legislative changes which will allow an increase in the number of Sunday race meetings being held in New South Wales, and bookmaker betting on thoroughbred racing events after sunset, are expected to boost revenue by \$6 million per annum.

A total of \$339 million from various racing taxes is forecast for 1997-98, an increase of 4.2 per cent on 1996-97.

No allowance has been made at this time for any changes to taxation arrangements associated with the sale of the TAB.

- **Club Gaming Device Duty**

In the last few years, revenue has grown rapidly in line with the expansion in betting options and improved marketing by clubs. However, 1996-97 revenue growth is likely to be more in line with longer term historical patterns. Underlying revenue growth is expected to follow growth in household disposable income. Continued phasing in of X-standard machines, which offer higher prize and bet limits, greater competition from hotels and the increase in the tax rate will impact on revenues.



- **Lotteries and Lotto**

Revenue growth is dominated by the size and timing of jackpots, marketing and new product innovation. However, this form of gambling is becoming less popular with competition from less traditional forms of gambling. The forecasts are based on the new tax structure which came into effect on 1 January 1997. Revenue of \$270.1 million is expected in 1997-98, an increase of 1.7 per cent on 1996-97.

- **Casino Duty**

Tax revenue in 1997-98 is expected to grow in line with household disposable income and international tourist numbers allowing for the impact of the opening of the permanent Casino in November 1997. It is expected that \$135 million will be collected in tax from the Casino in 1997-98, compared to \$83.9 million in 1996-97.

## **Business Franchise Licences**

- **Petroleum**

Lower consumption growth and indexation is expected to result in a moderate increase of 3.0 per cent in estimated petroleum revenues for 1997-98 to \$579 million.

- **Tobacco**

Despite reduced revenue leakage from interstate purchases, tobacco licence revenue is expected to grow by only 1.1 per cent as a result of falling consumption. The reduction in avoidance and evasion has been assisted by the increase in the Queensland licence fee to 100 per cent, effective from 1 September 1996, and tougher regulations regarding licensing effective from 1 February 1997.

- **Liquor**

Revenue in 1997-98 will be based on the value of liquor consumed in 1996-97. The value of liquor consumed in 1996-97 is expected to have increased in line with household disposable income. Revenue for 1997-98 is estimated to be \$310 million, an increase of 4.4 per cent.

## **Fines**

The main receipts under this heading relate to fines under the Motor Traffic Act (estimate \$192.7 million - an expected increase of 12.2 per cent). The bulk of these are collected by the Police Service through on the spot infringement notices issued by Police and Parking Patrol Officers.

These fines are also collected through Local Courts for the more serious offences and through the Roads and Traffic Authority which has the authority to cancel motor vehicle registrations or drivers and riders licences unless unpaid on the spot infringement notices are paid.

## Income from Non Budget Sector Agencies

Table 3.5: Income from Non Budget Sector Agencies

Category	1996-97		1997-98	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>Dividends</b>				
Advance Energy	4,370	2,096	11,400	n.a.
Australian Inland Energy	1,090	137	1,486	n.a.
Darling Harbour Authority	490	809	1,222	51.1
energyAustralia	88,370	41,000	222,000	n.a.
Freight Rail	n.a.	10,600	16,700	57.5
Generation Sector <sup>(a)</sup>	316,000	459,736	205,464	(-) 55.3
Great Southern Energy	4,460	4,009	14,203	n.a.
Hunter Water Corporation	31,200	29,600	28,700	(-) 3.0
Integral Energy	84,400	22,004	91,011	n.a.
Land Titles Office	20,440	18,690	10,160	(-) 45.6
Landcom	107,720	1,126	21,620	n.a.
Marine Ministerial Holding Corporation	n.a.	5,900	13,325	n.a.
Newcastle Port Corporation	3,990	5,403	3,009	(-) 44.3
NorthPower	11,110	7,354	11,803	n.a.
NSW Lotteries	24,530	35,891	15,372	(-) 57.2
Port Kembla Port Corporation	5,500	7,939	4,906	(-) 38.2
Public Works and Services	8,100	4,949	4,900	(-) 1.0
Rail Access Corporation	n.a.	54,000	40,000	(-) 25.9
Registry of Births, Deaths and Marriages	2,910	2,820	3,502	24.2
State Forests	7,770	5,975	12,089	n.a.
State Transit Authority	3,770	5,177	497	(-) 90.4
Sydney Cove Authority	250	661	1,300	96.7
Sydney Market Authority	500	471	...	n.a.
Sydney Ports Corporation	14,350	15,091	11,639	(-) 22.9
Sydney Water Corporation	26,000	40,000	33,000	(-) 17.5
TransGrid	57,500	59,774	46,900	(-) 21.5
Treasury Corporation	26,500	26,400	20,100	(-) 23.9
Waste Service of NSW	6,080	5,445	6,320	16.1
Other Dividends	250	448	370	n.a.
	857,650	873,505	852,998	(-) 2.3
<b>Tax Equivalent Payments</b>				
Advance Energy	5,830	4,650	5,870	26.2
Australian Inland Energy	890	880	1,693	92.4
Darling Harbour Authority	1,150	1,954	1,371	(-) 29.8
energyAustralia	61,300	68,000	71,000	4.4
Freight Rail	n.a.	14,400	32,000	n.a.
Generation Sector <sup>(a)</sup>	167,000	213,500	128,100	(-) 40.0
Great Southern Energy	1,470	8,588	10,640	23.9
Hunter Water Corporation	4,400	5,150	10,100	96.1
Integral Energy	22,630	5,442	3,099	(-) 43.1
Land Titles Office	9,510	8,380	7,670	(-) 8.5
Landcom	11,350	11,946	18,106	51.6
Newcastle Port Corporation	5,770	3,622	3,192	(-) 11.9
NorthPower	9,130	10,054	13,830	37.6
Port Kembla Port Corporation	6,230	7,484	5,113	(-) 31.7
Public Works and Services	9,400	8,300	5,600	(-) 32.5

**Table 3.5: Income from Non Budget Sector Agencies (cont)**

Category	1996-97		1997-98	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>Tax Equivalent Payments (cont)</b>				
State Forests	1,300	1,440	1,440	...
State Transit Authority	4,870	8,983	6,705	(-) 25.4
Sydney Cove Authority	720	1,450	1,350	(-) 6.9
Sydney Market Authority	2,620	3,035	2,208	(-) 27.2
Sydney Ports Corporation	18,760	17,468	12,812	(-) 26.7
Sydney Water Corporation	108,500	120,300	92,500	(-) 23.1
TransGrid	20,400	30,400	15,100	(-) 50.3
Treasury Corporation	11,400	17,600	7,200	(-) 59.1
Waste Service of NSW	7,010	8,970	7,170	(-) 20.1
	491,640	581,996	463,869	(-) 20.3
<b>Dividend and Tax Equivalent Payments</b>	1,349,290	1,455,501	1,316,867	(-) 9.5
<b>Proceeds from Sales of Surplus Assets<sup>(b)</sup></b>	145,000	...	...	...
<b>Other Income</b>	...	179	24,126	n.a.
<b>INCOME FROM NON BUDGET SECTOR AGENCIES</b>	<b>1,494,290</b>	<b>1,455,680</b>	<b>1,340,993</b>	<b>(-) 7.9</b>

(a) Comprises Delta Electricity, Macquarie Generation and Pacific Power.

(b) These proceeds are now treated as negative capital outlays.

### Dividend and Tax Equivalent Payments

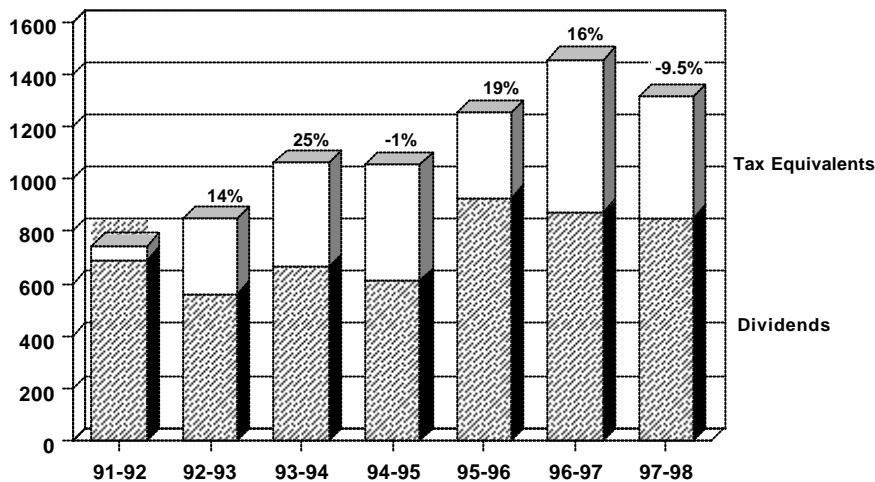
Dividends represent a return on State Government equity and, combined with tax equivalents, are a key element in the Government's policy of creating a commercial environment for Government businesses.

In accordance with an agreement reached with the Council of Australian Governments (COAG), the NSW Government has developed a Tax Equivalent Regime under which tax equivalent payments mirror as closely as possible those taxes which would apply were the Government businesses owned by the private sector, i.e. Commonwealth corporate income and sales taxes.

Dividend and tax equivalent payments from Government Trading Enterprises and State Owned Corporations increased significantly since 1991-92, as shown in Figure 3.6. In 1991-92, these payments were \$744 million, or 4.7 per cent of total Budget receipts, while in 1997-98, they are expected to total \$1,317 million or 5.5 per cent of total Budget receipts.

The main contribution to the increase has been the growth of tax equivalent payments, primarily due to the increased number of Government Trading Enterprises being covered by the tax equivalent regime. Tax equivalent payments, which were \$52 million in 1991-92, are expected to reach \$464 million in 1997-98. Dividends, on the other hand, are expected to increase by \$161 million from \$692 million in 1991-92 to \$853 million in 1997-98.

**Figure 3.6**  
**Dividend and Tax Equivalent Payments From Non Budget Sector Agencies**



The difference between the 1996-97 Budget and 1996-97 Revised figures for expected dividend and tax equivalent payments are due to three main factors. In the 1996-97 Revised figures -

- revenue from a cross border lease is included in the Generation sector tax and dividend payments;
- revenue from the accelerated sell down of Landcom's landbank assets is excluded from dividends; and
- an interim dividend payment that was to be paid in June 1997 by the Electricity distributors is excluded.

In the 1996-97 Budget, the anticipated receipts from cross border leases were included in Other Crown Receipts and not in tax and dividend payments.

Landcom's 1996-97 Revised dividend figure only reflects dividends from normal business operations, with the revenue from the accelerated sale of the landbank assets being included under 'Advance Repayments'. This treatment is in line with ABS Government Finance Statistics.

A consequence of the restructure of the Electricity industry is the redistribution of profitability from the Generation to the Transmission and Distribution sectors. At the time of the 1996-97 Budget, the expectation was that increased profitability through efficiency gains would take some time to be achieved as there would be substantial costs incurred by the Distribution sector in the first years of operation.

Hence, there would be a consequent fall in overall profits in the industry available for distribution to the Budget in 1996-97. To smooth this transition, the interim dividend payable in August 1997 was brought forward in the 1996-97 Budget to June 1997.

As the profitability of the Electricity distributors has improved earlier than expected, the timing of the interim dividend payment has now been moved back to August 1997, in line with all other dividend-paying agencies.

An important factor influencing the decrease in tax equivalent payments between 1996-97 and 1997-98 is the change in timing of tax payments. In line with the Australian Taxation Office determination bringing forward company tax payments, an additional quarterly income tax equivalent payment is being made in 1996-97. Thus, 75 per cent of 1995-96 tax liability and 50 per cent of 1996-97 tax liability is payable in 1996-97. In each subsequent year, 50 per cent of the previous year's liability and 50 per cent of the current year's liability will be paid in that year.

Excluding the one-off impacts of the cross border lease payment and the timing of tax payment, the financial distribution has increased between 1996-97 and 1997-98 by \$110 million, or 9.1 per cent, with a rise in dividends of \$95 million, or 12.5 per cent and in tax equivalent payments of \$15 million or 3.4 per cent.

Significant changes are also expected in the dividend and tax equivalent payments of several individual agencies, after taking into account the 1996-97 tax change impact.

In particular, in the Generation sector (excluding the impact of the inclusion of the cross border lease payment in 1996-97), the dividend and tax equivalent payments are expected to decline by 40 per cent and 30 per cent, respectively, in 1997-98 reflecting the significant fall in prices for electricity generation during 1996-97.

The decline in electricity generation prices during 1996-97 has in part benefited the electricity distribution sector. As a result, the 1997-98 dividend and tax equivalent payments of the electricity distributors are expected to increase substantially compared with 1996-97.

The dividend for Landcom is also expected to increase substantially between 1996-97 and 1997-98, mainly as a consequence of the much stronger property market in 1995-96 compared with 1996-97.

The projected increase in dividends from State Forests between 1996-97 and 1997-98 is primarily due to the expected improvement in profitability from the softwoods. State Forest's profit was hard hit by the slump in the housing market which is the primary market for softwood products. The housing market is now emerging from this slump with consequential effects on the overall profitability of State Forests.

During 1996-97, Freight Rail has benefited from the State's largest wheat harvest since the early 1980s, with the consequent expected improvement in financial distribution in 1997-98.

Return on shareholders' equity is expected to be less than 1.0 per cent for Sydney Water Corporation and about 2 per cent for Hunter Water Corporation. Expected funding payments by the Government to the Sydney and Hunter Water Corporations during 1997-98 are as follows -

#### **Expected Funding Payments to Sydney and Hunter Water Corporations**

Funding	Sydney Water Corporation	Hunter Water Corporation
	\$m	\$m
Pensioner, Water and Sewerage Rebates (CSOs) <sup>1</sup>	60.5	7.5
Exempt Properties (CSOs) <sup>1</sup>	12.1	0.7
Environmental Protection <sup>2</sup>	8.6	9.2
<b>TOTAL FUNDING PAYMENTS</b>	<b>81.2</b>	<b>17.4</b>

1. Social Programs are non-commercial activities of GTEs which have social objectives. Community Service Obligations (CSOs) are Social Programs delivered by GTEs when directed by the Government, with explicit contracts in place and funded from the Budget.
2. Includes funding for Environmental Impact Statements for backlog sewer projects, plus the Hunter Sewerage project via Country Towns Water Supply and Sewerage Program.

## **Commonwealth Grants<sup>1</sup>**

### **General Purpose Payments**

Commonwealth General Purpose Payments consist of monies paid as Financial Assistance Grants (FAGs), special revenue assistance and identified road funds. These are expected to increase by 4.9 per cent in 1997-98 over 1996-97 in nominal terms, or 2.8 per cent in real terms.

The increase in Financial Assistance Grants reflects the first tranche of National Competition Payments of \$73 million. FAGs estimates also take into account an improvement in Grants Commission relativities and the maintenance of the real per capita terms guarantee. In 1997-98, New South Wales will make a Fiscal Contribution Payment of \$216.3 million to assist in reducing the Commonwealth budget deficit.

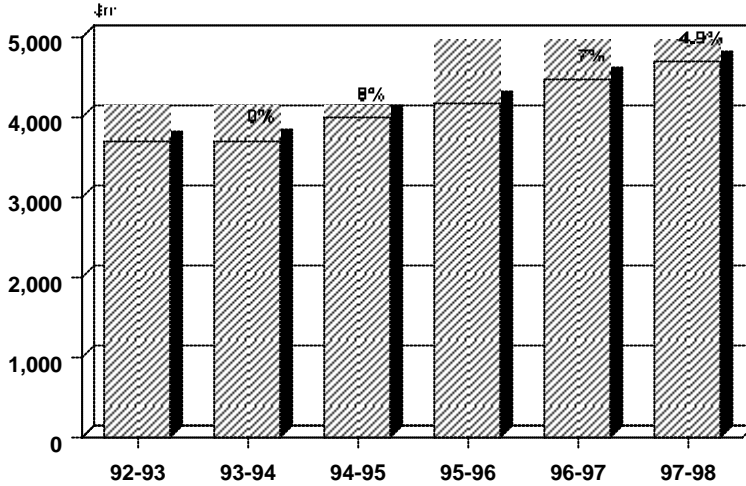
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<sup>1</sup> Growth rates in this section differ from those in Chapter 5 because of differences in coverage and timing. Chapter 5 has wider coverage, is based on 1997 Premiers' Conference announcements, but excludes TAFE because it is considered a Commonwealth own-purpose payment. This Chapter deals with payments to the Budget Sector only, but includes TAFE payments.

**Table 3.6: Recurrent Commonwealth Grants**

Category	1996-97		1997-98	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>General Revenue Grants</b>	4,727,000	4,670,100	4,900,100	4.9
<b>Commonwealth Specific Purpose Payments</b>				
Companies Regulation	43,599	43,599	44,907	3.0
Legal Aid	43,754	43,604	45,198	3.7
Gun Buy-back Scheme	...	50,000	70,000	40.0
Technical and Further Education	196,471	197,040	207,342	5.2
Schools	401,328	417,394	420,725	0.8
High Cost Drugs	32,678	62,000	63,860	3.0
Medical Speciality Centres	982	9,986	10,286	3.0
Other Health Care Access	3,516	3,564	3,671	3.0
Hospital Funding Grant	1,549,321	1,524,396	1,560,128	2.3
Drug Education Campaigns	9,396	9,198	9,474	3.0
Dental Program	37,490	17,620	...	n.a.
Immunization - HIB	4,785	4,793	4,937	3.0
Magnetic Resonance Imaging	6,882	5,626	5,795	3.0
Breast Cancer	14,319	14,613	15,051	3.0
Artificial Limb Scheme	2,572	2,030	2,091	3.0
Funds to Combat AIDS	21,560	21,841	22,496	3.0
National Mental Health	6,786	...	...	...
Geriatric Assessment	13,742	12,911	13,298	3.0
Home and Community Care	143,800	144,183	151,176	4.9
Supported Accommodation Assistance	41,809	41,809	42,933	2.7
Assistance to Disabled	102,231	101,971	104,565	2.5
Pensioner Concessions	47,000	48,743	49,767	2.1
Rural Adjustment Scheme	47,096	45,312	29,980	(-) 33.8
Soil Conservation	10,167	10,260	10,167	(-) 0.9
Debt Redemption Assistance	25,769	25,775	25,391	(-) 1.5
Natural Disaster Relief	1,900	1,900	1,900	...
Interstate Road Transport	1,000	8,302	8,900	7.2
Aboriginal Advancement	6,073	6,073	10,100	66.3
Blood Transfusion Services	16,636	15,590	16,058	3.0
Forestry Development	33,000	8,500	12,500	47.1
National Land Care	12,082	6,580	10,795	64.1
Other	22,660	26,483	8,523	(-) 67.8
<b>Total, Commonwealth Specific Purpose Payments</b>	<b>2,900,404</b>	<b>2,931,696</b>	<b>2,982,014</b>	<b>1.7</b>
Less:				
State Fiscal Contribution Payment	...	209,500	216,300	3.2
State share of higher education superannuation	18,109	18,882	19,800	4.9
<b>TOTAL, COMMONWEALTH GRANTS</b>	<b>7,609,295</b>	<b>7,373,414</b>	<b>7,646,014</b>	<b>3.7</b>

**Figure 3.7**  
**Commonwealth General Revenue Grants**  
 (Percentage change on previous year)



### Commonwealth Payments for Specific Current Purposes

Payments to the States by the Commonwealth are made under Section 96 of the Australian Constitution. Specific purpose payments are made under terms and conditions essentially determined by the Commonwealth. The range of payments made has varied over time, reflecting the Commonwealth's priorities and/or funding policies.

Payments for which the State acts as a paying agent (e.g. assistance to local government, private schools and universities) are not passed through the State Budget.

The principal current specific purpose payments relate to health, education and community services. Health and education payments in aggregate are expected to increase in 1997-98. Substantial cuts are expected in programs to be wound down or terminated (e.g. Dental Health and the Rural Adjustment Scheme).

## Other Current Receipts

**Table 3.7: Other Current Receipts**

Category	1996-97		1997-98	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>Crown Receipts</b>				
Sale of Crown Land	53,898	25,298	26,102	3.2
Leases	26,737	27,359	29,719	8.6
Royalties	173,353	180,688	181,610	0.5
Unclaimed Racing Dividends	10,000	10,000	10,000	...
Fire Brigades Levy on Local Government	29,789	29,868	30,809	3.2
Department of Housing - Interest	80,172	80,296	78,990	(-) 1.6
Interest on Crown Funds	56,250	56,310	58,875	4.6
Other Interest	18,625	16,505	14,948	(-) 9.4
Contribution - Environmental Trust	59,388	35,407	43,853	23.9
Cross Border Leases	200,000	...	...	n.a.
Other Crown Receipts	34,368	41,629	35,087	(-) 15.7
<b>Agency Receipts</b>				
Grants received	106,566	102,683	91,365	(-) 11.0
Donations and industry contributions	154,156	146,231	141,790	(-) 3.0
Interest on agency cash balances	58,608	68,036	75,215	10.6
Other agency receipts	40,377	68,697	45,476	(-) 33.8
<b>TOTAL, OTHER RECEIPTS</b>	<b>1,102,287</b>	<b>889,007</b>	<b>863,839</b>	<b>(-) 2.8</b>

### Sale of Crown Land

Revenue is generated by Landcom from the development and sale of Crown land for residential purposes in the metropolitan area. Development and sale of Crown land in the remainder of the State is undertaken by the Department of Land and Water Conservation.

### Leases

The Department of Land and Water Conservation collects annual instalments relating to the purchase of Crown Land and generates revenue from leases, licences and permissive occupancies on Crown land.

### Royalties

The forecast increase in royalties is mainly attributable to an anticipated increase in coal sales. No increase is forecast for other royalty payments.

### Interest on Crown Funds

The estimate for 1997-98 is projected to decline as a result of higher interest rates and higher average cash balances.

### Cross Border Leases

Included in this amount is \$200 million for cross border leases budgeted in 1996-97. This item is now treated as income from Non Budget Sector Agencies.

## Agency Receipts

These principally relate to grants received and industry donations across agencies, notably in the areas of health, community services and education.

## CAPITAL RECEIPTS, 1997-98

Estimated capital receipts in 1997-98 are \$1,081 million - an increase of \$209 million, or 24.0 per cent on 1996-97.

**Table 3.8: Capital Receipts**

Category	1996-97		1997-98	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>COMMONWEALTH GRANTS</b>				
Schools	70,000	70,000	72,000	2.9
Technical and Further Education	80,774	81,525	65,950	(-) 19.1
Public Housing	292,945	292,658	279,870	(-) 4.4
Sydney Olympics 2000	...	32,000	...	n.a.
Housing Assistance for Aborigines	17,777	17,777	17,777	...
Australian Land Transport Development	406,200	315,800	381,420	20.8
Housing	35,141	35,107	34,153	(-) 2.7
Building Better Cities	14,000	14,000	...	n.a.
Other	14,000	2,318	2,375	2.5
<b>TOTAL, COMMONWEALTH GRANTS</b>	<b>930,837</b>	<b>861,185</b>	<b>853,545</b>	<b>(-) 0.9</b>
<b>OTHER CAPITAL RECEIPTS</b>	<b>6,307</b>	<b>10,956</b>	<b>227,537</b>	<b>n.a.</b>
<b>TOTAL, CAPITAL RECEIPTS</b>	<b>937,144</b>	<b>872,141</b>	<b>1,081,082</b>	<b>24.0</b>

## Commonwealth Capital Grants

In 1997-98 funding will no longer be provided for the Building Better Cities Program, while cuts are projected in the areas of TAFE and housing.

Road grants under the Land Transport Development Program will increase from \$316 million in 1996-97 to \$381 million in 1997-98. The Commonwealth Government untied a substantial portion of specific road grants from 1994-95, providing a commensurate amount by way of untied grants. However, these grants will continue to be separately identified by the Commonwealth.

Of the remaining capital Specific Purpose Payments, only Schools are expected to receive an increase in funding.

## Other Capital Receipts

The principal item included in this category in 1997-98 is the payment of \$219 million by SOCOG as a construction reimbursement towards the cost of the aquatic and athletic centres.

## **3.2 FORWARD ESTIMATES OF BUDGET RECEIPTS**

### **INTRODUCTION**

This section provides estimates of Budget receipts for the period 1996-97 to 1999-2000 by major receipt category. This information has been provided to give an appreciation of the factors impacting on the future receipts.

Overall for the three year period 1996-97 to 1999-2000, Budget receipts are projected to increase by 3.8 per cent per annum, a real increase of 0.8 per cent per annum.

Table 3.9 provides details of receipts for the period 1995-96 to 1998-99. The Table is supported by the following comments on the major receipt categories.

### **CURRENT RECEIPTS**

#### **Taxes, Fees and Fines**

##### **Contracts and Conveyances Duty**

The property market is expected to return to a more sustainable level of activity in 1998-99 and 1999-2000. The downturn in the cycle, which is expected to occur during the course of 1997-98 implies a reduction in revenue by 11 per cent from the 1997-98 level to \$1,400 million for 1998-99 and 1999-2000.

##### **Motor Vehicle Registration Duty**

Revenue will continue to benefit in 1998-99 and 1999-2000 from price growth and growth in the number of vehicles transferred, although the reduction in the rate of tax on 1 July 1998 will cause revenue to fall in 1999-2000.

##### **Other Stamp Duties**

Other stamp duty items are expected to grow moderately in 1998-99 and 1999-2000 in line with general economic activity.

##### **Payroll Tax**

Underlying payroll tax revenue is expected to benefit from the gradual increase in wages and employment. Growth in payroll tax revenue will be limited by the tax rate falling back to 6.7 per cent on 1 July 1999.

## **Land Tax**

The pick-up in the residential property market in previous years is expected to have a positive impact on land tax receipts in 1998-99. Tax receipts in 1999-2000, however, will be dampened by the rate reduction from 1.85 per cent to 1.7 per cent from 1 July 1999.

## **Taxes on Motor Vehicle Ownership and Operation**

Growth in revenue from motor vehicle weight tax and vehicle registration fees is expected to strengthen in the out years as a result of continued economic growth and indexation. Lower fees charged under the national scheme for heavy vehicles has encouraged more registrations in New South Wales.

The forecast revenue for drivers licence fees in 1999-2000 reflects the renewal cycle for five year licences.

## **Business Franchise Licences**

Petroleum licence revenue is expected to grow moderately in the out-years. Growth is driven primarily by indexation of licence fees to inflation with some additional growth from small increases in consumption.

Tobacco licence fee revenue increased in 1996-97 as a result of reduced revenue leakage. Revenue in the out years will decline marginally as the impact of inflation is more than offset by falling consumption.

Increased growth in household disposable income will have a positive impact on revenue from liquor licence fees.

**Table 3.9: Budget Receipts, 1995-96 to 1998-99**

	1996-97	1997-98		1998-99		1999-2000	
	\$m	\$m	% change	\$m	% change	\$m	% change
<b>CURRENT RECEIPTS</b>							
<b>Taxes, Fees and Fines</b>							
Stamp Duties -							
Contracts and Conveyances	1,450	1,575	8.6	1,400	(-) 11.1	1,400	...
Insurance	272	337	23.9	361	7.1	382	5.8
Share Transfers	232	245	5.6	260	6.1	273	5.0
Motor Vehicle Registrations	375	401	6.9	417	4.0	362	(-) 13.2
Financial Institutions Duty	515	534	3.7	554	3.7	574	3.6
Other	264	281	6.4	284	1.1	296	4.2
Payroll Tax	3,146	3,338	6.1	3,573	7.0	3,699	3.5
Land Tax	625	786	25.8	888	13.0	886	(-) 0.2
Taxes on Motor Vehicle							
Ownership and Operation	897	930	3.7	979	5.3	1,073	9.6
Gambling and Betting	1,223	1,392	13.8	1,519	9.1	1,587	4.5
Business Franchise Licences	1,838	1,979	7.6	2,005	1.3	2,035	1.5
Other	988	1,114	12.8	1,165	4.6	1,191	2.2
<b>Total, Taxes, Fees and Fines</b>	<b>11,825</b>	<b>12,912</b>	<b>9.2</b>	<b>13,405</b>	<b>3.8</b>	<b>13,758</b>	<b>2.6</b>
<b>Income from Non Budget Sector</b>							
<b>Agencies</b>							
Dividends	874	853	(-) 2.4	734	(-)14.0	771	5.0
Tax Equivalent Payments	582	464	(-) 20.3	454	(-) 2.2	464	2.2
Other	...	24	n.a.	...	...	...	...
<b>Total Income from Non Budget Sector Agencies</b>	<b>1,456</b>	<b>1,341</b>	<b>(-) 7.9</b>	<b>1,188</b>	<b>(-)11.4</b>	<b>1,235</b>	<b>4.0</b>
<b>Commonwealth Grants</b>							
General Revenue Grants	4,670	4,900	4.9	5,015	2.3	5,242	4.5
Specific Purpose Payments	2,913	2,962	1.8	2,935	(-) 0.9	3,026	3.1
Less: State Fiscal Contribution	210	216	2.9	101	(-) 53.2	...	n.a.
<b>Total, Commonwealth Grants</b>	<b>7,373</b>	<b>7,646</b>	<b>3.7</b>	<b>7,848</b>	<b>2.6</b>	<b>8,268</b>	<b>5.4</b>
<b>Other</b>	<b>889</b>	<b>864</b>	<b>(-) 2.8</b>	<b>843</b>	<b>(-) 2.4</b>	<b>838</b>	<b>(-) 0.6</b>
<b>TOTAL, CURRENT RECEIPTS</b>	<b>21,543</b>	<b>22,763</b>	<b>5.7</b>	<b>23,284</b>	<b>2.3</b>	<b>24,098</b>	<b>3.5</b>
<b>CAPITAL RECEIPTS</b>							
Commonwealth Grants	861	854	(-) 0.8	842	(-) 1.4	865	2.7
Other Capital Receipts	11	228	n.a.	5	n.a.	5	...
<b>TOTAL, CAPITAL RECEIPTS</b>	<b>872</b>	<b>1,081</b>	<b>24.0</b>	<b>847</b>	<b>(-)21.6</b>	<b>870</b>	<b>2.7</b>
<b>TOTAL, RECEIPTS</b>	<b>22,415</b>	<b>23,844</b>	<b>6.4</b>	<b>24,131</b>	<b>1.2</b>	<b>24,968</b>	<b>3.1</b>

## **Gambling and Betting**

Moderate underlying growth is forecast for most of the gambling taxes consistent with the projected trend for household disposable income. Revenue will also benefit from the increased tax rates imposed on gaming machines in clubs. Revenue from hotel gaming devices is expected to increase by 30 per cent in 1998-99 due to the full year impact of changed taxation arrangements, the increase in the number of machines allowed from 10 to 30 and the spread of poker machines.

The opening of the permanent casino in November 1997 will further boost revenue from gambling and betting. Revenue will also benefit from legislative changes which will allow more Sunday race meetings as well as bookmaker betting on thoroughbred racing events after sunset. No allowance has been made for the impact of the sale of the TAB.

## **Other State Receipts**

### **Income from Non Budget Sector Agencies**

Tax equivalent payments by Government businesses are expected to remain fairly constant over the next three years, with a marginal decline of 2.2 per cent in 1998-99, followed by an increase of 2.2 per cent in 1999-2000.

Revenue from dividends is projected to decline in 1998-99 by \$119 million and increase in 1999-2000 by \$37 million.

## **Commonwealth Funded Grants**

### **General Purpose Payments**

Financial Assistance Grants (inclusive of payments for untied road grants and national competition policy payments, and after deducting Fiscal Contribution Payments to the Commonwealth) are projected to increase in nominal terms by 4.9 per cent in 1998-99 and 6.7 per cent in 1999-2000. This represents maintenance in real per capita terms of Financial Assistance Grants in line with the decisions of the Premiers' Conference in 1994 and the Council of Australian Governments (COAG) meeting in 1995 and the winding back of Fiscal Contribution payments in 1999-2000.

### **Specific Purpose Payments**

For the most part, funding for specific purpose payments for the forward years will be determined by the relevant Commonwealth-State agreement, subject to any changes in indexation arrangements and the review or renegotiation of major specific purpose payments such as public housing, disability services and Medicare.

## **CAPITAL RECEIPTS**

### **Commonwealth Grants**

A decline in specific purpose capital payments may be expected in future years, due in part to the winding down of major infrastructure expenditures including the Olympics. Forward estimates will also depend on changes in major specific purpose payment programs which may be introduced by the Federal Government.

For the forward years the amounts payable under individual agreements have been included or, where forward information is not available, the amount has been indexed in line with existing arrangements.

