

## **Chapter 3:**

# **BUDGET RECEIPTS**

**3.1 Budget Receipts, 1996-97**

**3.2 Forward Estimates of Budget Receipts**



### 3.1 BUDGET RECEIPTS, 1996-97

#### OVERVIEW

Budget receipts for 1996-97 are projected to increase by 5.0 per cent to \$22.4 billion, consisting of a 4.8 per cent increase in current receipts and an 8.7 per cent increase in capital receipts.

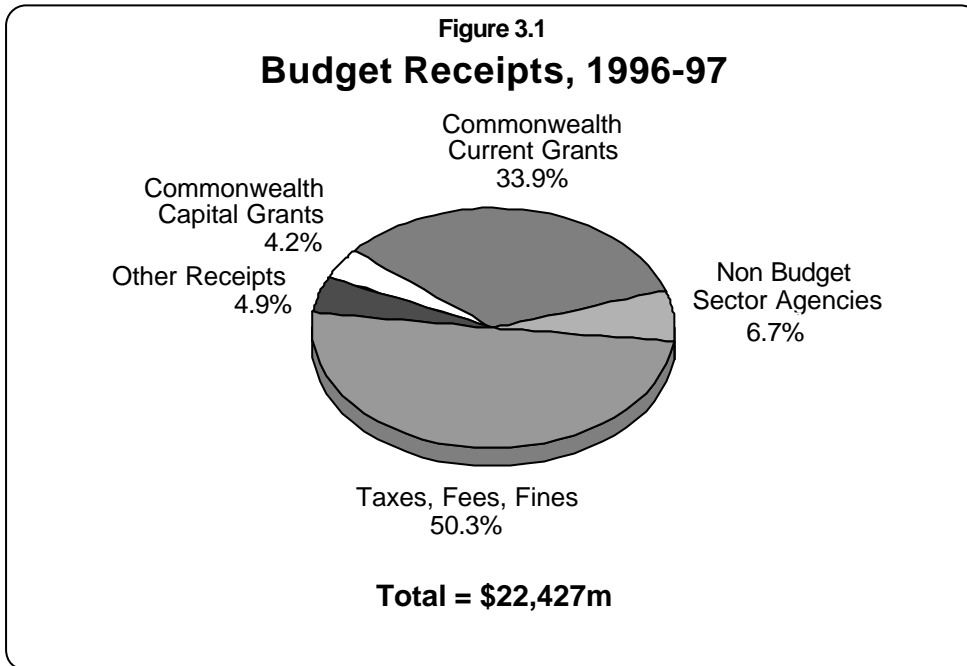
Table 3.1 is a summary of major Budget receipts aggregates from 1993-94 to 1996-97. Total receipts are expected to increase by 17.1 per cent in nominal terms over this period.

Tables 3.2 to 3.6 provide details of Budget receipts for 1995-96 and 1996-97 and show changes between last year's projected receipts and the 1996-97 Budget. The tables are supported by a later section commenting on the principal revenue items.

**Table 3.1: Budget Receipts, 1993-94 to 1996-97**

	1993-94		1994-95		1995-96		1996-97	
	\$m		\$m	% change	\$m	% change	\$m	% change
<b>CURRENT RECEIPTS</b>								
Taxes, Fees and Fines	9,706		10,139	4.5	10,880	7.3	11,284	3.7
Income from Non Budget Sector								
Agencies	1,064		1,139	7.0	1,321	16.0	1,495	13.2
Commonwealth Grants	6,469		6,963	7.6	7,439	6.8	7,609	2.3
Other	722		832	15.2	863	3.7	1,102	27.7
<b>TOTAL, CURRENT RECEIPTS</b>	<b>17,961</b>		<b>19,073</b>	<b>6.2</b>	<b>20,503</b>	<b>7.5</b>	<b>21,490</b>	<b>4.8</b>
<b>CAPITAL RECEIPTS</b>								
Commonwealth Grants	1,187		961	(-) 19.0	849	(-) 11.7	931	9.7
Other Capital Receipts	8		14	75.0	13	(-) 7.1	6	(-) 53.8
<b>TOTAL, CAPITAL RECEIPTS</b>	<b>1,195</b>		<b>976</b>	<b>(-) 18.4</b>	<b>862</b>	<b>(-) 11.6</b>	<b>937</b>	<b>8.7</b>
<b>TOTAL, RECEIPTS</b>	<b>19,156</b>		<b>20,049</b>	<b>4.7</b>	<b>21,365</b>	<b>6.5</b>	<b>22,427</b>	<b>5.0</b>

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



## TAX INITIATIVES

### Loan Security Duty

Secured loans (such as mortgages) are subject to Loan Security Duty at a rate of \$5 for the first \$16,000 and 0.4 per cent thereafter. Loan Security Duty is generally also payable when refinancing a loan.

To facilitate competition between financial institutions, the Government will provide an exemption from Loan Security Duty from 1 July 1996 for genuine refinancing transactions. The exemption, at an estimated cost of \$20 million per annum, will be provided in situations where the borrower, the outstanding balance and the security underlying the loan remain unchanged.

### Hiring Arrangements Duty

The hire or lease of goods, including short term consumer rentals and some forms of equipment financing, is subject to Hiring Arrangements Duty at a rate of 1.5 per cent. Currently, there is no State tax on commercial hire purchase arrangements which represent a close substitute for leasing. The differing State tax treatment of hire purchase and leasing distorts decisions by businesses on which financing option to choose.

Following representations from the industry, Hiring Arrangements Duty will apply to both commercial leasing and commercial hire purchase from 1 October 1996. The rate of tax will be halved to 0.75 per cent to ensure the outcome of the reform is revenue neutral. The lower rate of tax will apply only to arrangements entered into after 1 October 1996. The expanded tax base will not encompass consumer items financed under the current Consumer Credit Code.

It is proposed that the existing rate of tax will be retained for short term consumer hiring and other non-finance rentals.

## CURRENT RECEIPTS, 1996-97

Estimated current receipts in 1996-97 are \$21,490 million, an increase of \$987 million or 4.8 per cent on 1995-96.

## Taxes, Fees and Fines

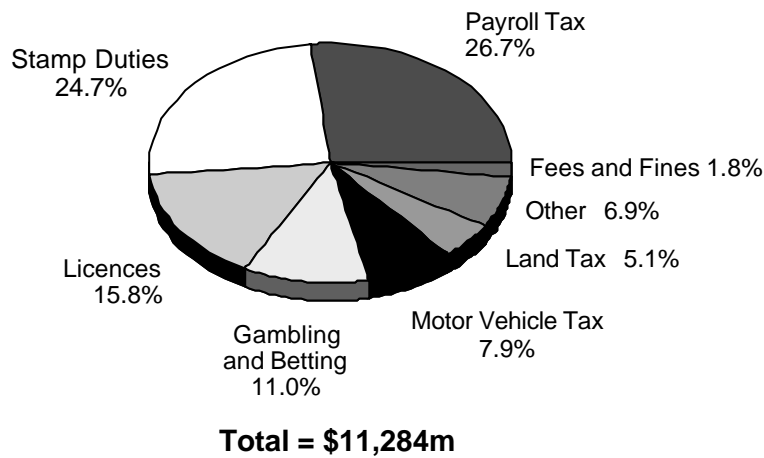
**Table 3.2: Taxes, Fees and Fines**

Category	1995-96		1996-97	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>Stamp Duties</b>				
Contracts and Conveyances	1,000,000	1,105,000	1,230,000	11.3
First Home Purchase Scheme	27,500	26,000	29,000	11.5
Insurance	275,000	260,000	268,000	3.1
Loan Securities	119,000	126,000	120,000	(-) 4.8
Share Transfers	170,000	183,000	192,000	4.9
Motor Vehicle Registration Certificates	313,000	310,000	319,000	2.9
Financial Institutions Duty	505,000	498,000	526,000	5.6
Hiring Arrangements	50,600	53,000	53,000	...
Leases	27,500	32,000	35,000	9.4
Deeds Agreements	6,100	6,100	6,400	4.9
Adhesive Stamps	4,600	3,600	3,800	5.6
Other	8,690	8,700	9,090	4.5
	2,506,990	2,611,400	2,791,290	6.9
<b>Payroll Tax</b>	2,931,440	2,881,941	3,016,085	4.7
<b>Land Tax</b>	570,000	580,000	576,000	(-) 0.7
<b>Debits Tax</b>	325,000	321,000	327,000	1.9
<b>Taxes on Motor Vehicle Ownership and Operation</b>				
Weight Tax	630,800	661,500	634,000	(-) 4.2
Drivers Licence Fees etc.	118,000	114,000	61,900	(-) 45.7
Vehicle Registration and Transfer Fees	157,400	158,200	172,500	9.0
Other Motor Vehicle Taxes	24,900	24,900	27,000	8.4
	931,100	958,600	895,400	(-) 6.6
<b>Health Insurance Levy</b>	45,000	44,000	44,000	...

Table 3.2: Taxes, Fees and Fines (cont)

Category	1995-96		1996-97	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>Fire Brigades Levy</b>	170,516	170,516	178,491	4.7
<b>Gambling and Betting</b>				
Racing	334,958	328,514	337,123	2.6
Poker Machine Taxation	448,000	448,000	472,000	5.4
Keno Tax	12,000	12,000	14,700	22.5
Soccer Football Pools	2,600	2,700	2,700	...
Lotteries and Lotto	256,000	256,000	266,900	4.3
Footytab Commission	2,000	2,000	1,950	(-) 2.5
Casino	53,140	63,200	84,400	33.5
Amusement Devices	76,000	69,000	62,000	(-) 10.1
	1,184,698	1,181,414	1,241,773	5.1
<b>Licences</b>				
Petroleum	537,000	537,000	571,000	6.3
Tobacco	852,000	872,000	874,000	0.2
Liquor	287,420	284,720	305,780	7.4
Pollution Control	26,273	26,273	28,152	7.2
Other	4,932	5,958	4,598	(-) 22.8
	1,707,625	1,725,951	1,783,530	3.3
<b>Fees</b>				
Motor Dealers	1,056	1,056	1,000	(-) 5.3
Firearms and Dangerous Weapons	558	558	704	26.2
Corporate Affairs	11,641	12,000	12,000	...
Environment Protection Authority	855	855	855	...
Weights and Measures	1,755	1,200	1,200	...
Other	11,887	11,708	11,556	(-) 1.3
	27,752	27,377	27,315	(-) 0.2
<b>Fines</b>	175,107	178,217	175,892	(-) 1.3
<b>Other</b>				
Racecourse Development Fund	12,725	16,508	11,000	(-) 33.4
Government Guarantee of Debt	11,600	8,365	10,500	25.5
Bush Fire Services Levy	48,479	48,479	43,962	(-) 9.3
Court Fees	39,687	41,853	45,845	9.5
Waste Disposal Levy	18,500	18,500	28,000	51.4
Other	38,563	66,253	87,600	32.2
	169,554	199,958	226,907	13.5
<b>TOTAL, TAXES, FEES AND FINES</b>	<b>10,744,782</b>	<b>10,880,374</b>	<b>11,283,683</b>	<b>3.7</b>

**Figure 3.2**  
**State Tax Receipts, 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.

### **Stamp Duties**

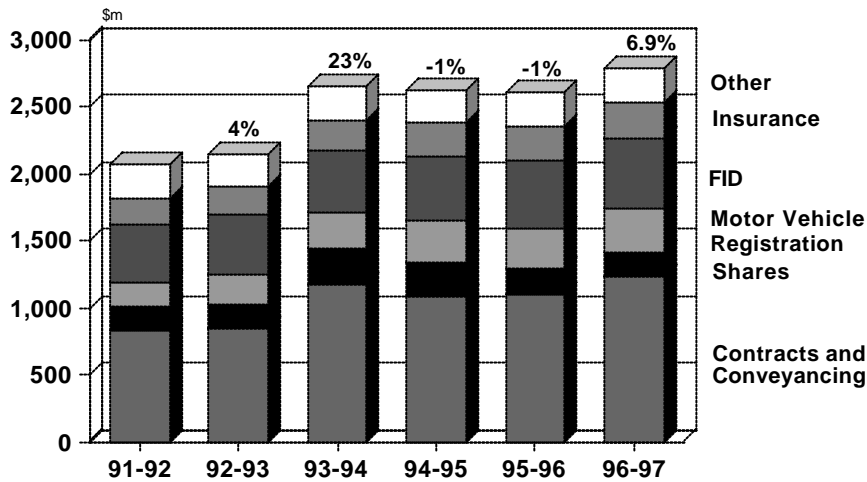
As shown in Figure 3.3, the major sources of stamp duty receipts are contracts and conveyances, motor vehicle registrations and Financial Institutions Duty.

- **Contracts and Conveyances**

Since the significant decline in the value of turnover in residential properties over the course of 1994-95, revenue has picked up steadily throughout 1995-96 due to increased confidence in the property market. The increase in confidence has been assisted by a relatively stable interest rate environment and competition among home lending institutions attempting to capture increased market share. Moderate growth in volumes and prices is expected to continue into 1996-97 in line with increasing incomes, tighter vacancy levels in the rental market and the assumption that there will not be an increase in interest rates during 1996-97.

Growth in the commercial market is assumed to continue at a relatively strong rate in 1996-97 due to continued portfolio rebalancing and the increase in the popularity of property trusts. However, growth in volumes will be much lower than the high levels experienced in 1994 when property owners seized the first opportunity to liquidate stock in a recovering market.

**Figure 3.3  
Stamp Duty Receipts**



- **Insurance**

Limited growth in insurance premiums in 1996-97 is expected due to continuing competitive pressures and the increasing trend to under-insure. The low growth reflects the impact of inflation on premiums.

- **Loan Securities**

Underlying revenue is expected to grow strongly in 1996-97 in line with increases in the number and value of property transactions and the growth in credit. The forecast includes the \$20 million cost of exempting refinancings from duty.

- **Share Transfers**

Despite the volatile nature of the share market in the short-term, it is expected that long-term growth in revenue will be broadly in line with growth in the value of economic output.

- **Motor Vehicle Registrations**

Revenue from this item is determined by both vehicle prices as well as 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 2.9 per cent.

- **Financial Institutions Duty**

Moderate growth in underlying revenue is anticipated as advancements in technology and further restructuring by businesses results in minimisation of tax payments.

**Payroll Tax**

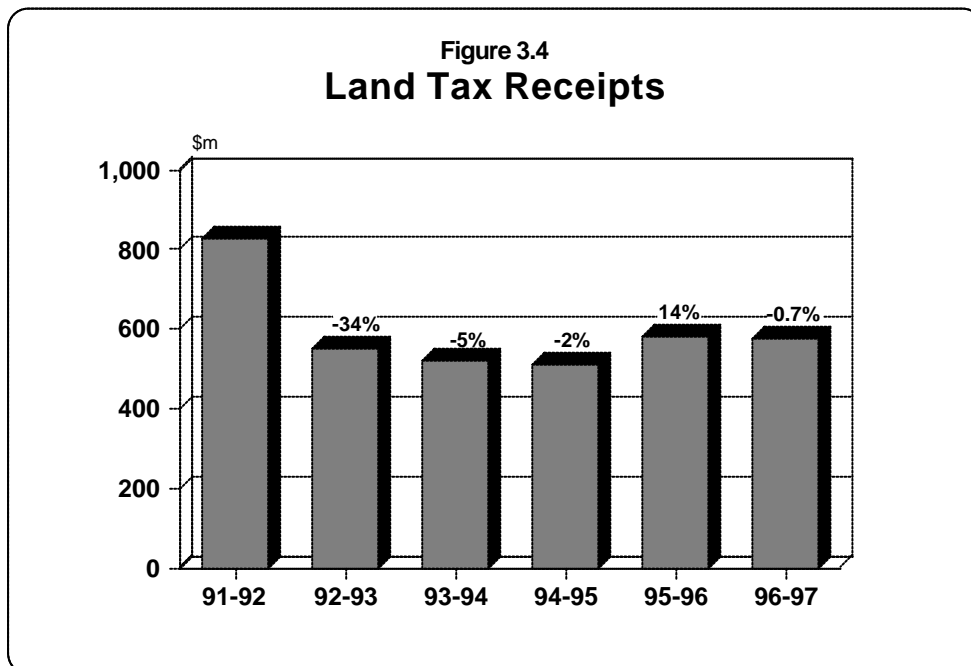
Based on joint wage and employment growth and the trend for employment to increase more rapidly in smaller firms, underlying revenue is expected to increase by around 4.6 per cent in 1996-97. This estimate includes the full year cost of changes to Commonwealth Fringe Benefits Tax arrangements and the increase in the threshold to \$600,000 on 1 January 1996. (The payroll tax base includes amounts on which FBT is payable.)

Consistent with Government Finance Statistics principles, the estimate of revenue is net of payroll tax paid by Budget Sector agencies.

**Land Tax**

The increase in unimproved land values is not expected to be significantly different to general price inflation in 1996-97. Revenue is expected to fall in 1996-97 as a result of the impact of amnesty related payments in 1995-96.

Figure 3.4 illustrates the pattern of land tax receipts since 1991-92. In real terms, total land tax revenue in 1996-97 is expected to be around \$320 million less than in 1991-92.



## **Debits Tax**

While revenue from this tax is broadly related to economic activity, its growth potential is adversely affected by a regressive tax rate scale.

## **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 number of transfers and the indexation of fees.

The forecasts are based on a vehicle stock growth of 1.0 per cent for 1996-97 and CPI indexation.

Revenue from weight tax is forecast to fall by 4.2 per cent, while revenues from vehicle registration fees and transfer fees are estimated to grow by 9.8 per cent and 5.0 per cent respectively in 1996-97.

The fall in weight tax revenue results from the introduction of a national fee structure for heavy vehicles from 1 July 1996. The new fees will be lower than those currently imposed in New South Wales, leading to a revenue loss in 1996-97.

Revenue from drivers' and riders' licence fees varies considerably from year to year as receipts are dependent on the renewal pattern of three and five year licences.

## **Gambling and Betting**

### **• Racing**

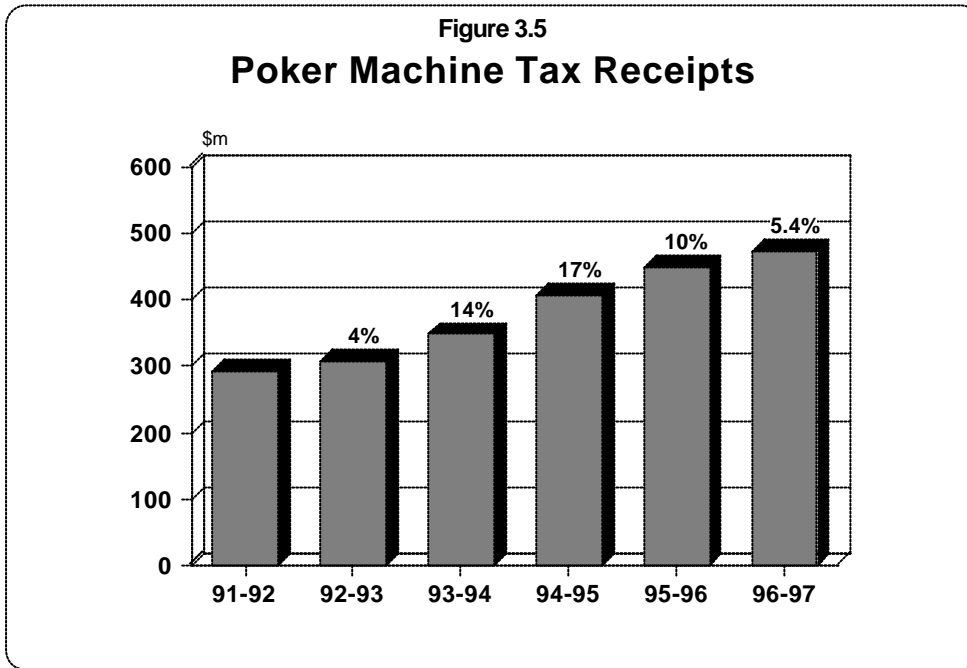
Revenue growth in recent years has been adversely affected by -

- the decrease in pool sizes resulting from a decline in the number of horses racing; and
- the increased share of totalisator commission retained by the metropolitan racing clubs announced in the 1994-95 Budget.

Revenue growth in 1996-97 from off-course bets reflects increases in household disposable income. Little improvement is expected for revenue from on-course betting due to its decline in popularity.

### **• Poker Machine Tax**

In the last few years, revenue has grown rapidly in line with the expansion in betting options and improved marketing by clubs. However, in 1996-97 revenue growth is expected to be more in line with historical patterns. Revenue of \$472 million is expected for 1996-97 which represents a 5.4 per cent increase in collections on the previous year.



- **Lotteries and Lotto**

Revenue growth is dominated by the size and timing of jackpots, marketing and new product innovation. The anticipated introduction of new products and changes to existing products generates additional revenue growth.

- **Casino**

The temporary casino has been operational since September 1995. Estimated revenue in 1995-96 is expected to exceed last year's Budget predictions as the initial operations of the casino were more successful than anticipated. The high growth rate in 1996-97 reflects the full year operation of the temporary casino. Other factors contributing to the growth in 1996-97 include increases in domestic incomes and international tourist expenditure on gambling.

### **Licences**

- **Petroleum**

Revenue in 1996-97 will increase as a result of CPI indexation and the growth in fuel consumption. It is expected that \$571 million will be collected in 1996-97.

- **Tobacco**

The growth in revenue from tobacco licence fees is affected by both inflation and changes in consumer preferences. Revenue in 1996-97 is estimated to be \$874 million, which represents a 0.2 per cent increase on 1995-96.

- **Liquor**

Revenue in 1996-97 will be based on the value of liquor consumed in 1995-96. In the absence of data, the value of liquor consumed in 1995-96 is assumed to increase in line with Household Disposable Income. Revenue for 1996-97 is estimated to be \$306 million, an increase of 7.4 per cent.

### Fines

The main receipts under this heading relate to fines under the Motor Traffic Act (estimate \$175.9 million - a decrease of 1.3 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 3.3: Income from Non Budget Sector Agencies**

Category	1995-96		1996-97	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>Dividends</b>				
Advance Energy (a)	...	...	4,370	n.a.
Darling Harbour Authority	870	870	490	(-) 43.7
Energy South(a)	...	...	4,460	n.a.
EnergyAustralia(b)	25,970	25,937	88,370	n.c.
Far West Energy (a)	...	...	1,090	n.a.
Generation Sector(c)	417,000	411,487	316,000	(-) 23.2
Hunter Water Corporation	17,400	17,400	31,200	79.3
Integral Energy Australia(d)	26,920	25,487	84,400	n.c.
Land Titles Office	11,900	11,903	20,440	71.7
Landcom	44,090	48,530	107,720	122.2
Newcastle Port Corporation	...	...	3,990	n.a.
NorthPower(e)	...	...	11,110	n.a.
NSW Lotteries	24,020	23,909	24,530	2.6
Port Corporations	30,170	30,432	...	n.a.
Port Kembla Port Corporation	...	...	5,500	n.a.
Public Works and Services	153,700	153,233	8,100	(-) 94.7
Registry of Births, Deaths and Marriages	9,200	9,200	2,910	(-) 68.4
State Forests	18,230	18,230	7,770	(-) 57.4
State Transit Authority	1,490	1,485	3,770	153.9
Sydney Cove Redevelopment Authority	510	511	250	(-) 51.1
Sydney Market Authority	1,350	1,347	500	(-) 62.9
Sydney Ports Corporation	...	...	14,350	n.a.
Sydney Water Corporation	53,000	63,482	26,000	(-) 59.0
TransGrid	16,400	16,361	57,500	251.4
Treasury Corporation	56,000	56,000	26,500	(-) 52.7
Waste Service of NSW	2,480	2,483	6,080	144.9
Other Dividends	200	375	250	n.c.
	910,900	918,662	857,650	(-) 6.6

**Table 3.3: Income from Non Budget Sector Agencies (cont)**

Category	1995-96		1996-97	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>Tax Equivalent Payments</b>				
Advance Energy (a)	...	2,000	5,830	n.c.
Darling Harbour Authority	1,400	1,400	1,150	(-) 17.9
Energy South(a)	...	400	1,470	n.c.
EnergyAustralia(b)	39,630	38,440	61,300	n.c.
Far West Energy (a)	...	40	890	n.c.
Generation Sector(c)	94,000	115,000	167,000	45.2
Hunter Water Corporation	700	900	4,400	388.9
Integral Energy Australia(d)	33,440	31,400	22,630	n.c.
Land Titles Office	5,200	5,170	9,510	83.9
Landcom	26,460	28,330	11,350	(-) 59.9
Newcastle Port Corporation	...	1,100	5,770	n.c.
NorthPower(e)	...	2,330	9,130	n.c.
Port Corporations	28,890	21,871	...	n.a.
Port Kembla Port Corporation	...	1,520	6,230	n.c.
Public Works and Services	16,000	15,300	9,400	(-) 38.6
State Forests	5,400	4,530	1,300	(-) 71.3
State Transit Authority	1,420	1,000	4,870	387.0
Sydney Cove Redevelopment Authority	750	690	720	4.3
Sydney Market Authority	1,340	1,340	2,620	95.5
Sydney Ports Corporation	...	4,280	18,760	n.c.
Sydney Water Corporation	61,000	56,300	108,500	92.7
TransGrid	12,900	12,600	20,400	61.9
Treasury Corporation	8,900	10,480	11,400	8.8
Waste Service of NSW	3,880	3,850	7,010	82.1
	341,310	360,271	491,640	36.5
<b>Dividend and Tax Equivalent Payments</b>	1,252,210	1,278,933	1,349,290	5.5
<b>Property Income(e)</b>	183,970	42,010	...	n.a.
<b>Proceeds from Sales of Surplus Assets</b>	...	...	145,000	n.a.
<b>INCOME FROM NON BUDGET SECTOR AGENCIES</b>	<b>1,436,180</b>	<b>1,320,943</b>	<b>1,494,290</b>	<b>13.1</b>

n.a. Not applicable

n.c. Not comparable

(a) Regional electricity distributors were merged on 1 October 1995 and established as State Owned Corporations on 1 March 1996.

(b) On 1 October 1995, Sydney Electricity and Orion Energy were formally amalgamated and on 1 March 1996 the merged body was established as a State Owned Corporation.

(c) On 1 March 1996, Pacific Power was split into a shell company and two State Owned Corporations. The two corporations are First State Power and Macquarie Generation.

(d) On 1 October 1995, Prospect Electricity and Illawarra Electricity were formally amalgamated and on 1 March 1996 the merged body was established as a State Owned Corporation.

(e) Comprises rental income from State-owned multiple occupancy buildings and income from land and property sales. These activities are treated as a user charge from 1996-97.

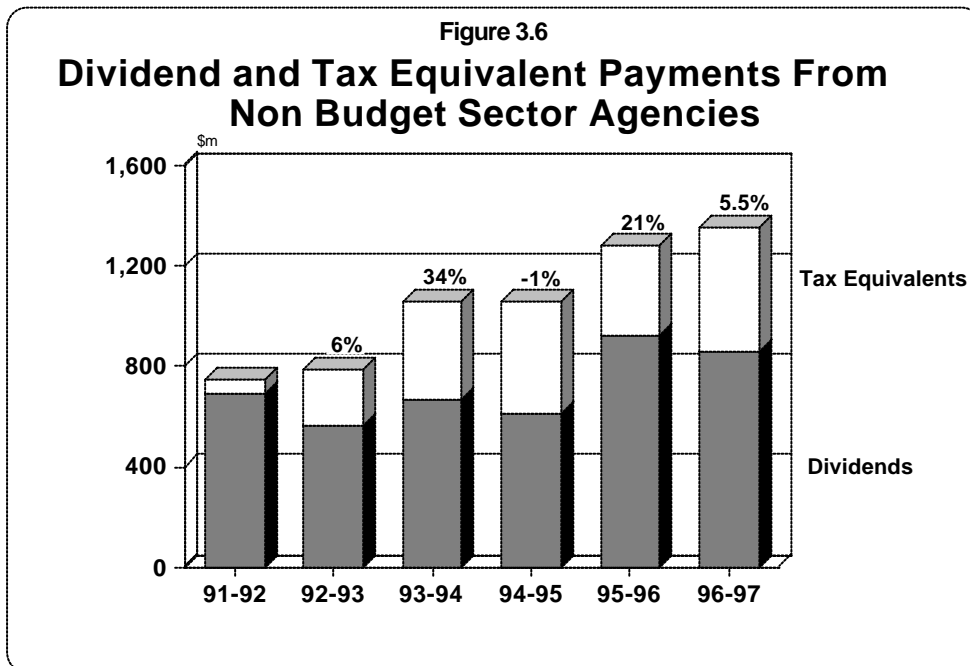
**Dividend and Tax Equivalent Payments**

As indicated in Figure 3.6, Dividend and Tax Equivalent payments from Government Trading Enterprises and State Owned Corporations have increased significantly in the five years since 1991-92. In 1991-92 these payments were \$744 million, or 4.7 per cent of total Budget receipts. In 1996-97, dividend and tax equivalent payments are expected to total \$1,349 million or 6.0 per cent of total Budget receipts.

The main contribution to the increase has been the growth of tax equivalent payments. Tax equivalent payments, which were \$52 million in 1991-92, are expected to reach \$492 million in 1996-97. Dividends, on the other hand, are expected to increase by only \$166 million from \$692 million in 1991-92 to \$858 million in 1996-97.

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.



In line with the Australian Taxation Office determination bringing forward company tax payments, an additional quarterly income tax equivalent payment is to be 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.

Tax equivalent payments will increase by \$131 million, or 36.5 per cent, in 1996-97 compared with 1995-96, mainly as a result of the timing changes, discussed above. Income from dividends, however, will decrease by \$61 million, or 6.6 per cent, in 1996-97 when compared with 1995-96. There will be significant changes in the dividend and tax equivalent payments of several individual agencies.

In particular, the restructure of the Electricity industry will result in profitability being redistributed from the generation to the transmission and distribution sectors. However, there will be substantial costs incurred by the distribution sector in the first years of operation, as distributors pursue efficiency gains. Therefore, the increased profitability will take some time to be achieved, with 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 previously planned for payment by distributors in August 1997 will be brought forward to June 1997. The payment of interim dividends is common practice with listed companies, with an interim dividend being paid in the second half of the financial year. The move will therefore bring distributors into line with commercial practice, while ensuring that restructure costs do not adversely impact on the Budget.

The 1996-97 dividend of Public Works and Services will be significantly less than the 1995-96 dividend as the latter includes the expected payment of \$104 million resulting from an expansion of the sale and leaseback arrangements of the State Fleet Service.

The 1996-97 dividend for Landcom reflects increased sales of Landcom's inventory and landbank assets.

The Treasury Corporation's 1995-96 dividend includes an extra \$31 million from accumulated past earnings. In line with the findings of a major review, Treasury Corporation's future ongoing role will be focused on financial asset management and agency funding needs. This will lead to a \$6 billion reduction in gross State debt and a decline in future financial distributions to the Consolidated Fund.

Sydney Water Corporation's increased financial distribution in 1996-97 largely reflects efficiency gains in operating expenditure and changes relating to the timing of taxation payments. The significant increase in Hunter Water Corporation's 1996-97 financial distribution compared to its 1995-96 distribution is primarily attributable to efficiency gains in operating expenditure and changes with respect to the timing of taxation payments.

Notwithstanding these increases, return on shareholders' equity is expected to be less than 1.0 per cent for Sydney Water Corporation and 2 per cent for Hunter Water Corporation. Expected funding payments by the Government to the Sydney and Hunter Water Corporations during 1996-97 are as follows -

**Table 3.4: 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>	64.0	7.5
Exempt Properties (CSOs) <sup>1</sup>	10.5	0.7
Environmental Protection <sup>2</sup>	13.3	17.0
<b>TOTAL FUNDING PAYMENTS</b>	<b>87.8</b>	<b>25.2</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. Hunter Sewerage project via Country Towns Water Supply and Sewerage Program.

### Sale of Surplus Assets

Principally associated with the establishment of corporatised entities, assets deemed surplus to the requirements of the particular entity are to be sold and the proceeds returned to the Consolidated Fund.

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

Total Commonwealth payments to New South Wales for the State's own purposes (i.e. excluding payments through the State to third parties such as local government or the private sector) will decline marginally in real terms by about 0.3 per cent in 1996-97. General purpose payments to the Budget Sector will increase in real terms by 2.6 per cent while specific purpose payments will decline by 3.3 per cent.

**Table 3.5: Commonwealth Grants**

Category	1995-96		1996-97	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>General Revenue Grants</b>				
Financial Assistance Grant	4,514,500	4,517,500	4,727,000	4.6
<b>Commonwealth Specific Purpose Payments</b>				
Companies Regulation	42,125	42,125	43,599	3.5
Legal Aid	41,585	41,189	43,754	6.2
Sydney Olympics 2000	75,000	82,000	...	(-) 100.0
Technical and Further Education	171,270	175,991	196,471	11.6
Schools	404,523	404,380	401,328	(-) 0.8
High Cost Drugs	35,972	35,972	32,678	(-) 9.2
Medical Speciality Centres	953	6,946	982	(-) 85.9
Other Health Care Access	6,441	6,441	3,516	(-) 45.4

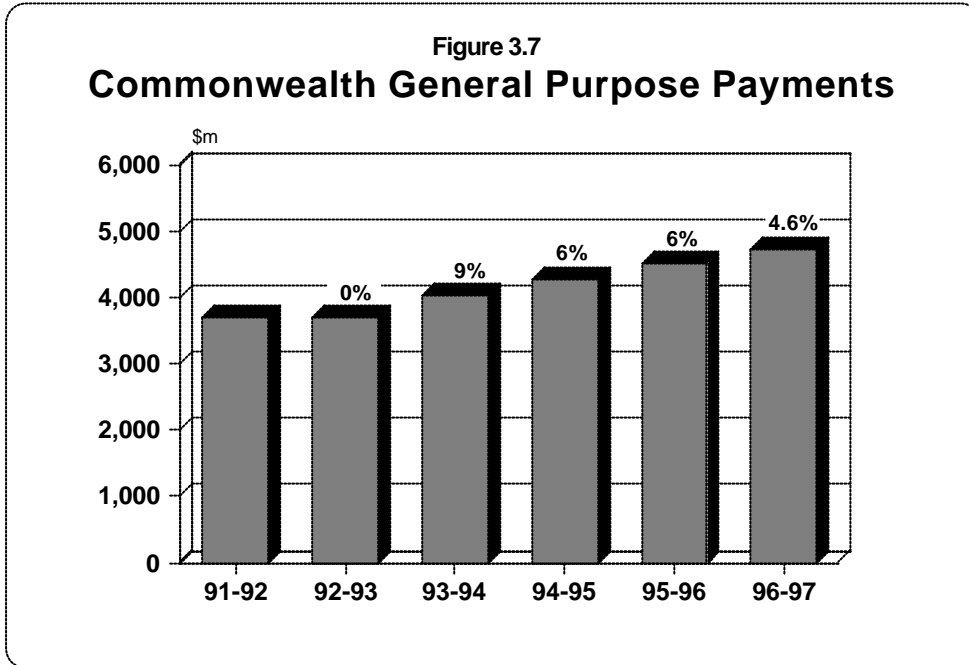
- 1 Growth rates in this section differ from those in Chapter 5 because of differences in coverage and timing. Chapter 5 has wider coverage and is based on data in Commonwealth Budget Paper 3. This Chapter deals with payments to the Budget Sector only and includes updates since the Commonwealth Budget was published.

**Table 3.5: Commonwealth Grants (cont)**

Category	1995-96		1996-97	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
Hospital Funding Grant	1,503,908	1,515,702	1,549,321	2.2
Drug Education Campaigns	8,064	9,122	9,396	3.0
Dental Program	36,398	36,398	37,490	3.0
Immunization - HIB	5,163	4,090	4,785	17.0
Magnetic Resonance Imaging	6,682	7,097	6,882	(-) 3.0
Breast Cancer	13,902	11,338	14,319	26.3
Artificial Limb Scheme	2,497	2,497	2,572	3.0
Funds to Combat AIDS	20,932	21,038	21,560	2.5
National Mental Health	6,588	7,992	6,786	(-) 15.1
Geriatric Assessment	13,498	13,342	13,742	3.0
Home and Community Care	139,486	141,025	143,800	2.0
Supported Accommodation Assistance	58,702	59,469	41,809	(-) 29.7
Assistance to Disabled	98,160	98,160	102,231	4.1
Pensioner Concessions	45,644	45,644	47,000	3.0
Rural Adjustment Scheme	59,144	65,024	47,096	(-) 27.6
Soil Conservation	9,117	11,704	10,167	(-) 13.1
Mortgage and Rent Relief	10,481	10,481	...	(-) 100.0
Debt Redemption Assistance	21,609	21,612	25,769	19.2
Natural Disaster Relief	2,500	1,050	1,900	81.0
Interstate Road Transport	6,900	12,600	1,000	(-) 92.1
Other	39,489	31,012	72,342	133.3
Total, Commonwealth Specific Purpose Payments	2,886,733	2,921,441	2,882,295	(-) 1.3
<b>TOTAL, COMMONWEALTH GRANTS</b>	<b>7,401,233</b>	<b>7,438,941</b>	<b>7,609,295</b>	<b>2.3</b>

**General Purpose Payments**

Commonwealth General Purpose Payments consist of monies paid as Financial Assistance Grants (FAGs), special revenue assistance and identified roads funds. These are expected to increase by 4.6 per cent in 1996-97 in nominal terms, or 2.6 per cent in real terms over 1995-96.



The increase is due mainly to the growth in Financial Assistance Grants to New South Wales, reflecting a slight improvement in Grants Commission relativities and the maintenance of the Commonwealth's real terms per capita guarantee on the growth of the general revenue pool.

**Commonwealth Payments for Specific Current Purposes**

Payments to the States by the Commonwealth are made under Section 96 of the Australian Constitution. These payments generally relate to functions which the Commonwealth does not itself directly undertake (e.g. higher education, health services) or to functions where the Commonwealth provides assistance to enable the States to meet their expenditure obligations (e.g. redemption of debt).

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's 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 1996-97. In the health area, hospital funding grants, drug education, dental services, breast cancer and AIDS funding will increase, while in the area of education growth will result from the increase in TAFE payments.

## Other Current Receipts

**Table 3.6: Other Current Receipts**

Category	1995-96		1996-97	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>Crown Receipts</b>				
Sale of Crown Land	43,856	50,156	53,898	7.5
Leases	24,050	27,080	26,737	(-) 1.3
Royalties	167,570	166,156	173,353	4.3
Unclaimed Racing Dividends	9,764	11,000	10,000	(-) 9.1
Fire Brigades Levy on Local Government	28,458	28,458	29,789	4.7
Statutory Authorities - Interest	12,216	9,240	7	(-) 99.9
Department of Housing - Interest	81,380	81,392	80,172	(-) 1.5
Interest on Crown Funds	56,335	63,354	56,250	(-) 11.2
Other Interest	20,316	20,150	18,625	(-) 7.6
Contribution - Environmental Trust	56,794	25,697	59,388	131.1
Other Crown Receipts	45,396	27,921	234,361	739.4
<b>Agency Receipts</b>				
Grants received	131,660	93,624	106,566	13.8
Donations and industry contributions	127,880	133,338	154,156	15.6
Interest on agency cash balances	42,661	57,403	58,608	2.1
Other agency receipts	79,630	68,003	40,377	(-) 40.6
<b>TOTAL, OTHER RECEIPTS</b>	<b>927,966</b>	<b>862,972</b>	<b>1,102,287</b>	<b>27.7</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 1996-97 is projected to decline as a result of lower interest rates and lower average cash balances.

### Other Crown Receipts

Included under this category is \$200 million to be received in 1996-97 from cross border leases.

### 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, 1996-97

Estimated capital receipts in 1996-97 are \$937 million - an increase of \$75.3 million, or 8.7 per cent on 1995-96.

**Table 3.7: Capital Receipts**

Category	1995-96		1996-97	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
<b>COMMONWEALTH GRANTS</b>				
Schools	69,300	70,970	70,000	(-) 1.4
Technical and Further Education	72,851	75,136	80,774	7.5
Public Housing	259,350	259,351	292,945	13.0
Pensioner Housing	18,520	18,520	...	(-) 100.0
Housing Assistance for Aborigines	17,777	17,777	17,777	...
Australian Land Transport Development	366,368	302,266	406,200	34.4
Housing	43,221	43,221	35,141	(-) 18.7
Building Better Cities	56,600	49,560	14,000	(-) 71.8
Other	16,952	12,469	14,000	12.3
<b>TOTAL, COMMONWEALTH GRANTS</b>	<b>920,979</b>	<b>849,270</b>	<b>930,837</b>	<b>9.6</b>
<b>OTHER CAPITAL RECEIPTS</b>	<b>17,541</b>	<b>12,544</b>	<b>6,307</b>	<b>(-) 49.7</b>
<b>TOTAL, CAPITAL RECEIPTS</b>	<b>938,520</b>	<b>861,814</b>	<b>937,144</b>	<b>8.7</b>

### Commonwealth Capital Grants

The Commonwealth provides payments to the States for specific capital purposes under Section 96 of the Commonwealth Constitution. Payments to the States are made under terms and conditions determined by the Commonwealth.

The Commonwealth will provide \$14.0 million for the Building Better Cities Program. There are no specific financial arrangements related to the program but the nominated projects will receive State financial support in addition to Commonwealth grants. Program expenditures will be accounted for in the State Capital Program.

Road grants under the Land Transport Development Program will increase from \$302 million in 1995-96 to \$406 million in 1996-97. The Commonwealth Government untied a substantial portion of specific road grants from 1994-95, providing a commensurate amount by way of untied grants. The other major Specific Purpose Capital Payments are for public housing and education.

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

### **INTRODUCTION**

This section provides estimates of Budget receipts for the period 1996-97 to 1998-99 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 1995-96 to 1998-99, Budget receipts are projected to increase by 3.3 per cent per annum, a real increase of 0.8 per cent per annum.

Table 3.8 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**

##### **Stamp Duty on Contracts and Conveyances**

The property market is expected to continue to improve in 1997-98 and 1998-99 due to a resurgence in economic growth, increases in overseas migration, stable interest rates and the overall impact of the Olympics.

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

Receipt items are expected to grow moderately in 1997-98 and 1998-99 in line with relatively strong economic activity and the recovery of the new vehicle registration market.

##### **Payroll Tax**

Underlying revenue is expected to benefit from the gradual increase in wage and employment growth in 1997-98 and 1998-99.

##### **Land Tax**

Only moderate growth in land values is expected by the Valuer General over the next two years with a pick up in 1998-99. Low growth is forecast for 1996-97 since 1995-96 collections will be inflated by a number of one-off payments related to the Land Tax amnesty.

Table 3.8: Budget Receipts, 1995-96 to 1998-99

	1995-96	1996-97		1997-98		1998-99	
	\$m	\$m	% change	\$m	% change	\$m	% change
<b>CURRENT RECEIPTS</b>							
<b>Taxes, Fees and Fines</b>							
Stamp Duties -							
Contracts and Conveyances	1,105	1,230	11.3	1,300	5.7	1,420	9.2
Insurance	260	268	3.1	280	4.5	292	4.3
Share Transfers	183	192	4.9	205	6.8	217	5.9
Motor Vehicle Registrations	310	319	2.9	335	5.0	353	5.4
Financial Institutions Duty	498	526	5.6	553	5.1	575	4.0
Other	255	256	0.4	275	7.4	302	9.8
Payroll Tax	2,882	3,016	4.7	3,170	5.1	3,339	5.3
Land Tax	580	576	(-) 0.7	588	2.1	654	11.2
Taxes on Motor Vehicle							
Ownership and Operation	959	895	(-) 6.6	943	5.4	1,015	7.6
Gambling and Betting	1,181	1,242	5.1	1,328	6.9	1,415	6.6
Licences	1,726	1,784	3.3	1,846	3.5	1,888	2.3
Other	941	980	4.1	992	1.2	1,006	1.4
<b>Total, Taxes, Fees and Fines</b>	<b>10,880</b>	<b>11,284</b>	<b>3.7</b>	<b>11,834</b>	<b>4.9</b>	<b>12,495</b>	<b>5.6</b>
<b>Income from Non Budget Sector Agencies</b>							
Dividends	919	858	(-) 6.6	702	(-) 18.2	611	(-) 12.9
Tax Equivalent Payments	360	492	36.5	413	(-) 16.1	442	7.0
Total Dividend and Tax Equivalent Payments	1,279	1,349	5.5	1,115	(-) 17.3	1,053	(-) 5.6
Property Income	42	...	n.a.	...	...	...	...
Proceeds from Sales of Surplus Assets	...	145	n.a.	100	(-) 31.0	50	(-) 50.0
<b>Total Income from Non Budget Sector Agencies</b>	<b>1,321</b>	<b>1,494</b>	<b>13.1</b>	<b>1,215</b>	<b>(-) 8.7</b>	<b>1,103</b>	<b>(-) 9.2</b>
<b>Commonwealth Grants</b>							
Financial Assistance Grant	4,518	4,727	4.6	5,015	6.1	5,205	3.8
Specific Purpose Payments	2,921	2,882	(-) 1.3	2,921	1.4	2,963	1.4
<b>Total, Commonwealth Grants</b>	<b>7,439</b>	<b>7,609</b>	<b>2.3</b>	<b>7,936</b>	<b>4.3</b>	<b>8,168</b>	<b>2.9</b>
<b>Other</b>	<b>863</b>	<b>1,102</b>	<b>27.7</b>	<b>934</b>	<b>(-) 15.2</b>	<b>838</b>	<b>(-) 10.3</b>
<b>TOTAL, CURRENT RECEIPTS</b>	<b>20,503</b>	<b>21,490</b>	<b>4.8</b>	<b>21,919</b>	<b>2.0</b>	<b>22,604</b>	<b>3.1</b>
<b>CAPITAL RECEIPTS</b>							
<b>Commonwealth Grants</b>	<b>849</b>	<b>931</b>	<b>9.7</b>	<b>961</b>	<b>3.2</b>	<b>975</b>	<b>1.5</b>
<b>Other Capital Receipts</b>	<b>13</b>	<b>6</b>	<b>(-) 53.8</b>	<b>224</b>	<b>3,633.3</b>	<b>5</b>	<b>(-) 97.8</b>
<b>TOTAL, CAPITAL RECEIPTS</b>	<b>862</b>	<b>937</b>	<b>8.7</b>	<b>1,185</b>	<b>26.5</b>	<b>980</b>	<b>(-) 17.3</b>
<b>TOTAL, RECEIPTS</b>	<b>21,365</b>	<b>22,427</b>	<b>5.0</b>	<b>23,104</b>	<b>3.0</b>	<b>23,583</b>	<b>2.1</b>

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

Moderate growth is forecast for underlying revenue from motor vehicle weight tax and vehicle registration fees. This is consistent with the continuation of relatively strong economic activity and the indexation of fees. However, the introduction of a national heavy vehicle fee scheme by 1 July 1996 will result in a loss in weight tax revenue of around \$60 million in 1996-97.

The forecasts for licence fees reflect the renewal periods for three and five year licences.

## **Business Franchise Licences**

Petroleum revenue will benefit from relatively strong economic activity and the annual indexation of the licence fee.

Tobacco licence fee revenue will benefit from price increases, including increases in the Commonwealth excise. This will be partially offset by ongoing changes in preferences and the increasing trend to restrict smoking.

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

## **Gambling and Betting**

Moderate growth is forecast for most of these taxes consistent with the projected trend for household disposable income. Revenue from this source will also benefit from the continued operations of the temporary casino and the introduction of the permanent casino in December 1997.

## **Other State Receipts**

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

In 1997-98, tax equivalent payments by Government businesses are projected to be \$413 million, a decline of 16.1 per cent on anticipated tax revenue for 1996-97. This decline is mainly the result of timing changes of tax payments introduced in 1996-97. In 1997-98, tax equivalent payments are projected to be \$442 million, an increase of 7 per cent.

Revenue from dividends is projected to decline in 1997-98 and again in 1998-99, by 18.2 per cent and 12.9 per cent, respectively.

The most important factors affecting the revenue forecasts are -

- a significant reduction in the revenue from the Electricity Generation sector in 1997-98 as a result of lower electricity prices, being only slightly offset by increased revenue from the Distribution sector; and
- a slowing down of sales of Landcom's inventory and landbank assets in 1998-99.

## **Commonwealth Funded Grants**

### **General Purpose Payments**

Financial Assistance Grants (inclusive of payments for untied road grants) are projected to increase in nominal terms by 6.1 per cent in 1997-98 and 3.8 per cent in 1998-99. 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. In addition, receipts in 1997-98 and 1998-99 include competition policy payments, the first tranche of which is expected to be received in 1997-98.

### **Specific Purpose Payments**

For the most part the amounts shown in the Table for the forward years will be as provided in the relevant Commonwealth-State agreement, subject to indexation arrangements which became effective in 1995-96; the review or renegotiation of major specific purpose payments such as public housing and community services; and possible changes to existing specific purpose payment arrangements which may be introduced in the next few years as part of a redistribution of Commonwealth-State roles and responsibilities.

## **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 under the Building Better Cities Program. 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 arrangements introduced in 1995-96.