

PUBLIC FINANCE

VICTORIAN BUDGET SUMMARY, 1978-79

Introduction

The Victorian Budget for 1978-79 was presented in the Legislative Assembly of the Parliament of Victoria on 13 September 1978, by the Premier and Treasurer, the Hon. R. J. Hamer, E.D.

Aspects of the Budget highlighted by the Premier were: (1) Substantial reductions in land tax; (2) further reductions in pay-roll tax through increased exemptions; (3) maximum effort to maintain Victorian Government works programmes; (4) strict economy in departmental spending; (5) further improvements to the public transport system; and (6) special provision for energy research and development.

The Premier said that the Victorian Government fully supported policies to defeat inflation as a first priority, to firmly hold expenditure in the government sector, to reduce interest rates, and to transfer resources to the private sector, which provided three quarters of jobs. The Victorian Government welcomed efforts to reduce expenditure by government in Australia as a proportion of Gross Domestic Product. The Premier stressed the importance of the building and construction industry in private sector economic activity.

Revenue, 1978-79

Estimated total receipts into the Consolidated Fund in 1978-79 increased by \$259m to \$3,554m.

Under the income tax sharing arrangement, each State is entitled to a specified share of an amount equal to 39.87 per cent of actual personal income tax collections in the preceding financial year. However, this is subject to the guarantee provision that a State will not receive less than it would have received if the previous Financial Assistance Grants formula still applied. As total personal income tax collections in 1977-78 amounted to \$11,804m, which was \$753m less than the Commonwealth originally estimated for the year, the guarantee provisions applied and the tax sharing entitlement for Victoria for 1978-79 was \$1,090m.

With effect from 1 January 1978, the Victorian Government would provide a complete exemption from land tax for the ordinary home block up to an unimproved value of \$33,000. In all cases where the unimproved value of the residential land exceeds \$33,000, there would be a straight out deduction from tax of the amount applicable to \$33,000. To qualify for this concession, the land must be used exclusively by the owner as his principal place of residence. However, the existing requirement that the residential land be less than half a hectare in area would be removed. Revised land tax rates would apply from 1 January 1979; the 15 per cent discount operating in 1978 would be incorporated in the scale, which reduced the maximum rate of tax from 4 cents to 3 cents in the \$1. The cost of land tax concessions outlined above would total \$29m in a full year. The ultimate overall aim of the Victorian Government was to abolish altogether land tax on land used as the principal residence of the owner.

From 1 January 1979, the exemption level from pay-roll tax would be \$66,000, reducing by \$2 for each \$3 increase in total pay-roll above that figure to a flat exemption of \$29,700 at pay-rolls of \$120,450 and above.

The Victorian Government proposed to amend the provisions of the Stamps Act relating to the payment of stamp duty on certain classes of non-life insurance business, but the rate of duty would remain unchanged. The Victorian Government would abolish the annual licence system and, in place, insurance companies would be required to register with the Comptroller of Stamps, to submit monthly returns and to pay duty at the present rate of 7 per cent on the amount of premiums collected in the preceding month.

Expenditure, 1978-79

The level of government works programmes for 1978-79 was held by the Loan Council at exactly the same level, in money terms, as for the preceding year. Commonwealth funds under the Hospitals Development Programme had been withdrawn, and the Commonwealth commitment in several other programmes, such as Community Health and the School Dental Scheme, had been reduced. Commonwealth payments for capital purposes in the education and urban public transport fields were estimated at \$64.6m, an increase of \$4.6m. Taking all these factors into account, as well as the need to cover an expected shortfall of \$5.5m in the current account, the estimated appropriation from the Consolidated Fund to the Works and Services Account in 1978-79 pursuant to the provisions of the Public Account Act was \$432m.

These funds were allocated to provide the maximum level of work and employment in those sections of the building and construction industry which were heavily dependent on public sector contracts. A further long-term commitment was made of \$30m of available Victorian Government balances through co-operative housing societies with the twin objectives of assisting first home buyers to buy or erect new dwellings, and of stimulating the home building industry.

The new money borrowing programme approved by the Loan Council for semi-government and local government authorities each proposing to borrow over \$1m during 1978-79, was \$383m.

Education

The provision for expenditure on education for 1978-79 was \$1,280m: \$1,139m derived from State sources and \$141m from the Commonwealth. Provision for education salaries was \$799m. The total capital programme on education would be \$164m (\$107m of State funds and \$57m from the Commonwealth). No new teaching studentships or scholarships were to be made available in 1979. The Premier referred to action taken to train young persons for entry into the labour force and to Victorian Government concern with the unemployment situation. Per capita grants to independent schools would be calculated on the basis of 20 per cent of the equivalent cost of educating a child in a Victorian Government school; cost in 1978-79 was estimated at \$51m.

Health services

Total provisions for expenditure on health services was \$601m. The newly constituted Health Commission of Victoria was soon expected to be fully functional. Payments from the Hospitals and Charities Fund towards the running costs of public hospitals, hospitals for the aged, and other institutions was estimated at \$291m. The total provision for mental health services in 1978-79 was \$137.6m. The 60 bed psychiatric unit under construction at the Geelong Hospital was estimated to cost \$7m. New facilities at Warrnambool and Footscray Psychiatric Hospitals would be brought more fully into service. A nurse aide training course would be established at Kew Mental Hospital. Support to subsidised day training centres would total \$7m. Following reduced Commonwealth commitment, the student intake to the Dental Therapy School in 1979 would be reduced to 40 students. While growth continued in projects under the Community Health Programme, Commonwealth funding had diminished. Reduced Commonwealth subsidies for home help had led to increased State support in order to maintain and increase these services.

Social welfare

Funds available for the Social Welfare Department would exceed \$100m for the first time. A major programme of new works and improvements to Victorian prison facilities was under way. A total provision of \$26m was made for pensioner rate concessions and fare concessions.

Police

The allocation to the Victoria Police was \$176m. Police strength passed 7,000 for the first time. Provision has been made for a further increase in strength of 350 and employment of an additional 60 civilian employees. An additional 80 motor vehicles were to be purchased and a police helicopter was to be brought into service. As well as provision for capital expenditure on police stations, provision was made for expenditure on development of the PATROL computer system, giving mobile police immediate access to Motor Registration Branch records.

State development, decentralisation, and tourism

Provision for the Department of State Development, Decentralization and Tourism was \$40m. The Premier stated that preference would be given to Victorian manufacturing industry tendering for government and semi-government contracts. However, it was the Victorian Government's wish that the whole system of State preferences, other than for decentralised industries, should be abolished by States and that all industry should compete on an equal footing. The Victorian Government would continue to support provision of basic infra-structure and services for the Albury-Wodonga growth centre. The establishment of the Melbourne Tourism Authority and the Victorian Government Travel Authority was strengthening development of the tourist industry.

Minerals and energy

The allocation for the Department of Minerals and Energy for 1978-79 was \$8m. The Premier referred to oil exploration in Bass Strait, brown coal research, solar energy research, and to stimulus to search for base metal deposits following mineral discoveries in north-east Victoria.

Agriculture and rural matters

The proposed stage 2 of the National Dairy Marketing Arrangements had been replaced by a Commonwealth scheme which would provide for selective underwriting in 1978-79 for butter, skim milk powder, casein, cheese, and wholemilk powder. Milk marketing campaigns of the new Victorian Dairy Industry Authority were proving most successful. The lending programme of the Rural Finance Commission would be maintained at \$24m in 1978-79. Farmers receiving longer-term accommodation from the Commission would have their interest rates reduced to 9.5 per cent from 1 November 1978.

Public transport

The allocation for public transport, leaving aside debt charges, was \$111m. The estimated subsidy for railway operations was \$160m. The allocation of funds for Railways from the Works and Services Account was \$51m, including Commonwealth Funds provided under the States Grants (Urban Public Transport) Act. Priority would be given to replacement of passenger and freight rolling stock, reconstruction of bridges, and development of regional freight centres. Ten new stainless steel trains would be purchased each year over a five year period. An order had been placed for an additional 100 new trams. An allocation of \$60m was made under the Semi-Government Borrowing Programme for peak year expenditure on the underground rail loop project.

Housing

Commonwealth commitment to welfare housing loans would be reduced to \$82m in 1978-79. Of this, \$34m was conditional on a matching amount from Victoria. The Victorian Government would more than make up the shortfall in Commonwealth support and called on banks and other financial institutions to make maximum funds available for housing.

The arts

The allocation for the Ministry for the Arts was \$46.3m. The subsidy for municipal free libraries would increase to \$3 per capita. Expenditure during 1978-79 on construction of

the theatre complex and concert hall at the Arts Centre was expected to exceed \$20m. An allocation of \$2m was made from the Works and Services Account for Regional Performing Arts Centres. A grant of \$1.4m would be made to the Victorian Film Corporation and funds available for cultural grants would be increased to \$3m.

Youth, sport, and recreation

The Budget allocation to the Department of Youth, Sport and Recreation would be \$1.3m. Coupled with \$8m funds from Totalizator Agency Board turnover and Soccer Pools, over \$9m would be available to the Department. An amount of \$2m was allocated to the Youth Programme. A new State Swimming Centre would be constructed on the site of the Beaurepaire Pool in Batman Avenue. The Olympic Pool would be converted into a major indoor sports and entertainment centre, and a State Equestrian Centre would be constructed at Werribee Park. Nearly \$2m would be applied towards recreation programmes and \$3m allocated to major leisure facilities to be developed by municipalities. An amount of \$2.45m would be made available to the racing industry in addition to \$20m from the Totalizator Agency Board.

Local government

Under the personal income tax sharing arrangements general revenue grants for local government in Victoria in 1978-79 would total nearly \$46m. An allocation of \$2m was made from the Works and Services Account to provide special loans, with concessional terms, for the City Square and Plaza development projects.

Conservation

Provision for the Ministry of Conservation totalled \$30m. A new marine science complex would be established at Queenscliff. The Environment Protection Authority was allocated \$6m. Provision was made for \$5m for the National Parks Service; \$4m for the Soil Conservation Authority; and \$4m for the Fisheries and Wildlife Division.

Water resources

Total provision of funds from the current account for water supply and sewerage programmes was \$51m. Allocation to the State Rivers and Water Supply Commission from the Works and Services Account was \$38m. Provision was included for drainage and salinity control works in irrigation districts and attention to problems of drainage and flood prone land. Allocation for the Mornington Peninsula System was nearly \$6m. In its first year of operation the newly reconstructed Melbourne and Metropolitan Board of Works had an approved works programme, excluding reticulation works funded by developers, of \$173m. Funds available to local water and sewerage authorities from private borrowings and from the Works and Services Account would amount to \$48m.

Consolidated Fund

VICTORIA—CONSOLIDATED FUND: RECEIPTS, BUDGET SUMMARY, 1978-79 (\$'000)

Head of receipt	1977-78 (Actual)	1978-79 (Estimate)
Current account—		
State taxation	1,113,533	1,192,610
Other State sources	462,410	525,846
Railways operating income	180,546	185,435
Commonwealth Government payments—		
Financial Agreement	4,254	4,254
Personal income tax sharing entitlement	984,690	1,090,200
Other Commonwealth Government payments accounted for through the Consolidated Fund	114,395	117,992
Total	2,859,828	3,116,337

VICTORIA—CONSOLIDATED FUND: RECEIPTS, BUDGET SUMMARY 1978-79—*continued*
(\$'000)

Head of receipt	1977-78 (Actual)	1978-79 (Estimate)
Works and services—		
Proceeds of loan raisings	240,142	240,142
Loan repayments	14,862	13,200
Commonwealth Government payments—		
Works grant	120,071	120,071
School building grants	52,938	53,894
Urban public transport grants	7,050	10,692
Total	435,063	437,999
Grand total	3,294,891	3,554,336

VICTORIA—CONSOLIDATED FUND: PAYMENTS, BUDGET SUMMARY, 1978-79
(\$'000)

Function of payments	1977-78 (Actual)	1978-79 (Estimate)
Current account—		
Special appropriations	563,312	628,467
Departmental votes	1,963,312	2,147,443
Railways operating expenses (a)	332,840	345,957
Total	2,859,464	3,121,867
Works and services—		
Appropriation to Works and Services Account	435,427	432,469
Grand total	3,294,891	3,554,336

(a) This item does not include railways debt charges, which are included in the item "special appropriations" as follows: charges on total debt 1977-78 (Actual) \$45,564,216; 1978-79 (Estimate) \$48,052,000; charges on debt since 1960 to 1977-78 (Actual) \$21,439,993; 1978-79 (Estimate) \$24,500,000.

ECONOMIC AND SOCIAL RESPONSIBILITIES OF GOVERNMENTS

General

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

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

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

Victorian governmental financial activity

In Victoria, governmental financial activity is carried out through:

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

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

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

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

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

These tables are intended to:

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

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

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

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

Item	1972-73	1973-74	1974-75	1975-76	1976-77
OUTLAY					
Final consumption expenditure	r839.6	r1,075.9	r1,493.0	r2,012.0	2,375.3
Gross capital formation—					
Increase in stocks	2.1	1.7	15.4	r4.5	8.9
Expenditure on new fixed assets	r638.3	727.0	r1,072.3	r1,261.6	1,418.9
Expenditure on existing assets (net)	43.6	76.4	121.8	r113.7	101.6
Total gross capital formation	684.1	805.2	r1,209.5	r1,379.8	1,529.4
Transfer payments—					
Interest	290.8	r313.1	r350.8	r404.5	484.9
Transfers to persons	44.5	46.2	54.8	62.7	78.7
Subsidies	r5.4	r5.7	r8.1	r12.2	18.2
Transfers overseas	—	—	0.1	0.1	0.1
Grants for private capital purposes	6.1	r8.7	r14.8	r18.6	13.3
Total transfer payments	r346.9	r373.7	r428.5	r498.1	595.1
Net advances—					
To the private sector	18.1	15.1	65.2	r87.2	103.0
To public financial enterprises	—	5.0	5.0	5.8	4.9
Total net advances	18.1	20.1	70.2	r93.0	107.9
Total outlay	r1,888.6	r2,274.9	r3,201.2	r3,982.9	4,607.7
Total outlay—					
Current outlay	r1,180.3	r1,440.9	r1,906.7	r2,491.5	2,957.1
Capital outlay	r708.3	r834.0	r1,294.5	r1,491.4	1,650.6
RECEIPTS AND FINANCING ITEMS					
Receipts—					
Taxes, fees, fines, etc.	r662.3	r841.4	r1,072.8	r1,310.5	1,501.1
Income from public enterprises	r113.0	r107.1	r91.9	r118.9	173.6
Property income—					
Interest	35.7	r45.2	r54.5	r59.7	74.7
Land rent, royalties	27.5	35.0	40.4	46.8	53.5
Total property income	63.2	r80.2	r95.0	r106.5	128.2
Grants from the Commonwealth Government—					
For current purposes	502.5	621.9	r919.9	r1,374.5	1,514.9
For capital purposes	159.1	203.4	349.7	387.0	373.4
Total receipts	r1,500.1	r1,854.0	r2,529.3	r3,297.4	3,691.2
Financing items—					
Net borrowing—					
Local authority and public corporation securities	186.0	r173.4	r208.8	r295.9	368.4
Other general government securities	1.3	r0.1	r1.6	r2.7	2.0
Advances from the Commonwealth Government (net)—					
For loan works purposes	154.7	115.1	148.4	181.2	189.5
Other	10.5	69.3	158.3	174.0	138.1
Net receipts of private trust funds	45.0	50.8	111.3	r—79.0	79.0
Reduction in cash and bank balances	—29.7	—33.6	r—92.6	r—131.2	—19.3
Reduction in security holdings	—71.9	—55.4	—25.0	r63.5	—54.5
Other funds available (including errors and omissions)—					
Depreciation allowances	71.0	74.9	79.2	r89.7	100.6
Other	r21.5	r26.5	r81.9	r88.7	112.7
Total financing items	r388.5	r420.9	r671.9	r685.5	916.5
Total funds available	r1,888.6	r2,274.9	r3,201.2	r3,982.9	4,607.7

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

Purpose	1972-73	1973-74	1974-75	1975-76	1976-77
FINAL CONSUMPTION EXPENDITURE CLASSIFIED BY PURPOSE					
General public services—					
Law, order, and public safety	71.8	r88.4	r122.6	r148.2	173.7
General administration, n.e.c.	r59.3	r82.0	r103.7	r142.6	179.9
Education	r422.6	r540.6	r770.6	r952.4	1,144.7
Health	160.2	209.0	283.4	r499.6	577.1
Social security and welfare	17.0	22.0	31.7	r41.7	50.6
Housing and community amenities—					
Housing	0.4	0.5	0.6	0.7	1.2
Community and regional development	2.0	4.3	7.9	10.8	12.6
Protection of the environment	7.8	r11.8	r17.2	r20.5	23.3
Recreation and culture	29.4	35.5	50.8	r62.5	72.1
Economic services—					
Agriculture, forestry, and fishing	r34.1	r39.2	r48.0	r59.8	66.0
Mining, manufacturing, and construction	4.1	5.6	7.4	9.1	10.9
Electricity and gas	0.1	—	—	—	—
Water supply	-1.4	r-2.3	r-1.1	r0.5	-1.9
Rail transport	0.9	0.3	0.3	0.4	—
Sea transport	0.3	—	—	—	—
Road systems and regulation	10.9	r14.0	r15.2	r19.3	23.0
Other transport services, n.e.c.	r0.2	0.1	r0.2	0.9	0.4
Other economic services (including general administration)	20.1	25.0	34.4	r42.8	41.2
Other purposes	—	0.1	0.1	—	0.4
Total	r839.6	r1,075.9	r1,493.0	r2,012.0	2,375.3
EXPENDITURE ON NEW FIXED ASSETS CLASSIFIED BY PURPOSE					
General public services—					
Law, order, and public safety	5.8	8.4	9.1	r14.1	21.7
General administration, n.e.c.	17.5	20.3	42.9	r62.2	72.5
Education	86.9	100.5	170.9	r170.1	158.0
Health	20.2	30.2	48.7	r73.6	80.8
Social security and welfare	1.1	1.3	1.2	2.0	3.0
Housing and community amenities—					
Housing	16.9	19.3	57.8	r29.2	28.6
Community and regional development	0.5	0.5	1.9	8.2	7.3
Protection of the environment (incl. sewerage and drainage)	87.7	r95.7	124.4	r138.1	132.9
Recreation and culture	10.5	9.9	16.1	r32.1	39.2
Economic services—					
Agriculture, forestry, and fishing	21.9	26.8	40.0	r50.2	57.9
Mining, manufacturing, and construction	8.5	13.0	7.3	r12.9	26.8
Electricity and gas	98.9	95.4	131.2	r181.8	233.0
Water supply	48.6	50.4	r64.0	r75.4	103.6
Rail transport	25.3	34.9	56.8	72.4	90.4
Sea transport	11.0	16.1	19.9	20.2	18.6
Road systems and regulation	171.0	197.5	265.2	r295.6	315.7
Other transport services, n.e.c.	1.0	1.1	r6.1	r10.6	9.7
Other economic services (incl. general administration)	5.2	5.7	8.9	r12.9	18.0
Other purposes	—	—	—	—	1.1
Total	r638.3	727.0	r1,072.3	r1,261.6	1,418.9

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

COMMONWEALTH GOVERNMENT PAYMENTS TO VICTORIA

General

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

However, the lack of balance between the spending functions and the sources of revenue (mainly taxation) available to the Commonwealth and State Governments, respectively, has led to a system of grants from the Commonwealth Government to the States including more recently, grants made to the States for passing on to local government authorities and to direct payments by the Commonwealth Government to individual local authorities within each State. Grants may be either unconditional or earmarked for specific purposes such as roads or universities. Important examples of the former are financial assistance grants and from 1976-77 personal income tax sharing entitlements payable under the uniform tax system, and special grants payable under the provisions of section 96 of the Constitution which provide assistance to those States experiencing difficulty in raising revenue and providing services on a comparable level with other States. At the end of 1977-78, the only claimant State for special grants under section 96 was Queensland.

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

Financial Agreements

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

Nature of payment

Financial assistance grants

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

Personal income tax sharing with the States

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

The arrangements for tax sharing with the States have been introduced in two stages. Stage 1 of these arrangements commenced in 1976-77. The Commonwealth continued to

be the sole government imposing taxes on incomes and the States were entitled to receive 33.6 per cent of net personal income tax collected for the year excluding the effects of any special tax levies or rebates such as the Medibank levy. This proportion of 33.6 per cent was to apply in subsequent years and was determined by reference to the relationship between actual financial assistance grants in 1975-76 and an estimate of personal income tax collections in the same year. The States' entitlements are subject to the guarantee that their entitlement in any year is not less, in absolute terms, than in the previous year and that, in the years 1976-77 to 1979-80, their entitlements will not be less in a year than the amount which would have been yielded in that year by the financial assistance grant formula as laid down in the *State Grants Act 1973*. The relative shares of the States are determined on a weighted population basis. The weights are based on the per capita relativities in the States' financial assistance grants in 1975-76. For a description of Stage 2 of this scheme see page 504 of *Victorian Year Book 1978*.

Because of the uncertainty associated with the use of the current year's tax collections as the base of the tax sharing scheme (see *Victorian Year Book 1978*, page 477), it was agreed at the July 1977 and October 1977 Premiers Conferences to adopt the preceding year's net personal income tax collection as the base in future. Following a report by Commonwealth and State officers, the October 1977 Premiers Conference also agreed to using 39.87 per cent and not 33.6 per cent as the appropriate percentage to calculate the States' entitlements. Amending legislation provided for the States' entitlements for 1977-78 to be \$4,336.1m (subject to the guarantee arrangement) and future entitlements to be 39.87 per cent of the previous year's tax collection (again, subject to the guarantee arrangement).

The States were entitled to a fixed amount of \$4,336.1m in respect of 1977-78, but after allowing for the guarantee in the case of Tasmania the States' total entitlement for 1977-78 was \$4,336.3m, or \$0.2m more than the fixed amount provided for in the Act. The States actually received \$4,316.6m in 1977-78 because of the reduction of \$19.6m overpaid in 1976-77. Victoria's entitlement in 1977-78 was \$985.7m, but received \$984.7m because of the overpayment of \$1m in 1976-77. (For further details see pages 453 to 455).

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

Nature of payment	1972-73	1973-74	1974-75	1975-76	1976-77
General revenue assistance (b)	396,087	443,624	562,266	706,389	841,700
Financial Agreement—					
Interest on State debt	4,254	4,254	4,254	4,254	4,254
Sinking fund on State debt (c)	6,809	7,195	7,525	7,500	8,003
Debt charges assistance	8,348	11,131	13,914	..	..
Capital assistance grants	63,405	70,789	87,370	108,871	114,354
Research grants	1,620	1,540	1,821	1,553	3,014
Government schools—					
Capital grants	7,346	12,647	50,367	38,279	37,656
Recurrent grants	..	10,172	35,859	51,855	69,450
Non-government schools—					
Capital grants	2,140	5,364	8,071	10,779	7,259
Recurrent grants	13,337	18,083	31,797	42,175	58,590
Schools—joint programmes	..	870	4,669	6,551	7,040
Technical and further education	3,350	7,272	13,379	17,029	23,199
Colleges of advanced education	}	19,718	60,391	118,571	145,620
Teachers colleges		60,391	118,571	145,620	161,931
Universities	29,223	67,596	117,128	120,233	145,222
Pre-schools and child care	..	1,514	9,297	12,797	16,882
Child migrant education	1,819	3,282	5,191	4,502	51
Hospitals	..	150	7,330	27,280	27,000
Medibank—public hospital running costs	..	..	..	229,570	149,903
Community health	..	4,386	4,976	10,863	15,015
School dental scheme	..	1,344	4,097	3,395	3,602
Dwellings for aged pensioners	1,478	650	1,343	2,827	3,419
Aboriginal advancement	770	948	2,130	1,358	1,936
Housing assistance grants	1,679	1,679	1,679	1,679	1,347

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

Nature of payment	1972-73	1973-74	1974-75	1975-76	1976-77
Employment grants	25,670	2,647	11,200	8,200	—
Regional Employment Development Scheme	..	..	4,292	5,404	..
Apprenticeship training	72	92	227	852	2,804
Area improvement programme	..	2,400	4,608	4,896	28
Sewerage	..	150	10,634	10,784	5,794
Land acquisition	..	..	993	3,417	—
Leisure, recreation, and cultural facilities	..	498	839	1,731	1,089
Agricultural extension services	1,490	1,601	1,877	2,022	2,291
Bovine brucellosis and T.B. eradication	1,150	1,681	2,064	2,459	4,938
Dairy adjustment programme	45	72	1,172	2,388	643
Rural reconstruction	3,392	1,900	1,658	1,675	950
Roads	57,240	65,720	74,710	89,080	91,100
Urban public transport	..	..	18,867	9,332	15,885
Transport planning and research	..	..	1,241	3,106	2,193
Local government general purposes grants	..	..	14,630	20,242	35,398
Natural disaster relief	40	22	9,338	5,972	1,992
Other payments	r4,276	r7,467	r6,696	r9,271	11,382
Total	654,758	819,130	1,258,080	1,736,190	1,877,316

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

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

(c) Paid to National Debt Sinking Fund.

Capital assistance grants

From 1970-71, the Commonwealth Government has made interest free capital grants to support that part of the States' Loan Council programmes from which debt charges are not normally recoverable (e.g., schools, police buildings, etc.). These grants are distributed between the States in proportion to their respective borrowing programmes and have risen from 24.3 per cent of each State's total Loan Council programme in 1970-71 to 33.3 per cent in 1976-77 and 1977-78. In 1977-78, they amounted to \$477.9m of which Victoria received \$120.1m.

Research grants

Since 1965-66, the Commonwealth Government has made grants to the States for research projects on the recommendation of the Australian Research Grants Committee. From 1976-77 onwards, the previous fixed triennial funding arrangements were replaced by a three-year rolling programme. Grants for research projects in 1977-78 amounted to \$10.2m of which Victoria received \$2.5m.

Education

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

Tertiary education

Programmes of assistance to the States are administered by the Tertiary Education Commission which was established in 1977 as a replacement for the three former commissions: the Universities Commission, the Commission on Advanced Education, and the Technical and Further Education Commission. In 1979, for universities and colleges of advanced education, there is to be a 0.79 per cent real increase in recurrent funds. Capital

funds are to be reduced by 39.3 per cent in real terms on 1978, partly due to stabilised enrolments. For the technical and further education sector there is to be an overall increase of 19.4 per cent in assistance in 1979, including the first instalment of an additional capital works programme announced in December 1977. For 1980 and 1981, recurrent grants for universities and colleges of advanced education have been set at the same overall level in real terms as those approved for 1979. For technical and further education, the base programmes for 1980 and 1981 are yet to be determined.

Assistance to the States for the recurrent expenditures of universities dates from 1951-52; in 1957-58 assistance was first given for expenditure on capital programmes. In 1973-74, the Commonwealth Government assumed full financial responsibility in this area. Total grants for universities in 1977-78 were \$628.9m of which Victoria received \$164.9m (\$153.1m for recurrent expenditure and \$11.8m for capital expenditure).

The Commonwealth Government has made grants to the States for colleges of advanced education since 1965-66; for teachers colleges since 1967-68; and for pre-school teachers colleges since 1968-69. In 1977-78, the total grants made to the States for these institutions amounted to \$449.5m of which Victoria received \$160.5m (\$141.5m for recurrent expenditure and \$19m for capital expenditure).

Grants towards capital expenditure for technical and further education have been made by the Commonwealth Government since 1964-65 and towards recurrent expenditure since 1973-74. In 1977-78, grants to the States were \$92m of which Victoria received \$23.9m (\$11.2m for recurrent expenditure and \$12.7m for capital expenditure).

Grants for schools

The Commonwealth Government has been providing assistance for secondary schools since 1964-65. The range of assistance has been progressively extended and by 1975-76 the Commonwealth Government was providing grants for both government and non-government schools in a number of categories. The three-year rolling programme arrangements have applied to assistance for schools in the States since 1977. Under these arrangements the base programme of assistance in 1979 represents an increase of 1 per cent in real terms on the approved programme for 1978. For 1980 and 1981, rolling programme planning guidelines allow for growth of 1 per cent per annum in real terms (in the base programmes). In 1977-78, grants to the States for schools amounted to \$639.1m of which Victoria received \$189.5m (\$138.3m for recurrent expenditure and \$51.3m for capital expenditure).

Health Insurance Programme

The States entered into agreement in 1975 with the Commonwealth Government for the provision of free standard ward public hospital treatment without means test and free public hospital outpatient services. There were agreed arrangements in respect of charges in wards other than standard wards. In essence, the agreements provided that the Commonwealth Government met 50 per cent of the net recurrent costs of hospitals referred to as "recognised" hospitals in the agreements. When these agreements were found to be invalid new cost-sharing agreements were negotiated and became effective on 1 October 1976. The main change from the previous arrangements was that the Commonwealth Government was now to meet 50 per cent of budgets as approved by the Commonwealth and the State Health Ministers. Agreements with Victoria end on 30 June 1980. In 1977-78, the States received \$945.7m of which Victoria's share was \$228.6m.

Pre-school and child care

From 1972-73, grants for services for children were made by the Commonwealth Government direct to local government authorities and non-profit organisations. Payments to the States commenced in 1973-74 under a broader scheme of assistance providing capital and recurrent assistance for pre-school child care projects including home care, vacation and after school care projects, and various other community initiated projects. In 1977-78, assistance to the States for recurrent costs of pre-school services was provided in the form of a block grant. From 1978-79, the block grant to States for pre-school services will be for both capital and recurrent costs. The grants in 1977-78 amounted to \$53m of which Victoria received \$14m for recurrent expenditure and \$4.2m for capital expenditure.

Grants to community health facilities and services

Under the Community Health Programme which commenced in 1973-74, the Commonwealth Government provides grants to the States and other eligible organisations. From 1 July 1978, the Commonwealth Government will meet 50 per cent of recurrent costs of approved projects instead of the 75 per cent provided in 1977-78. Funds allocated through the States for recurrent costs of women's refuges will, however, continue at the rate of up to 75 per cent. Capital costs of all approved projects will continue to be subsidised by the Commonwealth Government at 50 per cent. In addition to the above mentioned arrangements, the Commonwealth Government meets the full cost of those community health projects that have an Australia-wide application. New grants for community facilities and services for mental health, alcoholism, and drug dependency under this programme commenced in 1973-74. In 1977-78, \$67.3m was paid to the States under the Community Health Programme of which Victoria received \$17.7m (\$14.2m for recurrent expenditure and \$3.4m for capital expenditure).

Hospitals development programme

From 1973-74 to 1977-78, the Commonwealth Government provided assistance towards an approved programme of construction of public hospitals, mental hospital facilities, public nursing homes, and health hostels. In 1977-78, \$47.9m was paid to the States for these purposes of which Victoria received \$11.8m. This overall programme has now ceased.

School Dental Scheme

In 1973, the Commonwealth Government initiated an Australia-wide School Dental Scheme for all primary school children to be administered by the States. Until 1975-76, the Commonwealth Government met the full capital and operating costs of training facilities for dental therapists, as well as the full capital costs and 75 per cent of operating costs of school dental clinics. From July 1978, the Commonwealth Government is to meet 50 per cent of the operating costs of training facilities and clinics and 50 per cent of the capital costs of new facilities. In 1977-78, grants for School Dental Scheme amounted to \$23.7m of which Victoria received \$3.9m.

Home care service

Under the *States Grants (Home Care) Act 1969* the Commonwealth Government shares with participating States the cost of approved housekeeping or other domestic assistance provided wholly or mainly for aged persons in their homes. Grants provided in 1977-78 totalled \$9.1m of which Victoria received \$2.5m.

Pensioner housing

Since 1969-70, the Commonwealth Government has provided grants to the States to assist with the provision of self-contained accommodation at reasonable rentals for certain categories of single aged and service pensioners who have little or no means of support apart from their pensions. This scheme is being continued under the *Housing Assistance Act 1978*, but with wider eligibility criteria and under conditions giving the States greater freedom in the way the funds can be allocated. Married as well as single pensioners will be assisted. In 1977-78, grants amounted to \$10m of which Victoria received \$2.5m.

Apprenticeship training

Since 1971-72, the Commonwealth Government and the States have collaborated in several schemes to improve and extend apprenticeship training. In 1977-78, the Commonwealth Government provided \$6.7m in grants for apprenticeship training of which Victoria received \$2.1m.

Commonwealth extension services grant

Grants are made to the States to promote improved practices in the dairy industry and for development (in the States) of agricultural advisory services generally. Grants are also made available under this programme for soil conservation extension and research programmes. Grants in 1977-78 amounted to \$9.8m of which Victoria received \$2.3m.

Grants for roads

The Commonwealth Government assistance for expenditure on roads has taken two main forms — general assistance, and assistance for specific roads or road projects. Payments of the latter kind were included in the general programme of roads assistance introduced in 1974–75. An amount of \$475m was made available to the States in 1977–78 and the total grants in both 1978–79 and 1979–80 will be equivalent in real terms to the 1977–78 grant. In 1977–78, the actual grants made were \$477.9m (including \$2.9m payable under the *National Roads Act 1974* in respect of 1976–77), and Victoria's share of this was \$98.9m. Legislation also sets down annual quotas of expenditure which are to be met from State sources. In 1977–78, these quotas amounted to \$418.8m of which Victoria's quota was \$123.6m.

Urban public transport grants

Under an agreement concluded with the States in 1974, the Commonwealth Government met two thirds of the cost of approved urban public transport projects, including railways, until 1977–78. The grants in 1977–78 amounted to \$51m, of which Victoria received \$9.8m. A new programme of assistance for five years, commencing 1978–79, will provide \$300m for the States over the period. The Commonwealth Government will continue to meet two thirds of the cost, but there will be no automatic provision for the Commonwealth Government to support cost escalation.

Advances to the States

In addition to grants to the States and direct payments to local government authorities the Commonwealth Government also makes advances to the States for various purposes. Particulars of these advances to Victoria, other than Loan Council borrowings, for the years 1972–73 to 1976–77 are shown in the following table:

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

Nature of advance	1972–73	1973–74	1974–75	1975–76	1976–77
Housing for servicemen	2,019	2,691	4,192	6,082	4,191
Housing (b)	1,500	53,500	98,159	98,159	98,159
Growth centres	..	1,054	24,504	r22,277	15,793
Land acquisitions	..	3,531	8,010	12,222	4,926
Sewerage	..	9,300	28,196	24,780	11,970
Dairy adjustment programme	45	73	4,371	7,677	3,565
Canned fruit industry	849	..	..	1,706	..
Rural adjustment scheme	..	..	..	..	2,958
Rural reconstruction	10,178	5,700	4,976	5,025	2,850
Dartmouth Dam	675	950	2,500	2,800	1,875
Other	1,542	—	1,358	2,342	r2,923
Total	16,808	76,799	176,266	r 183,070	149,210

(a) Excluding Loan Council borrowings.

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

Further reference: *Victorian Year Book 1977*, p.560-6

CONSOLIDATED FUND

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

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

The legislation also provided for the establishment of a new trust fund, the Works and Services Account, to be financed by appropriations from the Consolidated Fund. These

appropriations were to be determined by the surplus of receipts available from time to time in the Consolidated Fund. Moneys to the credit of the Account were available to be expended on various works and services as approved by the Victorian Parliament.

Details of the principal sources of receipts are shown in the following table for each of the years 1972-73 to 1976-77:

VICTORIA—CONSOLIDATED FUND: RECEIPTS
(S'000)

Source of receipts	1972-73	1973-74	1974-75	1975-76	1976-77
Taxation (a)	405,838	r547,227	r707,356	r888,053	1,025,288
Recoveries of debt charges—					
Interest	r50,105	53,358	65,166	r76,779	89,340
Redemption and repayment of advances	5,942	6,666	7,704	9,343	11,774
Other	r3,454	r3,416	r3,958	r4,076	4,208
Railways—					
Ordinary income	108,851	112,258	126,557	142,571	156,920
Other	1,560	r1,955	2,447	4,372	6,990
Forestry—					
Royalties	6,209	7,556	9,850	11,994	15,024
Other	1,230	1,219	r1,713	1,696	1,237
Lands, survey and mining—					
Royalties	25,910	r34,691	38,812	r43,333	47,560
Other	r4,022	4,378	5,031	r6,140	7,383
Ports and harbours	4,324	4,834	r5,551	r5,975	6,991
Water supply, sewerage, irrigation, and drainage	17,144	r18,781	22,708	r27,221	33,026
Fees and charges, n.e.i.	r34,865	r47,481	r59,751	r69,483	82,520
Fines	r7,227	8,623	r10,314	r12,577	15,252
Miscellaneous	r25,419	29,642	43,622	r53,390	69,612
Commonwealth Government recurrent payments—					
Financial Agreement Act	4,254	4,254	4,254	4,254	4,254
Financial assistance (b)	396,087	437,604	548,405	706,389	841,700
Special revenue assistance	..	6,020	13,861	..	..
Debt charges assistance	8,348	11,131	13,914	..	..
Education grants (c)	—	10,112	39,069	r57,967	72,107
Departmental charges — social welfare and health benefits (c)	4,416	5,475	6,954	9,817	9,744
Tuberculosis arrangement	2,191	2,570	4,865	4,205	2,647
Pre-school child education and care (c)	..	1,296	5,577	10,150	13,119
School dental programme (c)	..	..	1,606	1,365	1,897
Other (c)	406	780	r2,247	r4,477	9,275
Commonwealth Government capital payments—					
Works grant	63,405	r70,789	87,370	108,871	114,354
Education grants (c)	3,405	r8,552	49,524	45,075	45,612
Sewerage Agreement (c)	..	9,300	34,236	30,809	13,100
Urban public transport (c)	..	..	..	..	11,331
Other (c)	2,166	2,151	2,270	r4,693	4,070
Loan raisings	187,115	149,738	184,809	217,744	228,706
Loan repayments, n.e.i.	r7,261	r9,063	r4,915	r5,381	10,580
Total receipts	1,381,153	1,610,923	2,114,416	2,568,197	2,955,620

(a) For details of total taxation collections see page 436.

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

(c) There are also other receipts credited to Trust Funds. See pages 447-9.

The principal payments for each of the years 1972-73 to 1976-77 are shown in the following table. The table generally conforms to the purpose classification of government expenditure described in the publications *Public Authority Finance: Federal Authorities, 1977-78* and *Public Authority Finance: State and Local Authorities, 1977-78*. The purpose classification is derived from that outlined in the United Nations publication *A System of National Accounts*.

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

Purpose of payment	1972-73	1973-74	1974-75	1975-76	1976-77
Public debt charges—					
Interest (including exchange)	140,131	149,370	164,398	175,734	209,251
Sinking fund	25,519	27,395	28,836	29,000	31,156
Other	533	658	1,258	1,042	1,216
Commonwealth — State Housing Agreement—					
Interest	22,059	23,114	25,930	29,735	35,075
Repayments	5,376	5,573	6,053	7,714	7,564
Railways—					
Working expenses (a)	152,674	184,759	239,103	267,923	299,727
Other	3,653	4,147	4,676	5,638	5,891
Agricultural, pastoral, etc., services	r14,505	r17,587	r23,911	r29,756	38,263
Culture and recreation	r6,989	r8,262	r12,751	r16,604	19,896
Development and decentralisation	2,236	7,378	13,251	r21,131	26,796
Education—					
Registered schools	13,818	18,195	23,568	33,219	46,843
State schools —					
Primary and secondary (b)	266,071	332,725	444,036	560,223	663,964
Technical and vocational	12,327	15,619	20,306	25,051	28,577
Universities	30,070	16,173	44	r72	73
Other higher education	58,246	52,193	r39,709	r39,920	35,833
Other	16,662	r20,987	r37,834	r48,787	59,134
Forestry	r8,374	9,621	r12,434	14,990	17,202
Health services —					
Mental hygiene and mental hospitals	r37,700	r46,392	62,353	80,760	95,050
Payments to Hospitals and Charities fund	105,643	r141,469	194,702	225,834	247,864
Other	13,578	r17,303	r24,427	r29,702	36,452
Lands, survey, and mining	r15,149	r23,435	r28,737	33,383	38,028
Law, order, and public safety —					
Justice	14,681	19,314	25,373	r32,761	35,971
Police	47,712	59,771	80,185	r100,814	119,467
Prisons and probation	r6,512	r7,731	10,204	12,956	15,034
Public safety, etc.	336	r574	r533	r619	696
Legislative and general administration	r16,202	r26,410	r36,679	r51,587	62,786
Local government, n.e.i.	1,731	r2,068	2,679	r3,212	3,490
Grants and advances to municipalities and semi-government authorities (c)	r6,247	r13,420	r35,404	r45,898	61,516
Subsidies to semi-government authorities	3,368	r4,645	r5,064	r,6,503	7,977
Pay-roll tax	r13,113	r18,624	r28,830	r36,727	44,430
Pensions and superannuation (d)	r16,743	r20,429	r26,028	38,567	51,746
Ports and harbours	r1,865	4,467	r5,769	6,960	7,891
Protection of the environment (including sewerage)	r1,379	r3,408	r5,234	r6,615	8,015
Social welfare, n.e.i.	18,339	r19,436	r30,193	r41,581	58,166
Water supply, irrigation, and drainage	r16,433	r20,416	r25,363	r30,018	34,608
Miscellaneous (e)	r17,642	r21,318	r41,475	r51,072	64,132
Appropriation to Works and Services Account	247,536	246,537	347,087	426,092	435,844
Total	1,381,153	1,610,923	2,114,416	2,568,197	2,955,620

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

(b) Includes secondary technical.

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

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

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

VICTORIAN GOVERNMENT TAXATION

As mentioned on pages 427-8, the Commonwealth Government alone exercises the right to impose customs and excise duties, and taxation on personal and company incomes. It also has exclusive access to sales tax. Before 1 September 1971, the Commonwealth Government was the sole collector of pay-roll tax, but since that date the right to impose this tax within State boundaries has been given to the States. For the most part, the ambit

of taxation now left to the States comprises motor taxation, stamp duties, liquor, land, lottery, racing, pay-roll, and entertainments taxes. Estate and gift duties are shared between the Commonwealth and Victorian Governments.

In Victoria, taxation collections by the Victorian Government are allocated by statute either to the Consolidated Fund or to special funds. One of the principal items of Victorian taxation—taxes on the ownership and operation of motor vehicles—is allocated between the Consolidated Fund and special funds. (See pages 440-1 for details of this allocation).

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

Particulars	1972-73	1973-74	1974-75	1975-76	1976-77
Pay-roll tax (a)	149,136	221,080	327,200	389,889	431,785
Probate and gift duties	50,317	59,499	60,716	r71,391	80,471
Land tax	29,443	32,958	52,968	56,253	59,981
Liquor tax	13,260	14,505	21,940	24,831	26,139
Lottery tax	9,228	15,549	27,338	40,251	59,369
Football and soccer pools taxes (b)	27	9	1,470	6,762	1,474
Racing taxes	31,916	37,662	48,087	r56,576	62,894
Taxes on the ownership and operation of motor vehicles—					
Vehicle registration fees and taxes	57,363	61,995	74,964	92,496	110,670
Drivers', etc., licences and fees	7,522	7,876	r12,686	r14,864	14,575
Stamp duty (vehicle registration)	12,407	17,309	23,579	31,500	40,680
Road transport taxes	2,265	3,605	5,296	5,873	6,946
Road maintenance contributions	9,745	10,359	10,038	10,132	9,968
Motor car third party insurance surcharges	3,100	3,336	5,166	7,317	7,461
Stamp duties, n.e.i.	107,714	148,090	141,729	r192,658	230,403
Statutory authority levy—					
Gas and Fuel Corporation	1,920	2,180	3,000	3,820	4,640
State Electricity Commission	9,260	9,720	11,520	13,520	15,480
Licences and registration fees, n.e.i.	3,761	5,129	r7,818	r11,116	12,549
Business franchise licences—					
Tobacco	..	..	1,104	12,184	24,498
Other taxes	3,061	2,890	r2,203	r1,700	988
Total	501,445	653,750	r838,823	r1,043,132	1,200,972
Paid to—					
Consolidated Fund	405,838	547,232	r707,356	r888,053	1,025,288
Trust funds	95,607	106,518	131,467	r155,078	175,683

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

(b) Football pools only in 1972-73 and 1973-74. Soccer pools only in 1974-75, 1975-76, and 1976-77.

Specific collections

Pay-roll tax

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

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

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

Under the *Decentralized Industry Incentive Payments Act 1972*, operative from 1 July 1973, incentive payments in the form of pay-roll tax rebates may be made to a

manufacturing or processing industry at a decentralised or special establishment, as defined in the Act. In 1976-77, \$14,837,707 was so paid. Total receipts of pay-roll tax for the year ending 30 June 1977, amounted to \$431.8m. For changes proposed in 1978-79 see page 420.

Probate duties

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

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

In respect of an estate of a deceased person who was at the time of his death domiciled outside Victoria duty is calculated under a separate scale (irrespective of the relationship of the beneficiaries to the deceased) where the date of death of the deceased occurred on or after 21 November 1977.

VICTORIA—RATES OF PROBATE DUTY, 1978 (a)

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

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

NOTE. Categories of beneficiaries shown above are:

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

Land tax

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

Land tax is assessed at the rate of 0.42 per cent on the total unimproved value up to \$38,500 with a graduated increase in the rate to reach 4 per cent where the unimproved value exceeds \$2.2m. Land tax is not charged where the total unimproved value of all non-

exempt land of a taxpayer does not exceed \$9,000. However, where only one parcel of land is owned, which is less than half a hectare in area and is used exclusively for residential purposes by the owner, land tax is not charged unless the unimproved value exceeds \$27,500. A 15 per cent discount on tax calculated above applies for 1978.

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

In the following table details are shown of the assessments made during each of the years 1972 to 1976. Municipal valuations and the rate of land tax increased in 1974. For changes proposed in 1978-79 see page 420.

VICTORIA—LAND TAX ASSESSMENTS

Year	Number of taxpayers	Total tax payable	Average tax payable per taxpayer	Total unimproved value (a)
		\$'000	\$	\$'000
1972	62,665	29,149	465.16	2,007,367
1973	63,488	30,139	474.72	2,056,115
1974	66,558	58,398	877.40	3,057,498
1975	72,777	59,388	816.03	3,189,019
1976	72,033	58,792	816.18	3,170,845

(a) Of land not exempted from land tax.

Liquor tax

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

VICTORIA—LIQUOR TAX (\$'000)

Particulars	1972-73	1973-74	1974-75	1975-76	1976-77
Licences—					
Victuallers	8,974	9,502	13,914	14,949	15,099
Spirit merchants and grocers	3,071	3,501	5,902	7,324	8,164
Others	246	292	475	569	578
Club certificates	670	750	1,138	1,296	1,462
Permits—extended hours, etc.	244	328	409	571	668
Fees	56	132	101	120	169
Total	13,260	14,505	21,940	24,831	26,139

Lottery tax

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

The Act provides that 31 per cent of the total amount subscribed to each consultation and 30 per cent of the total subscribed to Soccerpools be paid into the Consolidated Fund. Each year an equivalent amount of this duty on consultations (other than Gold Lotteries) and one third of the Soccerpools duty is paid out of the Consolidated Fund, in such

proportions as the Treasurer determines, into both the Hospitals and Charities Fund and the Mental Hospitals Fund. The Act also provides that, of the Soccerpools duty, two thirds is paid out of the Consolidated Fund for the promotion of sport and recreation, at such intervals as the Treasurer determines. The Act further provides that an equivalent of the duty on Gold Lotteries is paid out of the Consolidated Fund to the Historical and Community Projects Fund.

VICTORIA—TATTERSALL LOTTERIES: SUBSCRIPTIONS, DUTY PAID, ETC.

(\$'000)

Particulars	1972-73	1973-74	1974-75	1975-76	1976-77
Subscriptions to—					
Ordinary consultations (a)	19,003	18,241	17,680	16,460	14,440
Tattsлото consultations	11,143	33,944	69,550	116,001	177,186
Soccer football pools (b)	..	..	4,898	15,809	4,537
Gold lotteries	..	..	..	..	2,500
Duty paid to Consolidated Fund	9,255	15,558	28,808	r(c)42,089	60,843
Allocation out of Consolidated fund—					
Hospitals and Charities fund	7,509	13,203	24,388	36,231	53,966
Mental Hospitals fund	1,728	2,345	3,462	4,633	5,894
Other funds, etc., (d)	19	10	958	1,225	983

(a) Includes subscriptions to football pools of \$97,706 in 1972-73 and \$26,428 in 1973-74.
 (b) Subscriptions from within Victoria only. Duty is, however, payable to the Consolidated Fund on subscriptions from the Northern Territory and the Australian Capital Territory.
 (c) Excludes soccer football pool duty of \$4,924,001 collected on behalf of, and subsequently paid to, other States.
 (d) Allocated for various sport and recreation purposes.

Racing taxes

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

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

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

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

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

The commission is allocated in the following proportions:

VICTORIA—INVESTMENTS ON OFF-COURSE TOTALIZATOR:
 COMMISSION DEDUCTED

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

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

Year	Totalizator investments		Investments with licensed book-makers (a)	Racing taxation			
	On-course	Off-course		Totalizator	Book-makers' turnover	Other (b)	Total
1972-73	56,633	321,192	228,756	26,131	4,822	962	31,916
1973-74	62,483	362,468	263,170	31,469	5,503	690	37,662
1974-75	72,408	461,984	338,977	40,625	7,072	390	48,087
1975-76	83,498	488,070	396,023	47,905	8,376	295	56,576
1976-77	90,268	546,514	450,214	53,102	9,403	389	62,894

(a) Estimated.

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

Gift duty

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

VICTORIA—RATES OF GIFT DUTY, 1978

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

Taxes on the ownership and operation of motor vehicles

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

Paid to—	1972-73	1973-74	1974-75	1975-76	1976-77
VEHICLE REGISTRATION FEES AND TAXES					
Consolidated Fund—					
Registration fees—recreational vehicles	..	14	14	10	8
Country Roads Board Fund—					
Motor registration fees, etc.	35,998	38,962	46,244	58,031	68,975
Additional registration fees (part)	2,561	2,726	130	..	..
Level Crossings Fund—					
Additional registration fees (part)	1,281	1,363	..	..	..
Road (Special Projects) Fund—					
Increase in registration fees (Act No. 7283)	16,577	17,956	21,230	26,684	31,592
Transport Regulation Fund—					
Motor omnibus registration fees	10	11	9	1	..
Traffic Authority Fund—					
Surcharge on motor registration	936	962	1,007	1,051	2,616
Transport Fund—					
Additional registration fees (part)	..	..	6,331	6,719	7,479
Total	57,363	61,995	74,964	92,496	110,670

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

Paid to	1972-73	1973-74	1974-75	1975-76	1976-77
DRIVERS, ETC., LICENCES AND FEES					
Consolidated Fund—					
Drivers licence fees (part)	3,488	3,648	4,778	5,771	5,876
Learner drivers test fees (whole) and drivers test fees (part)	..	..	r2,428	2,628	2,074
Country Roads Board Fund—					
Drivers licence fees (part)	901	944	1,229	r1,478	1,506
Drivers test fees (part)	517	548	485	437	477
Learner drivers permits (part)	..	..	160	192	208
Municipalities Assistance Fund—					
Drivers licence fees (part)	1,744	1,824	2,389	2,885	2,936
Drivers Licence Suspense Account—					
Drivers licences, learner drivers permits, and drivers test fees (all part)	872	912	1,217	1,473	1,498
Total	7,522	7,876	r12,686	r14,864	14,575
STAMP DUTY (VEHICLE REGISTRATION)					
Consolidated Fund	12,407	17,309	23,579	31,500	40,680
ROAD TRANSPORT TAXES					
Country Roads Board Fund—					
Sale of log books	10	11	10	12	15
Transport Regulation Fund—					
Licences, etc.	1,071	2,398	4,349	4,975	5,872
Permits	1,184	1,196	937	886	999
Total	2,265	3,605	5,296	5,873	6,886
ROAD MAINTENANCE CONTRIBUTIONS					
Country Roads Board Fund—					
Road charges under Commercial Goods Vehicles Act	9,745	10,359	10,038	10,132	9,968
MOTOR CAR THIRD PARTY INSURANCE SURCHARGES					
Consolidated Fund	3,100	3,336	5,166	7,317	7,461
TOTAL					
Consolidated Fund	18,995	24,306	r35,965	47,226	56,099
Country Roads Board Fund	49,731	53,551	58,295	r70,283	81,149
Level Crossings Fund	1,281	1,363	..	..	..
Municipalities Assistance Fund	1,744	1,824	2,389	2,885	2,936
Road (Special Projects) Fund	16,577	17,956	21,230	26,684	31,592
Transport Regulation Fund	2,265	3,605	5,295	5,862	6,871
Drivers Licence Suspense Account	872	912	1,217	1,473	1,498
Traffic Authority Fund	936	962	1,007	1,051	2,616
Transport Fund	..	..	6,331	6,719	7,479
Total	92,401	104,479	r131,729	r162,183	190,240

NOTE. Deductions from third party insurance premiums—credited to the Hospitals and Charities Fund in following years—are included in "other taxes" in the table on page 436 and amounted to \$2,188,000 in 1972-73, \$2,356,000 in 1973-74, and \$1,336,000 in 1974-75.

The Motor Accidents Board, which came into operation on 19 September 1973, received \$469,580 in deductions from third party insurance premiums in 1973-74; \$1,929,548 in 1974-75, \$1,916,779 in 1975-76; and \$1,287,592 in 1976-77. The Board also received levies from authorised insurers of \$653,330 in 1973-74; \$9,046,670 in 1974-75; \$16,340,095 in 1975-76; and \$22,698,749 in 1976-77. (See also page 535).

Stamp duties

Under the provisions of the *Stamps Act 1958* and subsequent amendments thereto, stamp duty is imposed in Victoria on a wide range of legal and commercial documents. For changes proposed in 1978-79 see page 421.

The rates of duty payable at 1 July 1978 on the principal dutiable classes of documents, etc., are shown in the following table:

VICTORIA—STAMP DUTIES: RATES PAYABLE, 1 JULY 1978

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

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

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

Statutory levy

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

COMMONWEALTH GOVERNMENT TAXATION

Specific collections*Commonwealth Government estate duty*

The Commonwealth Government levies duties on deceased estates. The amount of such duty collected throughout Australia during each of the 5 years to 1976-77 was: 1972-73, \$66.4m; 1973-74, \$66m; 1974-75, \$63.8m; 1975-76, \$76.4m; and 1976-77, \$76.2m.

Commonwealth income tax

Uniform taxation of income throughout Australia was adopted in 1942 when the Commonwealth Government became the sole authority levying this tax. However, legislation has been passed which enables each State to legislate to impose a surcharge on personal income tax in the State, additional to that imposed by the Commonwealth or to give (at a cost to the States) a rebate on personal income tax payable under Commonwealth law. Details of these arrangements are given in 1976-77, 1977-78 and 1978-79 *Budget Paper No. 7, Payments to or for the States, the Northern Territory and Local Government Authorities*.

For the income tax year ended 30 June 1978 the following were the principal changes:

- (1) The standard rate system of personal income tax which applied notionally from 1 February 1978 was introduced;
- (2) the minimum general concessional rebate was abolished and replaced by a zero rated step in the rate scale;
- (3) the rebate for concessional expenditure was changed in 1977-78 from 40 per cent of expenditure in excess of \$1,525 to 32 per cent of expenditure in excess of \$1,590 (a limit of \$1,690 would have applied in 1977-78 under the previous arrangements);
- (4) the trustees of deceased estates assessed under section 99 or 99A of the Income Tax Assessment Act were freed from the health insurance levy for the year ended 30 June 1978 and subsequent years;
- (5) a rebate of 30 cents for each dollar subscribed was allowed to persons subscribing capital after 24 August 1977 to petroleum mining companies; and
- (6) from 1 February 1978, averaging of the incomes of primary producers applied only if it is to a taxpayer's advantage. The \$16,000 limit on averaging which previously applied was removed, unless its removal works to a taxpayer's disadvantage.

AUSTRALIA—GENERAL RATES OF TAX: INDIVIDUALS
(1977-78 income year)

Total taxable income		Tax at composite rates on total taxable income	
Not less than	Not more than		
\$	\$	\$	\$
1	3,402	Nil	
3,402	3,750	Nil plus 27.00c for each \$1 in excess of	3,402
3,750	6,266	93.96 plus 29.09c for each \$1 in excess of	3,750
6,266	12,532	825.74 plus 33.75c for each \$1 in excess of	6,266
12,532	16,000	2,940.45 plus 39.58c for each \$1 in excess of	12,532
16,000	18,798	4,313.05 plus 45.42c for each \$1 in excess of	16,000
18,798	25,063	5,583.82 plus 51.25c for each \$1 in excess of	18,798
25,063	31,329	8,794.44 plus 54.16c for each \$1 in excess of	25,063
31,329	32,000	12,188.23 plus 57.08c for each \$1 in excess of	31,329
32,000 and over		12,571.22 plus 62.92c for each \$1 in excess of	32,000

NOTE. The above scale represents a combination of the rates that would have applied under the indexation arrangements that existed prior to the 1977-78 Budget and the new standard rate scale which applied notionally from 1 February 1978. The standard rate scale is as follows:

AUSTRALIA—GENERAL RATES OF TAX: INDIVIDUALS
(1977-78 income year)—continued

Total taxable income		Tax at standard rates on taxable income	
Not less than	Not more than		
\$	\$	\$	\$
1	3,750	Nil	
3,750	16,000	Nil	plus 32c for each \$1 in excess of 3,750
16,000	32,000	3,920	plus 46c for each \$1 in excess of 16,000
32,000 and over		11,280	plus 60c for each \$1 in excess of 32,000

Rebates

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

The following rebates from tax payable on taxable income, derived during the year of income ended 30 June 1978 are allowable to resident taxpayers:

Dependant, etc.	Rebate
	\$
Spouse or daughter—housekeeper	555
Invalid relatives—16 years and over	251
Parents/parent-in-law	501
Housekeeper	555
Sole parent	388
Zone and overseas allowance—	
Zone A and overseas forces	\$216 plus 25 per cent of above rebates (a)
Zone B	\$36 plus 4 per cent of above rebates (a)

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

(2) Concessional expenditure:

Expenditure on education, medical, life insurance, etc., qualifies for concessional rebates. The amount of the rebate is 32 per cent of the excess of the total of the expenditure over \$1,590, but the rebate cannot exceed the tax otherwise payable. The dependant rebate otherwise available to a taxpayer is reduced by \$1 for every \$4 by which the separate net income of the dependant exceeds \$189.

(3) Capital subscribed:

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

Other deductions

The following remain as allowable deductions against assessable income:

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

VICTORIA—INCOME TAX: INDIVIDUALS, 1976-77
(1975-76 income year)

Grade of net income (a)	Number of taxpayers			Net income	Taxable income	Net income assessed
	Males	Females	Persons			
\$				\$'000	\$'000	\$'000
Under 3,000	24,065	38,936	63,001	167,678	166,417	5,072
3,000- 3,499	24,338	41,227	65,565	213,000	210,506	12,041
3,500- 3,999	25,778	39,768	65,546	245,813	242,353	19,710
4,000- 4,499	27,592	39,903	67,495	286,767	282,485	27,762
4,500- 4,999	29,051	39,284	68,335	324,836	319,901	36,125
5,000- 5,499	31,708	44,159	75,867	398,494	392,287	50,415
5,500- 5,999	35,397	43,662	79,059	454,721	447,151	63,739
6,000- 6,499	43,678	43,109	86,787	542,538	533,187	82,134
6,500- 6,999	51,958	42,933	94,891	641,101	629,485	103,226
7,000- 7,499	59,099	40,034	99,133	718,422	704,574	121,155
7,500- 7,999	63,013	29,140	92,153	713,880	698,538	123,987
8,000- 8,499	63,366	21,163	84,529	697,015	680,476	124,291
8,500- 8,999	58,003	15,897	73,900	646,343	630,169	118,898
9,000- 9,499	53,516	12,894	66,410	613,828	597,358	115,957

VICTORIA—INCOME TAX: INDIVIDUALS, 1976-77
(1975-76 income year)—*continued*

Grade of net income (a)	Number of taxpayers			Net income	Taxable income	Net income assessed
	Males	Females	Persons			
9,500- 9,999	46,527	9,703	56,230	547,784	532,972	106,154
10,000-10,999	76,789	13,649	90,438	946,604	920,245	191,158
11,000-11,999	53,702	8,735	62,437	716,100	696,316	156,073
12,000-12,999	39,204	6,233	45,437	566,654	551,038	131,435
13,000-13,999	27,995	4,102	32,097	432,600	420,960	105,708
14,000-14,999	21,593	3,288	24,881	360,224	351,007	92,253
15,000-19,999	47,015	7,141	54,156	916,453	889,444	263,836
20,000-24,999	14,047	2,124	16,171	357,086	345,369	124,499
25,000-29,999	6,192	967	7,159	194,562	188,541	77,547
30,000-49,999	6,881	940	7,821	285,964	278,275	131,036
50,000 and over	2,071	240	2,311	173,451	167,630	93,092
Total	932,578	549,231	1,481,809	12,161,918	11,876,693	2,477,305

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

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

Health insurance levy

For the year ended 30 June 1978, the rate of the levy is 2.5 per cent applied to a person's taxable income. However, no person is assessed to a levy of more than \$300. A person who has dependants and is not privately insured will pay in levy the lesser of \$300 and 2.5 per cent of taxable income. A person who does not have dependants will not pay more in levy than \$150. In the case of a woman who is a dependant wife, the levy is in effect limited to 2.5 per cent of the excess of \$12,000 over her husband's taxable income. Exemptions from the levy are given to taxpayers who are insured with private health insurance funds, certain defence and repatriation personnel, specified pensioners, and low income earners.

Withholding tax

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

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

Company tax

AUSTRALIA—RATES OF TAX: COMPANIES: 1977-78 FINANCIAL YEAR (1976-77 income year)

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

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

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

SUPERANNUATION
Victorian pensions and gratuities

The following table shows details of Victorian Government expenditure on pensions, gratuities, etc., during each of the years 1972-73 to 1976-77:

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

Particulars	1972-73	1973-74	1974-75	1975-76	1976-77
State Superannuation Fund—					
Railways	7,308	8,325	9,695	12,642	16,263
Other (a)	16,086	19,585	24,959	35,603	48,439
Total	23,394	27,910	34,654	48,245	64,702
Police Superannuation Fund	4	4	4	4	4
Coal Mine Workers Pensions Fund	7	8	—	—	—
Parliamentary Contributory Superannuation Fund	361	490	637	2,442	2,442
Married Women's Superannuation Fund	49	76	94	68	51
Other pensions, gratuities, etc.	236	266	335	440	545
Grand total	24,052	28,755	35,724	51,199	67,744

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

Victorian Superannuation Fund

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

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

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

- (1) A basic pension on retirement for ill-health or at age 65 of 70 per cent of salary at retirement;
- (2) on age retirement before age 65, but after age 60, the pension will reduce pro rata to 66²/₃ per cent of salary at age 60;
- (3) officers' contributions limited to a maximum of 9 per cent of salary;
- (4) widows' pensions, including present widows' pensions, increased from five eighths to two thirds of officers' pensions;
- (5) the existing rights to convert part of the pension into a lump sum retained;
- (6) married women eligible to elect to be contributors to the superannuation scheme; and
- (7) railway officers, who previously elected to limit their superannuation entitlement to a maximum of six units, or to forgo superannuation altogether, have the right to reinstate their situation.

VICTORIA—STATE SUPERANNUATION FUND
(\$'000)

Particulars	1972-73	1973-74	1974-75	1975-76	1976-77
Receipts—					
Contributions—					
Officers	27,876	33,790	43,213	50,468	56,669
Consolidated Fund (a)	22,146	25,006	28,916	37,480	48,887
Interest	12,599	14,748	17,705	r20,103	19,547
Other	855	958	1,592	r10,836	6,733
Total	63,477	74,502	91,425	118,887	131,837

VICTORIA—STATE SUPERANNUATION FUND—*continued*
(\$'000)

Particulars	1972-73	1973-74	1974-75	1975-76	1976-77
Disbursements—					
Pension payments	27,342	29,909	34,432	42,564	52,683
Lump sum payments	7,130	9,733	9,691	34,311	26,827
Contributions refunded	2,469	3,055	3,148	3,654	4,652
Transfer to Pensions Supplementation Fund	4,476	5,927	7,117	8,720	10,479
Other	112	(b)5,925	(b)8,377	—	2,005
Total	41,529	54,549	62,763	89,249	96,646
Balance in Fund at 30 June	222,444	242,397	271,059	300,698	335,889

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

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

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

VICTORIA—GOVERNMENT SUPERANNUATION SCHEMES OPERATED THROUGH SEPARATELY CONSTITUTED FUNDS, 1975-76

Particulars	Victorian Government	Local government	Semi-government	Total
	\$'000	\$'000	\$'000	\$'000
INCOME (a)				
Contributions—				
Employees	51,139	6,603	19,825	77,566
Employing authorities	(b) 49,481	9,073	41,448	100,002
Interest, etc.	31,534	5,601	28,196	65,331
Total	132,154	21,277	89,469	242,899
EXPENDITURE (a)				
Pensions	64,972	100	7,927	72,999
Lump sum payments	38,438	6,817	21,756	67,010
Other	10	1,988	768	2,766
Total	103,420	8,905	30,450	142,775
ASSETS (c)				
Government securities—				
Commonwealth Government	10	5	945	960
Local and semi-government	199,114	56,149	65,975	321,238
Other securities, etc.	110,394	19,631	280,224	410,249
Total	309,517	75,785	347,145	732,447
Contributors (c)	number	number	number	number
	(d) 72,124	19,739	44,526	(d)136,389

(a) Excludes transfers between funds.

(b) This figure does not agree with that shown in the table on page 446 as the latter includes the Consolidated Fund's share of pensions accrued at the end of the year and because this table excludes the Parliamentary Contributory Superannuation Fund, the Coal Mine Workers Pension Fund, and government expenditure on other pensions, gratuities, etc.

(c) At end of year.

(d) Estimated.

VICTORIAN TRUST FUNDS AND SPECIAL ACCOUNTS

General

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

disbursement of moneys provided by the Commonwealth Government for specific purposes.

The transactions recorded annually are numerous and of considerable magnitude in total. Debits to all funds and accounts in 1976-77 aggregated \$3,632.9m and credits \$3,619.1m. At the end of the year the liability of the State on account of all trust funds or accounts (including shares to the value of \$15.6m lodged with the Treasurer) was \$302.4m. Of this total, investments in government and other securities amounted to \$104.3m, cash advanced was \$31.8m, while the balance, \$166.4m, was at the credit of the Public Account.

Relevant figures of balances and transactions of funds and accounts within the Trust Fund are shown under broad classifications in the following table, in respect of the year 1976-77:

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

Particulars	Balance at 1 July 1976	1976-77		Balance at 30 June 1977
		Payments	Receipts	
State Government funds	r209.6	2,641.6	2,683.9	251.9
Joint Commonwealth and State funds	4.1	39.6	40.7	5.2
Commonwealth Government funds	r82.5	945.6	887.5	24.5
Bequests, deposits, etc.	r19.9	6.1	6.9	20.7
Total	316.2	3,632.9	3,619.1	302.4

Specific accounts

Victorian Government funds

The accounts included in this category are those established to receive and expend money received under statutory provisions or Parliamentary appropriation, operating accounts of various authorities, and departmental suspense and clearing accounts. In terms of financial turnover the most important accounts in 1976-77, other than suspense and clearing accounts, were: (1) Works and Services Account, credited with \$435.8m (referred to in more detail on page 449); (2) Hospital and Charities Fund, credited with \$255m; (3) Insurers' Guarantee and Compensation Supplementation Fund, credited with \$34.6m; (4) Country Roads Board Fund, credited with \$75.7m; and (5) Milk Board Fund, credited with \$40.2m. The major suspense and clearing accounts were: (1) The Railway Charges in Suspense Account, credited with \$245.1m; (2) Motor Accidents and Insurance Premiums Suspense Account, with receipts of third party insurance premiums totalling \$165.9m for distribution to approved insurers and the Motor Accidents Board; and (3) Payroll Deduction Suspense Account, with credits of \$332.5m.

Joint Commonwealth and Victorian funds

The major accounts under this heading are the Dartmouth Dam Construction Account and the Victorian Natural Disasters Relief Account with receipts of \$30.2m and \$7.1m, respectively.

Commonwealth Government funds

These accounts are created under the Public Account Act to receive and expend moneys received as a grant or payment under any Commonwealth Government Act. The main broad categories here together with their respective credits were: (1) education \$396.6m; (2) health \$197.4m; (3) housing \$116.9m; and (4) transport \$95.6m.

Moneys held for bequests, donations, deposits and research

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

Works and Services Account

When the Victorian Government amalgamated the Consolidated Revenue Fund and the Loan Fund in 1970-71 into one account to be known as the Consolidated Fund, it created,

at the same time, a trust fund, the Works and Services Account, which was to cater for expenditure by the Victorian Government on capital works and services. In effect, therefore, this Account which is financed by appropriations from the Consolidated Fund, serves a similar purpose to that of the former Loan Fund.

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

Expenditure on—	1972-73	1973-74	1974-75	1975-76	1976-77
Agricultural, pastoral, etc., services (a)	r9,511	4,074	6,497	11,529	9,652
Culture and recreation	r4,490	5,627	r8,137	r14,224	14,918
Development and decentralization (b)	r15	5,245	5,865	6,560	6,278
Education—					
Primary and secondary (c)	34,978	42,597	r82,374	103,665	99,627
Technical and vocational	11,852	11,940	25,448	28,815	28,673
Universities	9,681	2,923	7	103	—
Other higher education	9,574	7,052	1,761	1,138	645
Other	1,411	2,035	r6,717	1,735	10,220
Electricity supply	16,000	16,000	13,000	14,000	14,000
Forestry	4,300	4,715	6,820	8,177	10,988
Gas supply	142	40	40	40	20
Grants to municipalities (d)	r4,316	3,570	r5,945	r7,753	6,443
Health services—					
Mental hygiene and mental hospitals	4,181	6,700	r9,483	14,003	13,344
Other hospitals	15,615	21,247	27,649	27,793	35,707
Other	721	964	1,318	r2,192	3,409
Housing (e)	40,433	1,971	2,196	2,700	4,000
Lands, survey and mining	1,116	1,469	2,942	4,058	5,779
Law, order, and public safety	3,978	4,072	7,425	11,526	15,016
Legislature and general administration	r5,513	r11,301	r12,328	r14,835	19,654
Natural disaster relief	..	..	3,250	3,500	17
Ports and harbours	r2,985	1,146	r2,177	2,944	3,287
Protection of the environment (including sewerage)	r24,579	42,487	60,086	65,251	47,208
Roads and bridges	r1,552	1,038	r534	1,428	1,783
Social welfare	2,356	2,334	r3,581	r3,998	3,802
Transport—					
Railways	16,116	18,447	19,138	32,277	41,206
Tramways	3,855	8,350	—	—	—
Water supply, irrigation, and drainage	17,670	18,441	r24,722	31,708	41,651
Miscellaneous	r804	r1,074	r1,360	r1,273	1,119
Total	247,742	246,860	340,800	417,221	438,440

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

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

(c) Includes secondary technical.

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

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

PUBLIC DEBT

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

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

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

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

The public debt of the State of Victoria as shown in the following tables excludes certain liabilities due to the Commonwealth Government at 30 June 1977. These liabilities include advances of \$879.9m for housing purposes under the Commonwealth-State Housing Agreements, \$74.1m for sewerage, \$53.7m for rural and dairy reconstruction, \$63.6m for growth centres, \$28.6m for land acquisition, and \$12.2m of special assistance loans for soldier settlement. These and other purpose loans and advances made pursuant to Commonwealth-State agreements and arrangements should be taken into account when considering the total debt position of Victoria.

Public debt transactions

The following table shows particulars of the loans raised and redeemed during, and the amount outstanding at the end of, each of the years 1972-73 to 1976-77. The variations from year to year in the Australian currency equivalent of overseas loans, resulting from application of the rates of exchange ruling at 30 June in each year, are shown.

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

Particulars	1972-73	1973-74	1974-75	1975-76	1976-77
DEBT MATURING IN AUSTRALIA					
Debt outstanding at 1 July	2,424,680	2,591,969	2,711,720	2,618,754 ^(a)	2,807,054
New debt incurred—					
Commonwealth Government loan floatations	358,667	430,217	411,344	578,909	517,416
Domestic raisings	171,115	279,516	226,111	360,898	288,372
Less conversion and redemption loans					
Total new debt incurred	187,553	150,701	185,233	218,011	229,044
Less repurchases and redemptions from National Debt Sinking Fund	20,265	30,950	36,299	29,710	30,882
Net increase in debt	167,289	119,751	148,934	188,301	198,162
Debt outstanding at 30 June	167,289	119,751	148,934	188,301	198,162
Debt outstanding at 30 June	2,591,969	2,711,720	2,860,654	2,807,054	3,005,216
DEBT MATURING IN LONDON					
Debt outstanding at 1 July	38,855	22,910	19,304	19,346	15,673
New debt incurred—					
Commonwealth Government loan floatations	..	..	..	..	..
Less conversion and redemption loans	..	..	..	..	..
Total new debt incurred	..	..	..	..	..
Less repurchases and redemption from National Debt Sinking Fund	11,461	888	776	1,009	625
Adjustment due to variation in rate of exchange	-4,484	-2,719	+ 819	-2,665	+ 1,067
Net increase in debt	-15,945	-3,606	+ 43	-3,674	+ 442
Debt outstanding at 30 June	22,910	19,304	19,346	15,673	16,115
DEBT MATURING IN NEW YORK, CANADA, SWITZERLAND, AND THE NETHERLANDS					
Debt outstanding at 1 July	24,812	18,031	15,587	16,172	11,314
New debt incurred—					
Commonwealth Government loan floatations	..	..	..	..	..
Less conversion and redemption loans	..	..	..	..	..
Total new debt incurred	..	..	..	..	..
Less repurchases and redemptions from National Debt Sinking Fund	3,820	1,567	1,939	5,780	1,772
Adjustment due to variation in rate of exchange	-2,961	-877	+ 2,524	+ 922	+ 899
Net increase in debt	-6,781	-2,444	+ 585	-4,858	-873

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

Particulars	1972-73	1973-74	1974-75	1975-76	1976-77
Debt outstanding at 30 June	18,031	15,587	16,172	11,314	(b)10,441
	TOTAL				
Debt outstanding at 1 July	2,488,348	2,632,910	2,746,610	2,654,272	2,834,041
New debt incurred—					
Commonwealth Government loan floatations	358,667	430,217	411,344	578,909	517,416
Domestic raisings	171,115	279,516	226,111	360,898	288,372
Less conversion and redemption loans					
Total new debt incurred	187,553	150,701	185,233	218,011	229,044
Less repurchases and redemptions from National Debt Sinking Fund	35,545	33,405	39,014	36,499	33,279
Adjustment due to variation in rate of exchange	-7,445	-3,596	+3,342	-1,742	1,966
Net increase in debt	144,562	113,701	149,561	179,769	197,731
Debt outstanding at 30 June	2,632,910	2,746,610	2,896,172	2,834,041	3,031,771

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

(b) Includes New York, \$A7,589,238; Canada \$A1,845,218; and the Netherlands, \$A1,006,298.

The following table shows details of the amounts of loans outstanding in Australia, London, New York, Canada, Switzerland, and the Netherlands at the end of each of the years 1972-73 to 1976-77:

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

At 30 June—	Amount						Total debt
	Australia	London	New York	Canada	Switzerland	The Netherlands	
1973	2,591,969	22,910	11,780	1,830	3,076	1,345	2,632,910
1974	2,711,720	19,304	9,846	1,742	2,868	1,131	2,746,610
1975	2,860,654	19,346	9,415	1,708	3,840	1,209	2,896,172
1976	2,807,054	15,673	8,453	1,872	..	988	2,834,041
1977	3,005,216	16,115	7,589	1,845	..	1,006	3,031,771

In the following table the annual interest liability of the State has been calculated on the basis of the debt outstanding at the end of each of the years 1972-73 to 1976-77. The liability, therefore, represents the amount of interest payable in the ensuing year without regard to new loan raisings and redemptions during that year. The table shows particulars of the annual interest payable in Australia and in overseas countries respectively, and the average rate of interest liability.

VICTORIA—ANNUAL INTEREST LIABILITY
ON PUBLIC DEBT (a)

At 30 June—	Payable in Australia	Payable in overseas countries	Total	Average rate
	\$A'000	\$A'000	\$A'000	per cent
1973	143,789	2,217	146,006	5.55
1974	152,655	1,888	154,543	5.63
1975	181,912	1,913	183,825	6.35
1976	199,930	1,483	201,412	7.11
1977	225,594	1,461	227,055	7.49

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

The actual interest and expenses paid on the public debt of Victoria for each of the years 1972-73 to 1976-77 are shown in the following table:

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

Year	Interest paid on loans maturing—				Total interest	Commission on payment of interest overseas, expenses of conversion loans, etc.	Grand total (b)
	In Australia	In London (a)	In New York (a)	Elsewhere overseas (a)			
1972-73	136,931	1,964	922	314	140,131	533	140,664
1973-74	147,347	1,112	620	291	149,370	658	150,027
1974-75	162,311	1,253	492	342	164,398	1,258	165,656
1975-76	173,909	968	509	347	175,734	1,041	176,775
1976-77	207,723	896	459	(c)173	209,251	1,215	210,466

(a) Includes exchange.

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

(c) Includes Canada, \$A107,380, and the Netherlands, \$A66,018.

National Debt Sinking Fund

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

Details of transactions of the National Debt Sinking Fund in respect of the public debt of the State of Victoria, for each of the years 1972-73 to 1976-77, are shown in the following tables. The first table shows particulars of the receipts of the Fund, and the second table shows details of the expenditure on, and face value of, securities repurchased and redeemed.

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

Particulars	1972-73	1973-74	1974-75	1975-76	1976-77
Contributed under Financial Agreement—					
Victorian Government	25,519	27,401	28,839	r29,000	31,156
Commonwealth Government	6,809	7,195	7,525	7,500	8,003
Total contributions under Financial Agreement	32,328	34,595	36,364	r36,500	39,159
Interest on investments	63	79	49	r49	31
Special contributions by Victoria	25	14	14	..	..
Total	32,416	34,688	36,427	36,549	39,190
Total to date	438,669	473,357	509,784	546,332	585,522

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

Particulars	1972-73	1973-74	1974-75	1975-76 (a)	1976-77
Australia—					
Face value	20,264	30,950	36,299	29,710	30,882
Net cost	20,231	30,948	36,297	29,697	30,881
London—					
Face value	11,461	888	776	1,009	625
Net cost	11,171	589	540	962	492
New York—					
Face value	3,547	1,374	1,634	1,650	1,774
Net cost	3,630	1,270	1,426	1,531	1,650

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

Particulars	1972-73	1973-74	1974-75	1975-76	1976-77
Canada—					
Face value	123	51	133	179	46
Net cost	117	42	118	65	42
Netherlands—					
Face value	150	141	173	165	201
Net cost	145	135	164	166	177
Switzerland—					
Face value	—	—	—	3,889	..
Net cost	—	—	—	4,049	..
Total—					
Face value	35,545	33,405	39,014	36,499	33,528
Net cost	35,293	32,984	38,544	36,469	33,242
Total to date—					
Net cost	436,481	469,465	508,009	544,479	577,721

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

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

The following table shows particulars of the new money loan raisings for capital works, during each of the years 1971-72 to 1975-76, by local government, semi-governmental, and other public bodies in Victoria:

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

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
LOCAL GOVERNMENT					
Due to government	277	39	181	465	1,001
Due to public creditor	37,248	43,478	38,932	51,249	67,190
Total	37,525	43,517	39,113	51,715	68,191
SEMI-GOVERNMENTAL, ETC.					
Due to government	50,204	70,092	100,544	143,239	167,613
Due to public creditor	158,458	203,297	196,722	234,983	291,915
Total	208,662	273,389	297,266	378,222	459,528
ALL AUTHORITIES					
Due to government	50,481	70,131	100,724	143,704	168,614
Due to public creditor	195,706	246,775	235,654	286,233	359,105
Total	246,187	316,906	336,379	429,937	527,719

NEW FEDERALISM POLICY

Introduction

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

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

Other elements of the policy are:

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

Personal income tax sharing between the Commonwealth and the States

Personal income tax sharing has been introduced in two stages. Under Stage 1, which commenced in 1976-77, the Commonwealth continued to be the sole Government imposing income taxes in Australia, with each State receiving a specified proportion of personal income tax collections. Under Stage 2, for which enabling legislation was introduced by the Commonwealth in the autumn 1977 session of Parliament, Stage 1 entitlements will continue to operate, but each State will be free to impose a surcharge or to grant a rebate of personal income tax.

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

Further reference: *Victorian Year Book* 1978 pp. 503-4

Local government

Each year local government will receive an amount equal to 1.52 per cent of Commonwealth Government collections from net personal income tax collections in the previous year. This amount will be distributed between the States in accordance with recommendations of the Commonwealth Grants Commission. Allocations to individual councils within States will be determined in accordance with recommendations made by State Grants Commissions which are to be established in each State. Following a review by the Commonwealth Grants Commission of the relative shares of each State, Victoria's share was increased from 25.28 per cent to 25.45 per cent. The grant to Victoria for on-passing as general purpose assistance for local government authorities was \$42.1m in 1977-78, and the amount to be paid in 1978-79 is \$45.7m. Further information on this topic is given in Chapter 6 of this *Year Book*.

Specific purpose payments

Another element of the new federalism concerns specific purpose payments. Specific purpose payments have grown at a much faster rate than general purpose payments in recent years. Specific purpose payments will be examined to determine which of them can be absorbed into the general arrangements for income tax sharing.

Advisory Council for Inter-Governmental Relations

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

Elimination of duplication of effort between governments

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

Further developments in 1976-77 and 1977-78

At the 1977 Premiers' Conferences further discussion was held on the earlier agreement that there would be a periodic review of relativities between States' entitlements under Stage 1. It was agreed that the review body should be composed of the Chairman of the Commonwealth Grants Commission, two members of the Commission, plus three associate members, one nominated by New South Wales and Victoria and two by the other four States. Guidelines were suggested for the review body. Consideration was given to a proposal to change tax sharing entitlements from 33.6 per cent of the current year's personal income tax collection to an appropriate percentage of the preceding year's

collection to reduce uncertainty and administrative difficulties. This proposal was considered by Commonwealth and State officers and on the basis of their report, it was agreed that the States' tax sharing entitlement for 1977-78 would be \$4,336.1m, and that in future years, the entitlement should be 39.8 per cent of the preceding year's net personal income tax collection. The States actually received \$4,316.6m in 1977-78, following adjustments arising from over-payments in 1976-77. For 1978-79, it was estimated that the States tax sharing entitlement would amount to \$4,777m.

FIRE AUTHORITIES

Metropolitan Fire Brigades Board

Until January 1974, municipalities within the Metropolitan Fire District contributed one third, and fire insurance companies transacting business in the same area provided two thirds, of the amount required to maintain metropolitan fire brigades. As a result of amended legislation, operative since the beginning of 1974, contributions have subsequently been received in the proportions of one eighth from the Victorian Government, one eighth from municipal councils, and three quarters from fire insurance companies. During 1976-77, contributions by municipalities were equivalent to 0.45 cents in the dollar of the annual value of property, amounting to \$714m, while fire insurance companies contributed at a rate of \$25.10 for every \$100 of fire insurance premiums paid on insured property. Premiums received in the Metropolitan Fire District in 1976-77 amounted to \$76.9m.

Particulars of the revenue, expenditure, and loan indebtedness of the Metropolitan Fire Brigades Board for each of the years 1972-73 to 1976-77 are shown in the following table:

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

Particulars	1972-73	1973-74	1974-75	1975-76	1976-77
REVENUE					
Statutory contributions—					
Treasurer of Victoria	—	889	2,376	2,937	3,219
Municipalities	3,864	3,264	2,372	2,937	3,219
Insurance companies	7,652	10,040	14,254	17,624	19,262
Brokers and owners	125	118	194	299	357
Charges for services	966	1,220	1,623	1,992	2,309
Interest and sundries	538	673	808	1,046	1,440
Total	13,146	16,204	21,627	26,835	29,806
EXPENDITURE					
Salaries	8,749	11,223	14,587	16,558	20,013
Other	3,857	5,792	6,712	7,955	9,728
Total	12,606	17,015	21,299	24,513	29,741
Net surplus (+) or deficit (-)	+ 540	-811	+ 328	+ 2,322	+ 65
Loan indebtedness at 30 June	2,883	3,236	3,683	4,296	4,936

The following table shows particulars of the number of fire stations operated by the Metropolitan Fire Brigades Board and the number of staff employed at 30 June for each of the years 1973 to 1977:

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

Particulars	1973	1974	1975	1976	1977
Fire stations	47	47	47	47	48
Staff employed—					
Fire fighting	1,248	1,321	1,396	1,430	1,467
All other	251	272	282	292	292

Country Fire Authority

The headquarters of the Country Fire Authority are situated in Malvern, a suburb of Melbourne, where an operations centre is in direct radio contact with every fire control region throughout Victoria. At 30 June 1977, there were 106 permanent firemen employed in brigades at Ballarat, Belgrave, Bendigo, Boronia, Dandenong, Frankston, Geelong, North Geelong, Geelong West, and Springvale, with a total of 100 permanent brigade officers at these stations and at Chelsea, Doveton, Mildura, Morwell, Norlane, Shepparton, Traralgon, Wangaratta, Warrnambool, and Wodonga.

The revenue of the Country Fire Authority consists mainly of statutory contributions, in the proportion of one third from the Victorian Treasury's Municipalities Assistance Fund and two thirds from insurance companies underwriting fire risks in the country area of Victoria. There were 142 insurance companies thus contributing during 1976-77.

Up to 30 June 1977, the Authority had raised 111 loans, representing a total of \$13.1m, which has been used for the provision of buildings and equipment for brigades.

Particulars of revenue, expenditure, surplus, and loan expenditure and indebtedness of the Country Fire Authority, for each of the years 1972-73 to 1976-77, are shown in the first of the following tables. The second table shows particulars of the number of fire brigades, personnel, and motor vehicles for the same years.

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

Particulars	1972-73	1973-74	1974-75	1975-76	1976-77
REVENUE					
Statutory contributions—					
Municipalities Assistance Fund	1,638	2,144	2,883	3,756	4,666
Insurance companies	3,277	4,288	5,766	7,512	9,332
Other	166	212	326	336	470
Total	5,081	6,644	8,975	11,604	14,468
EXPENDITURE					
Salaries and wages	2,474	3,346	4,662	5,442	6,656
Other	2,579	2,965	4,110	5,079	6,633
Total	5,053	6,311	8,772	10,521	13,289
Net surplus	28	333	203	1,083	1,179
Loan expenditure	446	628	944	1,987	1,823
Loan indebtedness (at 30th June)	4,650	5,235	6,179	7,468	9,086

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

Particulars	1973	1974	1975	1976	1977
Fire brigades—					
Urban	212	215	215	215	215
Rural	1,054	1,061	1,061	1,060	1,058
Personnel—					
Permanent	331	371	398	431	471
Volunteer	114,709	117,250	118,283	114,145	110,697
Vehicular fleet—					
Self-propelled	1,390	1,411	1,452	1,498	1,539
Trailer units	395	420	389	401	429

BIBLIOGRAPHY

ABS publications*Victorian Office*

Victorian monthly statistical review (1303.2)

Central Office

Expenditure on education (5510.0)

Public authority finance: Federal authorities (5502.0)

Public authority finance: public authority estimates (5501.0)

Public authority finance: State and local authorities (5504.0)

Public authority finance: taxation (5506.0)

Public authority finance State Government: social services (5508.0)

Public authority pensions and superannuation schemes (5511.0)

Other publicationsCommonwealth Budget Paper No. 7: Payments to or for the States, the Northern Territory, and
Local Government authorities, 1978-79

Victorian Government: Budget 1978-79

Victorian Government: Estimates of the Receipts and Payments of the Consolidated Fund for the
year ending 30 June 1979

Victorian Government: Finance 1977-78

Victorian Government: National Accounting Statement of Receipts and Outlays of the Consolidated
Fund 1978-79

Victorian Government: Payments to or for Victoria by the Commonwealth 1978-79.