

PUBLIC FINANCE

VICTORIAN BUDGET SUMMARY, 1980-81

Introduction

The Victorian Budget for 1980-81 was presented by the Treasurer in the Legislative Assembly of the Parliament of Victoria on 17 September 1980.

Aspects of the Budget highlighted by the Treasurer were: (1) Reductions in pay-roll tax for small businesses; (2) further relief from probate duty and gift duty; (3) higher land tax exemption for the family home; (4) stamp duty relief for new motor vehicles and eligible first home buyers; (5) special funds for housing; (6) increased level of assistance for decentralisation; (7) expanded capital works programmes; (8) increased support for library services; and (9) increased allocations for country water supply and sewerage authorities.

The Treasurer explained that as the net result of transactions on the Current Account sector of the Consolidated Fund in 1979-80 was a surplus of \$61.4m, the Victorian Government had decided to transfer \$29m to the Works and Services Account to increase the level of funds available for capital works in 1980-81. The balance of \$32.4m will remain in the Current Account to supplement the anticipated 1980-81 revenue. The Treasurer said that this is a reflection of the Victorian Government's desire to recognise the continuing nature of government financing and to manage finances on a longer-term basis than is necessary for the formal processes of the Victorian Parliament.

Revenue, 1980-81

Estimated total receipts into the Consolidated Fund in 1980-81 increased by \$489.7m to \$4,475.2m.

Victoria's entitlement under the personal income tax sharing arrangements was estimated to be \$1,363.5m. This was an increase of 10.5 per cent over 1979-80. The financial assistance grants formula for tax sharing arrangements with the Commonwealth Government expired at the end of the 1979-80 financial year. As a result of the Premiers' Conference in December 1979, the Commonwealth Government agreed to a short-term guarantee for the 1980-81 financial year which would ensure that each State would receive no less in real terms than it received in 1979-80.

The financial year 1980-81 would be of significance in the history of income tax reimbursements arrangements for two reasons: (1) The present arrangements would be subject to overall review before June 1981 in terms of the Points of Understanding which were settled between the Commonwealth and State Governments in 1976; and (2) the basis of distribution of the share of the personal income tax pool coming to the States was being reviewed by a special division of the Commonwealth Grants Commission.

A further increase in the pay-roll tax exemption level came into operation on 1 January 1981. The new exemption level was \$96,600, reducing by \$2 for each \$3 increase in total pay-roll above that figure to a flat exemption of \$37,800 at pay-rolls of \$184,800 and above. The exemption level under the Gift Duty Act was increased from \$15,000 to \$20,000 with effect from 1 January 1981. The exemption level under the Land Tax Act was increased from \$40,000 to \$45,000 with effect from 1 January 1981 and legislation was to be introduced to establish a Hardship Relief Board, similar to the one that now exists for probate duty, to consider applications for relief from land tax because of

hardship. Property passing from child to parent or grandparent was now to be exempt from probate duty.

The rate of stamp duty on the certificate of registration of new motor vehicles was reduced from 3 per cent to 2.5 per cent.

First home buyers who qualify for the Home Savings Grant made available by the Commonwealth Government would qualify for a grant of \$100 as a refund on stamp duty.

The licence fee for all liquor other than light ale was increased from 8 per cent to 9 per cent. The revenue gains from this measure was to be used to more than halve the fee applicable to light ale.

There was to be no change in the Statutory Corporation Payments made by the State Electricity Commission, i.e., 5.5 per cent of revenue, but the Gas and Fuel Corporation would be required to increase its payment from 5.5 per cent to 8 per cent.

Expenditure, 1980-81

The total works programmes of Victorian Government departments and major statutory bodies for 1980-81 were estimated to increase by \$213.4m or 12.1 per cent. The Commonwealth Government agreed to increase government loan allocations and works grants by 5 per cent over 1979-80. Expenditure from the Works and Services Account was estimated at \$441.7m, an increase of \$47.3m over 1979-80 expenditure. The expenditure was to be financed by an appropriation of \$412.8m from the Consolidated Fund to the Works and Services Account plus expenditure of \$28.9m from the balance in Works and Services Account which was placed in the Account in 1979-80 to be available to assist works programmes in 1980-81. The 1980-81 semi-government borrowing programme for Victoria was \$551.4m and included special provision for borrowings for the Loy Yang power station project, the World Trade Centre, the power transmission line to Portland, and the Wurdee Boluc pipeline.

Education

Total education expenditure was estimated at \$1,458m. An amount of \$1,399m was allocated for recurrent items (of which \$886m was for salaries) and \$149m for works and services.

During 1980-81, seventeen new primary and three new post primary schools were to be completed and work was to commence on eight primary, two special developmental schools, and three centres for counselling guidance and clinical services.

The Victorian Government has entered into a co-operative arrangement with the Master Builders Association of Victoria for the establishment of a Group Apprenticeship Scheme.

Police

The allocation to the Victoria Police, excluding the cost of pensions to retired police officers, was \$220.3m. The 1980-81 Budget provided for a gross intake of 665 men in order to achieve an estimated strength of 8,038 members at 30 June 1981. The police cadet training scheme was to be phased out and any savings transferred to cover an expansion of general recruitment. Special provision was made for specialised communications equipment and scientific apparatus required for the Commonwealth Heads of Government Meeting to be held in Melbourne during October 1981. Works and Services Account allocation was \$11.2m. Work has commenced on a \$2.15m contract for upgrading the control room at D24 Russell Street.

Public transport

The Treasurer estimated that the level of subsidy to the users of public transport services in 1980-81 amounted to \$206m. Twenty-eight new trams were to be delivered during the year and the 130 new buses on order were to be in service before the end of the financial year. Forty-eight new stainless steel carriages were to be delivered during the year and funds have been allocated for commencement of the upgrading of the 252 blue suburban carriages.

The first sections of the Melbourne underground rail loop project were to come into operation during 1980-81. The West Gate Bridge Authority was to receive an annual advance of \$10m over the next five years. Legislation was to be brought forward to reconstitute the authority.

Estimated receipts from the petrol franchise tax would be \$65.8m. This would be used for roadworks and would cover the cost of the subsidy to passengers of private bus services, \$17.5m for 1980-81.

Health

Estimated expenditure for 1980-81 was \$740m. The largest single item was \$440m for estimated expenditure for hospital services including nursing homes and other charitable institutions. Within the Works and Services Account \$48.8m was allocated to general hospital building which includes provision for new projects at Swan Hill, Wonthaggi, Maroondah, Goulburn Valley, and East Gippsland Hospitals and continuing projects at the Austin, Essendon, Sunshine, and Western General Hospitals.

A new admission centre with provision for day hospital facilities has been built at Royal Park Psychiatric Hospital and a re-organisation of existing services would enable the establishment of a long-term rehabilitation ward. A comprehensive regional service for retarded persons, based on the pilot scheme operating in the Loddon-Campaspe region, was to be developed.

Community welfare services

The 1980-81 allocation was \$129m of which \$6.7m was from the Works and Services Account. An amount of \$41.1m was to be provided for rate and fare concessions to pensioners. An increase of 25 per cent on the weekly rate for foster care and non-parent assistance was made.

Legal Aid Commission

This Commission was to come into operation in 1980-81 and amalgamate the existing Legal Aid Committee, the Australian Legal Aid Office, and the Public Solicitor into one body. Victoria's contribution to the Commission was estimated to be \$0.9m for the 1980-81 year.

Housing

Commonwealth funds to Victoria for welfare housing was to be \$68.6m for 1980-81. In order to obtain the full Commonwealth allocation Victoria would provide the required matching State funds. A further \$10m was to be made available for new co-operative housing societies through the State Bank to assist first home buyers to buy new homes.

Rural matters

The Treasurer stated that all major rural industries generally enjoyed a good year in 1979-80 with overall grain production exceeding four million tonnes for the first time. The Victorian Government had established the Young Farmers Finance Council to assist young persons to acquire their own farms. The Rural Finance Commission approved a record \$32.3m in loans to the rural community. The expected lending for 1980-81 was \$35m.

Water resources

The allocation for 1980-81 was \$115.2m which included \$34.9m from the Works and Services Account. An amount of \$2.8m was to be spent on salinity control and drainage works in 1980-81. Investigations into flooding problems at Seaspray, Kerang, Echuca, and Traralgon have been completed and further studies underway at Geelong, Wangaratta, Shepparton-Mooroopna, Seymour, Horsham, Bendigo, Morwell, and Benalla. The approved strategy for overcoming flooding problems at Sale commence in 1980-81. Proposed works for country water and sewerage authorities was estimated at \$50.7m. The Melbourne and Metropolitan Board of Works total capital programme for the current financial year was \$199.6m. The Victorian Government has agreed to reimburse the Melbourne and Metropolitan Board of Works \$111m for work on the Thomson-Cardinia water supply system which was attributable to non-metropolitan water consumers. This amount was to be reimbursed by 80 half-yearly instalments of principal and interest.

State development, decentralisation, and tourism

The 1980-81 allocation was \$51.4m including \$8m from the Works and Services Account. Payments to approved decentralised industries were to be \$34.4m. Plans were being developed for an extensive range of functions between November 1984 and October 1985 to celebrate the 150th anniversary of settlement in Victoria. For 1980-81, the

Victorian Development Corporation was to have in excess of \$1.1m to assist manufacturing and tourism in country areas. The Small Business Development Corporation has been allocated \$0.6m.

Conservation

An amount of \$34.2m was provided for 1980-81, including \$7m from the Works and Services Account. The National Parks Service has been allotted \$7.1m and \$5m has been allocated to the Fisheries and Wildlife Division. Provision for the Environment Protection Authority was \$6.4m and additional staff have been approved to implement the State Environment Protection Policy.

The arts

The allocation for the Ministry of the Arts was \$62.1m, the major single item being \$23.5m from the Works and Services Account for the Victorian Arts Centre. The maximum per capita subsidy to municipal library services has been increased to \$3.25. The allocation for the Victorian Film Corporation was \$1.1m.

Local government

The Commonwealth Government has amended legislation so that local government's share of personal income tax is now 2 per cent. This increased share from 1.75 per cent produced an allocation of \$76.6m. Borrowings by municipalities for 1979-80 totalled \$90.7m.

Youth, sport, and recreation

Funds available to the Department of Youth, Sport and Recreation for 1980-81 were estimated at \$15.3m. The State Indoor Swimming Centre was opened in 1980 and \$2.4m was allocated towards the cost of the State Indoor Sports Centre at Olympic Park. An amount of \$2.4m was committed towards the cost of major sporting and recreation projects in 19 municipalities.

Consolidated Fund

VICTORIA—CONSOLIDATED FUND: RECEIPTS, BUDGET SUMMARY, 1980-81 (\$'000)

Head of receipt	1979-80 (Actual)	1980-81 (Estimate)
Current account—		
Balance 1 July	—	32,396
State taxation	1,366,866	1,568,564
Other State sources	635,980	700,037
Railways operating income	228,704	261,000
Commonwealth Government payments—		
Financial Agreement	4,254	4,254
Personal income tax sharing entitlement	1,233,934	1,363,500
Other Commonwealth Government payments accounted for through the Consolidated Fund	125,375	132,657
Total	3,595,114	4,062,408
Works and services—		
Proceeds of loan raisings	208,521	218,947
Loan repayments	15,469	12,100
Commonwealth Government payments—		
Works grant	104,260	109,473
School building grants	50,244	56,963
Urban public transport grants	8,664	9,600
National railway network	3,230	5,700
Total	390,388	412,783
Grand total	3,985,502	4,475,191

VICTORIA—CONSOLIDATED FUND: PAYMENTS, BUDGET SUMMARY, 1980-81
(\$'000)

Function of payments	1979-80 (Actual)	1980-81 (Estimate)
Current account—		
Special appropriations	751,952	885,087
Departmental votes	2,391,606	2,751,272
Railways operating expenses (a)	390,116	426,067
Total	3,533,674	4,062,425
Balance carried forward	32,396	—
Works and services—		
Appropriation to Works and Services Account	419,432	412,765
Grand total	3,985,502	4,475,191

(a) This item does not include railways debt charges, which are included in the item "special appropriations" as follows: charges on total debt 1979-80 (Actual) \$52.1m; 1980-81 (Estimate) \$55.4m; charges on debt since 1960 to 1979-80 (Actual) \$27.9m; 1980-81 (Estimate) \$31.2m.

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* (5204.0) 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 *State and Local Government Finance, Australia* (5504.0) issued by the Central Office of the Australian Bureau of Statistics.

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

Item	1974-75	1975-76	1976-77	1977-78	1978-79
OUTLAY					
Final consumption expenditure	r1,498.0	r2,015.0	r2,377.4	r2,710.7	2,976.7
Gross capital formation—					
Increase in stocks	15.4	4.5	8.8	r5.0	7.4
Expenditure on new fixed assets	r1,062.9	r1,250.6	r1,407.8	r1,596.7	1,744.5
Expenditure on existing assets (net)	116.1	r92.6	r80.7	r76.3	63.4
Total gross capital formation	r1,194.4	r1,347.7	r1,497.3	r1,678.0	1,815.3

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

Item	1974-75	1975-76	1976-77	1977-78	1978-79
<i>OUTLAY—continued</i>					
Transfer payments—					
Interest	r350.9	r404.4	r483.8	r566.3	630.6
Transfers to persons	54.8	63.0	r66.7	r66.4	65.6
Subsidies	r8.0	12.2	r18.8	21.4	27.1
Transfers overseas	0.1	0.1	0.1	r—	—
Grants for private capital purposes	r14.7	18.6	14.5	r19.7	23.4
Total transfer payments	r428.4	r498.3	r583.8	r674.0	746.7
Net advances—					
To the private sector	65.2	r90.6	r103.4	r89.5	61.2
To public financial enterprises	5.0	5.8	4.9	5.1	2.8
Total net advances	70.2	r96.4	r108.3	r94.6	64.0
Total outlay	r3,191.1	r3,957.5	r4,566.8	r5,157.2	5,602.7
Total outlay—					
Current outlay	r1,911.7	r2,494.7	r2,946.8	r3,364.9	3,700.0
Capital outlay	r1,279.4	r1,462.7	r1,620.0	r1,792.3	1,902.6
<i>RECEIPTS AND FINANCING ITEMS</i>					
Receipts—					
Taxes, fees, fines, etc.	1,072.8	1,310.6	r1,497.2	r1,652.4	1,752.7
Income from public enterprises	r93.0	r118.8	r170.2	r189.6	233.3
Property income—					
Interest	54.5	59.7	77.3	r90.5	89.5
Land rent, royalties	40.4	46.8	53.5	69.3	81.4
Total property income	95.0	106.5	130.8	r159.8	170.9
Grants from the Commonwealth Government—					
For current purposes	919.9	1,374.5	1,514.9	1,769.7	1,929.1
For capital purposes	349.7	387.0	373.4	360.8	358.2
Total receipts	r2,530.4	r3,297.3	r3,686.5	r4,132.3	4,444.1
Financing items—					
Net borrowing—					
State public trading enterprises	177.5	250.8	320.4	415.2	511.6
State general government	r1.7	r3.4	2.0	r5.2	5.8
Local authorities	31.3	45.0	51.1	59.2	63.8
Advances from the Commonwealth Government (net)—					
For loan works purposes	148.4	181.2	189.5	198.0	194.3
Other	158.3	174.0	138.1	116.3	90.0
Net receipts of private trust funds	r109.2	r-79.5	r80.7	r33.1	44.0
Reduction in cash and bank balances	-92.6	-131.2	r-23.2	r78.0	38.0
Reduction in security holdings	-30.7	43.1	r-58.2	r-147.3	-97.1
Other funds available (including errors and omissions)—					
Depreciation allowances	79.2	89.7	100.8	127.8	140.0
Other	r78.4	r83.6	r79.2	r139.6	168.0
Total financing items	r660.7	r660.1	r880.3	r1,025.0	1,158.5
Total funds available	r3,191.1	r3,957.5	r4,566.8	r5,157.2	5,602.7

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

Purpose	1974-75	1975-76	1976-77	1977-78	1978-79
<i>FINAL CONSUMPTION EXPENDITURE CLASSIFIED BY PURPOSE</i>					
General public services—					
Law, order, and public safety	122.5	148.1	r173.4	r202.0	225.9
General administration, n.e.c.	r110.6	r149.5	r165.9	r193.1	219.4
Education	r765.9	r946.5	r1,153.7	r1,316.9	1,422.8
Health	283.4	r498.2	575.2	r636.8	707.0

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

Purpose	1974-75	1975-76	1976-77	1977-78	1978-79
FINAL CONSUMPTION EXPENDITURE CLASSIFIED BY PURPOSE— <i>continued</i>					
Social security and welfare	31.7	41.7	r50.7	r64.9	75.2
Housing and community amenities—					
Housing	0.6	0.7	1.2	1.5	1.8
Community and regional development	9.3	12.5	14.3	r17.8	20.8
Sanitation and protection of the environment	r25.5	r29.8	r34.6	r39.6	42.5
Recreation and culture	50.8	62.5	75.1	86.9	95.7
Economic services—					
Agriculture, forestry, and fishing	48.0	59.8	r66.1	r74.1	80.3
Mining, manufacturing, and construction	7.4	9.2	r10.2	r12.1	14.2
Water supply	-1.1	0.5	r-1.8	r-2.1	-1.9
Rail transport	0.3	0.4	—	r0.4	—
Road systems and regulation	15.0	18.5	21.7	r23.4	25.7
Other transport services, n.e.c.	0.3	1.7	1.6	1.6	1.8
Other economic services (including general administration)	r27.2	r35.2	r34.8	r41.0	44.7
Other purposes	0.3	0.3	0.8	0.8	0.8
Total	r1,498.0	r2,015.0	r2,377.4	r2,710.7	2,976.7
EXPENDITURE ON FIXED ASSETS CLASSIFIED BY PURPOSE					
General public services—					
Law, order, and public safety	r8.6	r13.9	r22.8	r24.5	27.0
General administration, n.e.c.	42.9	61.9	67.0	r106.1	102.9
Education	170.9	r169.7	r157.8	r169.5	188.9
Health	48.7	73.6	80.8	r71.7	68.1
Social security and welfare	r1.1	2.0	2.7	1.8	1.8
Housing and community amenities—					
Housing	57.8	29.0	31.7	39.0	37.1
Community and regional development	1.9	r8.7	7.4	r1.3	0.7
Sanitation and protection of the environment (including sewerage and drainage)	r115.0	r127.4	r117.5	r121.4	117.0
Recreation and culture	r16.2	r32.2	33.1	r48.0	51.8
Economic services—					
Agriculture, forestry, and fishing	40.0	50.2	57.4	r60.2	53.6
Mining, manufacturing, and construction	7.3	r12.9	26.6	r25.5	24.3
Electricity and gas	131.2	181.8	231.5	r310.8	433.2
Water supply	64.0	r75.3	102.7	r129.5	127.9
Rail transport	56.8	r72.5	90.3	r100.8	113.3
Sea transport	19.9	20.2	r18.2	r17.7	22.7
Road systems and regulation	265.7	r294.8	r331.2	r333.9	341.6
Other transport services, n.e.c.	6.1	11.6	9.7	14.2	10.3
Other economic services (including general administration)	8.9	13.0	r18.9	20.8	22.1
Other purposes	—	—	0.5	0.1	0.1
Total	r1,062.9	r1,250.6	r1,407.8	r1,596.7	1,744.5

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 1979-80, 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) is 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. During 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 1978-79 and 1979-80, the sinking fund contributions made by the Commonwealth Government on account of debt incurred by Victoria were \$9.1m and \$9.6m, respectively.

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.

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 became 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. 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*. For 1980-81, the States are further guaranteed that their entitlements will not be less in real terms than in 1979-80. 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.

Stage 2 of the arrangements came into effect in 1977-78. Each State became entitled to legislate to impose a surcharge on personal income tax in the State, or to give (at cost to the State) a rebate on personal income tax. Assessment provisions and the basic income tax rate structure were to remain uniform throughout Australia. There would continue to be one income tax collection form and the Commonwealth was to remain the sole collection agency.

Because of the uncertainty associated with the use of the current year's tax collections as the base of the tax sharing scheme, it was agreed at the July 1977 Premiers' Conference 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 agreed to using 39.87 per cent, and not 33.6 per cent, as the appropriate percentage to calculate the States' entitlements.

For 1979-80, all States' personal income tax sharing entitlement fell short of that which would have applied if calculated under the financial assistance grants formula. Therefore, the guarantee provisions came into effect and the States' entitlement amounted to \$5,415.9m.

In 1980-81, the guarantee provision for maintaining entitlements in real terms were to come into effect and it is estimated that the States' entitlement would be \$6,020.2m.

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

Nature of payment	1975-76	1976-77	1977-78	1978-79	1979-80
General revenue assistance (b)	706,389	841,700	984,690	1,090,025	1,233,934
Financial Agreement—					
Interest on State debt	4,254	4,254	4,254	4,254	4,254
Sinking fund on State debt (c)	7,500	8,003	8,540	9,098	9,649
Capital assistance grants	108,871	114,354	120,071	120,071	104,260
Research grants	1,553	3,014	2,470	2,856	2,951
Government schools—					
Capital grants	38,279	37,657	40,882	36,313	33,440
Recurrent grants	51,855	69,450	71,107	71,856	76,204
Non-government schools—					
Capital grants	10,779	7,259	10,301	12,668	10,478
Recurrent grants	42,175	58,590	59,674	73,130	87,390
Schools—joint programmes	6,551	7,040	7,560	7,088	6,020
Technical and further education	17,029	23,199	23,891	33,101	31,554
Colleges of advanced education and teachers colleges	145,620	161,931	160,490	169,568	178,870
Universities	120,233	145,222	164,650	169,709	184,235
Pre-schools and child care	12,797	16,882	18,203	11,815	12,737
Child migrant education	4,502	51	41	609	1,067
Hospitals—capital development	27,280	27,000	11,800	—	—
Public hospital running costs	229,570	149,903	228,557	252,575	268,476
Community health	10,863	15,015	17,669	12,473	13,134
School dental scheme	3,395	3,602	3,861	3,352	3,770
Blood transfusion service	1,084	1,356	1,889	2,732	2,172
Dwellings for aged pensioners	2,827	3,419	2,530	3,388	7,186
Senior citizens centres	1,514	1,864	1,944	958	1,433
Home care services	2,178	2,018	2,520	3,450	4,226
Aboriginal advancement	1,358	1,936	1,809	1,568	1,837
Welfare housing grants	1,679	1,347	1,347	1,347	1,347
Other housing assistance grants	—	—	—	—	15,045
Employment grants	8,200	—	—	—	—

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

Nature of payment	1975-76	1976-77	1977-78	1978-79	1979-80
Regional Employment Development					
Scheme	5,404	—	—	—	—
Apprenticeship training	852	2,804	2,123	1,062	121
Area improvement programme	4,896	28	—	—	—
Sewerage	10,784	5,794	100	—	—
Land acquisition	3,417	—	—	—	—
National estate	550	591	370	415	300
Leisure, recreation, and cultural facilities	1,677	1,089	492	134	42
Agricultural extension services	2,022	2,291	2,341	2,307	1,135
Bovine brucellosis and T.B. eradication	2,459	4,938	5,858	6,980	5,754
Dairy adjustment programme	2,388	643	241	—	—
Rural reconstruction	1,675	950	6	—	—
Roads	89,080	91,100	98,900	105,771	113,683
Urban public transport	9,332	15,885	9,830	12,000	12,131
Transport planning and research	3,106	2,193	2,411	1,714	1,842
Water resources	891	1,136	1,136	1,136	1,193
Local government general purpose grants	20,242	35,398	42,078	45,666	56,436
Natural disaster relief	5,972	1,992	621	812	-229
Other payments	3,053	4,417	3,805	4,564	6,270
Total	1,736,135	1,877,316	2,121,061	2,276,566	2,494,343

(a) Excludes subsidies and bounties to primary producers, cash benefit payments to persons, and 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.

Further reference: *New Federalism Policy, Victorian Year Book 1979, pp. 453-6*

Capital assistance

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 1977-78. In 1979-80, they amounted to \$415.0m of which Victoria received \$104.3m.

Research

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 1979-80 amounted to \$12.3m of which Victoria received \$3.0m. Payments in 1980-81 and future years would be made directly to the individual researchers through the research institutions and would not, therefore, be classified as payments to or for the States.

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. From 1979, however, fixed triennial funding arrangements have been 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 would be determined annually. Technical and further education funds are also determined annually, while rolling programme arrangements were to be maintained for payments to the States for schools. Cost supplementation arrangements for 1980 would 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. For universities and colleges of advanced education, recurrent funds were to be maintained at approximately the same real level in 1981 as in 1980, Capital and equipment funds were to be reduced by 17.6 per cent in real terms in 1981, consistent with enrolment trends. For the technical and further education sector, there was to be an overall increase of 1.1 per cent in real terms in assistance in 1981.

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 1979-80 were \$704.9m of which Victoria received \$184.2m (\$173.6m for recurrent expenditure and \$10.7m 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 1979-80, the total grants made to the States for these institutions amounted to \$497.2m of which Victoria received \$178.9m (\$159.7m for recurrent expenditure and \$19.2m 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 1979-80, grants to the States amounted to \$138.8m of which Victoria received \$31.6m (\$16.1m for recurrent expenditure and \$15.5m for capital expenditure).

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. For 1981 and 1982, rolling programme planning guidelines allowed for maintenance of the same level of funds in real terms as those allocated for the 1980 base programme. In 1979-80, grants to the States for schools amounted to \$696.6m of which Victoria received \$213.5m (\$169.6m for recurrent expenditure and \$43.9m for capital expenditure).

Pre-schools

Commonwealth grants to the States for pre-schools commenced in 1973-74 with the provision of funds for both capital and recurrent purposes. In 1977-78, assistance to the States for the recurrent costs of pre-school services was provided in the form of a block grant. From 1978-79, the block grants have represented the total Commonwealth contribution to the States towards capital and recurrent costs of pre-schools. The grants in 1979-80 amounted to \$32.8m of which Victoria received \$9.0m.

Health Insurance Programme

The States entered into agreements in 1975 with the Commonwealth Government for the provision of free standard ward public hospital treatment without means test and free public hospital outpatient services. There were agreed arrangements in respect of charges in wards other than standard wards. In essence, the agreements provided that the Commonwealth Government met 50 per cent of the net recurrent costs of hospitals referred to as "recognised" hospitals in the agreements. When these agreements were found to be invalid, new cost-sharing agreements were negotiated and became effective on 1 October 1976. The main change from the previous arrangements was that the Commonwealth Government was now to meet 50 per cent of budgets as approved by the Commonwealth and the State Health Ministers. Agreements with Victoria ended on 30 June 1980, but have been extended on an annual basis pending finalisation of the Commission of Inquiry into the Efficiency and Administration of Hospitals. In 1979-80, the States received \$1,119.2m of which Victoria's share was \$268.5m.

Children's services

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 and child care projects including home care, vacation and after school care projects, and various other community initiated projects. Grants for pre-schools are discussed earlier in this chapter. The grants in 1979-80 for children's services other than pre-schools amounted to \$10.8m of which Victoria received \$3.7m.

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. Since 1 July 1978, the Commonwealth Government has met 50 per cent of recurrent and capital 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. In addition to the abovementioned arrangements, the Commonwealth Government meets the full cost of those community health projects which have an Australia-wide application. New grants for community facilities and services for mental health, alcoholism, and drug dependency under this programme commenced in 1973-74. Since 1979-80, further funds have been provided to the States through the Community Health Programme for the employment of ethnic health workers, interpreters, and translators. In 1979-80, \$47.8m was paid to the States under the Community Health Programme of which Victoria received \$13.1m (\$12.5m for recurrent expenditure and \$0.7m for capital expenditure).

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. These arrangements have been revised since then and from 1978-79 the Commonwealth Government has met 50 per cent of the operating costs of training facilities and clinics and 50 per cent of the capital costs of new facilities. In 1979-80, grants for the School Dental Scheme amounted to \$22.8m of which Victoria received \$3.8m.

Home care services

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 own homes. Grants provided in 1979-80 totalled \$10.4m of which Victoria received \$4.2m.

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 are now being assisted. In 1979-80, grants amounted to \$30m of which Victoria received \$7.2m.

Apprenticeship training

Since 1971-72, the Commonwealth Government and the States have collaborated in several schemes to improve and extend apprenticeship training. In 1979-80, the Commonwealth Government provided \$1.1m to meet costs incurred by the States in employing apprentices surplus to requirements. Of this amount Victoria received \$0.1m. This programme is being phased out as other manpower and training schemes are introduced.

Commonwealth extension services

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 1979-80 amounted to \$4.7m of which Victoria received \$1.1m.

Roads

The Commonwealth Government assistance for expenditure on roads has taken two main forms — general assistance, and assistance for specific road projects. Payments of the latter kind were included in the general programme of roads assistance introduced in 1974-75. An amount of \$546.0m was made available to the States in 1979-80, an increase of 7.5 per cent over 1978-79, and Victoria's share of this was \$113.7m. Legislation also sets down annual quotas of expenditure which are to be met from State sources. In 1979-80, these quotas amounted to \$534.3m of which Victoria's quota was \$156.4m.

Urban public transport

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. Between 1978-79 and 1982-83, assistance totalling \$300m will be provided under the *States Grants (Urban Public Transport) Act 1978*. The Act initially provided \$60m a year to the States (\$40m allocated in fixed guaranteed amounts and \$20m allocated annually on the basis of needs and priorities). Since 1978-79, the Commonwealth Government has limited payments to the guaranteed amounts. In 1979-80, \$42.1m was paid to the States of which Victoria received \$12.1m.

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 1975-76 to 1979-80 are shown in the following table:

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

Nature of advance	1975-76	1976-77	1977-78	1978-79	1979-80
Housing for servicemen	6,082	4,191	753	948	45
Housing	98,159	98,159	101,759	82,451	41,744
Growth centres	22,277	15,793	9,075	7,391	8,804
Land acquisition	12,222	4,926	5,340	3,201	3,267
Sewerage	24,780	11,970	—	—	—
Dairy adjustment programme	7,677	3,565	363	—	—
Railway mainline upgrading	—	—	—	—	3,230
Rural adjustment scheme	—	2,958	9,733	8,712	3,281
Rural reconstruction	5,025	2,850	18	—	—
Dartmouth Dam	2,800	1,875	—	—	—
Other	4,048	2,923	1,364	814	415
Total	183,070	149,210	128,404	103,517	60,787

(a) Excluding Loan Council borrowings.

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 money, 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. Money to the credit of the Account was 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 1974-75 to 1978-79:

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

Source of receipts	1974-75	1975-76	1976-77	1977-78	1978-79
Taxation (a)	707,356	888,053	1,025,288	r1,112,952	1,171,533
Recoveries of debt charges—					
Interest	65,165	76,779	89,340	101,633	110,265
Redemption and repayment of advances	7,703	9,343	11,774	14,328	16,711
Other	3,958	4,076	4,208	4,588	4,652
Railways—					
Ordinary income	126,557	142,571	156,920	166,603	177,515
Other	2,446	4,372	6,990	13,954	11,322
Forestry—					
Royalties	9,850	11,994	15,024	14,795	14,678
Other	1,713	1,696	1,237	1,003	1,283
Lands, survey, and mining—					
Royalties	38,812	43,333	47,560	70,390	88,142
Other	5,031	6,140	7,377	8,706	11,797
Ports and harbours	5,551	5,975	6,991	7,241	7,518
Water supply, sewerage, irrigation, and drainage	22,708	27,221	33,026	36,884	39,976
Fees and charges, n.e.i.	59,751	69,483	82,520	93,756	101,924
Fines	10,314	12,577	15,252	16,342	19,606
Miscellaneous	r43,619	r53,388	69,612	83,363	106,473
Commonwealth Government recurrent payments—					
Financial Agreement Act	4,254	4,254	4,254	4,254	4,254
Financial assistance (b)	548,405	706,389	841,700	984,690	1,090,025
Special revenue assistance	13,861	—	—	—	—
Debt charges assistance	13,914	—	—	—	—
Education grants (c)	39,069	57,967	72,107	80,778	84,415
Departmental charges — social welfare and health benefits	6,856	9,724	6,703	9,655	10,050
Tuberculosis arrangement	4,865	4,205	2,647	r2,277	1,544
Pre-school child education and care (c)	5,577	10,150	13,119	13,225	9,015
School dental programme (c)	1,606	1,365	1,897	2,373	3,572
Deserted wives — social welfare	—	—	2,824	4,517	5,434
Other (c)	2,344	4,570	9,492	r10,363	13,419
Commonwealth Government capital payments—					
Works grant	87,370	108,871	114,354	120,071	120,071
Education grants (c)	49,524	45,075	45,612	52,939	53,886
Sewerage Agreement (c)	34,236	30,809	13,100	—	—
Urban public transport (c)	—	—	11,331	7,050	10,963
Other (c)	2,270	4,693	4,070	3,579	2,407
Loan raisings	184,809	217,744	228,706	240,142	240,142
Loan repayments, n.e.i.	4,915	5,381	10,580	12,432	10,997
Total	2,114,416	2,568,197	2,955,620	3,294,891	3,543,598

(a) For details of total taxation collections see pages 454-5.

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

(c) There are also other receipts credited to Trust Funds. See pages 452-4.

The principal payments for each of the years 1974-75 to 1978-79 are shown in the following table. The table generally conforms to the purpose classification of government expenditure described in the publications *Commonwealth Government Finance Australia, 1978-79* (5502.0) and *State and Local Government Finance, Australia 1978-79*, (5504.0) issued by the Central Office of the Australian Bureau of Statistics. The purpose classification is derived from that outlined in the United Nations publication entitled *A System of National Accounts*.

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

Purpose of payment	1974-75	1975-76	1976-77	1977-78	1978-79
Public debt charges—					
Interest (including exchange)	164,398	175,734	209,251	239,448	257,403
Sinking Fund	28,836	29,000	31,156	33,458	35,849
Other	1,258	1,042	1,216	1,200	1,587
Commonwealth — State Housing Agreement—					
Interest	25,930	29,735	35,075	39,248	42,979
Repayments	6,053	7,715	7,564	8,408	9,252
Railways—					
Working expenses (a)	239,104	267,923	299,727	326,389	341,312
Other	4,676	5,639	5,891	6,504	7,330
Agricultural, pastoral, etc., services	23,911	29,756	38,263	39,359	41,551
Culture and recreation	12,751	16,604	19,942	28,317	28,328
Development and decentralisation	13,252	21,131	26,796	32,835	36,721
Education—					
Registered schools	20,039	29,163	41,897	r51,976	58,730
State schools —					
Primary and secondary (b)	430,508	543,862	644,775	r741,056	807,268
Technical and vocational	20,306	25,051	28,577	35,773	42,009
Universities	44	72	73	23	24
Other higher education	39,709	39,920	35,833	30,948	24,462
Other (c)	54,899	69,206	83,270	95,565	106,070
Forestry	12,434	14,991	17,202	18,115	19,378
Health services —					
Mental hygiene and mental hospitals	62,354	80,762	95,050	108,480	118,356
Payments to Hospitals and Charities Fund	194,702	225,834	247,864	272,750	273,706
Other	24,427	29,696	36,452	39,335	43,215
Lands, survey, and mining	28,737	33,384	38,028	48,405	57,166
Law, order, and public safety —					
Justice	25,375	32,761	35,971	39,856	42,047
Police	80,185	100,814	119,467	138,804	154,823
Prisons and probation	10,204	12,956	15,034	17,067	19,188
Public safety, etc.	533	619	696	701	925
Legislative and general administration	36,679	51,587	62,786	65,327	74,663
Grants and advances to municipalities and semi-government authorities (d)	35,404	45,898	61,471	74,567	85,301
Local government, n.e.i.	2,679	3,212	3,490	4,015	4,509
Subsidies to semi-government authorities	r4,784	r6,158	r7,543	9,016	11,331
Pay-roll tax	28,830	36,727	44,430	49,351	55,322
Pensions and superannuation (e)	26,028	38,568	51,746	64,724	77,709
Ports and harbours	5,769	6,960	7,891	8,402	9,219
Protection of the environment (including sewerage)	r5,514	r6,960	r8,449	10,212	11,019
Social welfare, n.e.i.	30,193	41,581	58,167	71,708	85,319
Water supply, irrigation, and drainage	25,363	30,018	34,608	38,144	41,017
Miscellaneous (f)	41,475	51,072	64,132	69,989	87,279
Appropriation to Works and Services Account	347,087	426,092	435,844	435,427	431,225
Total	2,114,416	2,568,197	2,955,620	3,294,891	3,543,598

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

(b) Includes secondary technical.

(c) Includes travelling allowances and fare concessions for students.

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

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

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

VICTORIAN TRUST FUND 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 money 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 1978-79 aggregated \$3,551.7m and credits \$3,523.2m. At the end of the year, the liability of the State on account of all trust funds or accounts (including shares to the value of \$15.7m lodged with the Treasurer) was \$284.3m. Of this total, investments in government and other securities amounted to \$100.6m, cash advanced was \$25.5m, while the balance, \$158.2m, 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 1978-79:

VICTORIA—CURRENT TRUST FUNDS AND ACCOUNTS, 1978-79
(\$m)

Particulars	Balance at 1 July 1978	1978-79		Balance at 30 June 1979
		Payments	Receipts	
State Government funds	258.1	2,503.8	2,474.5	228.8
Joint Commonwealth and State funds	6.1	24.3	27.0	8.8
Commonwealth Government funds	26.9	1,019.2	1,018.4	26.1
Bequests, deposits, etc.	21.7	4.5	3.3	20.6
Total	312.9	3,551.7	3,523.2	284.3

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 1978-79, other than suspense and clearing accounts, were: (1) Works and Services Account, credited with \$431.2m (referred to in more detail below); (2) Hospitals and Charities Fund, credited with \$274m; (3) The Country Roads Board Fund, credited with \$94.8m; (4) Roads (Special Projects) Fund credited with \$39.8m; and (5) The Licensing Fund, credited with \$37.3m. The major suspense and clearing accounts were: (1) The Railway Charges in Suspense Account, credited with \$260.5m; (2) Motor Accidents and Insurance Premiums Suspense Account, with receipts of third party insurance premiums totalling \$189.4m for distribution to approved insurers and the Motor Accidents Board; and (3) Payroll Deduction Suspense Account, with credits of \$387.3m.

Joint Commonwealth and Victorian funds

The major accounts under this heading are the Dartmouth Dam Construction Account and the Victorian Natural Disasters Relief Account with receipts of \$9.5m and \$12.4m, respectively.

Commonwealth Government funds

These accounts are created under the Public Account Act to receive and expend money received as a grant or payment under any Commonwealth Government Act. The main broad categories here together with their respective credits were: (1) education \$442.2m; (2) health \$273.8m; (3) housing \$117.2m; and (4) transport \$108.5m.

Money 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 \$15.7m purchased by the Victorian Government.

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—	1974-75	1975-76	1976-77	1977-78	1978-79
Agricultural, pastoral, etc., services	6,497	11,529	9,652	5,860	5,061
Culture and recreation	8,079	14,224	14,918	r23,550	26,451
Development and decentralisation (a)	5,865	6,560	r6,128	r7,387	5,997
Education—					
Primary and secondary (b)	84,570	105,966	103,428	98,423	103,383
Technical and vocational	25,448	28,815	28,673	41,235	48,424
Universities	7	103	—	—	—
Other higher education	1,761	1,138	645	2,248	888
Other	6,717	1,735	10,220	16,185	11,080
Electricity supply	13,000	14,000	14,000	—	—
Forestry	6,820	8,177	10,988	13,585	13,618
Gas supply	40	40	20	20	40
Grants to municipalities (c)	6,004	r7,753	r6,651	r5,370	3,595
Health services—					
Mental hygiene and mental hospitals	9,483	14,003	13,344	12,437	12,002
Other hospitals	27,649	27,794	35,433	38,128	48,311
Other	1,318	2,192	3,687	4,290	4,999
Housing	—	400	200	200	25
Lands, survey, and mining	2,942	4,058	5,779	5,942	7,217
Law, order, and public safety	7,425	11,526	15,016	16,148	20,797
Legislature and general administration	12,328	14,835	19,654	18,928	10,861
Natural disaster relief	3,250	3,500	17	—	801
Ports and harbours	2,177	2,945	3,287	2,356	3,982
Protection of the environment (including sewerage)	60,086	65,252	47,208	32,552	9,631
Railways	19,138	32,278	41,206	44,411	51,117
Roads and bridges	534	r1,428	1,725	1,214	1,764
Social welfare	3,581	3,998	3,798	6,142	5,827
Water supply, irrigation, and drainage	24,722	31,710	41,651	r44,814	33,572
Miscellaneous	1,360	1,273	1,120	r1,989	2,757
Total	340,800	417,221	438,440	443,409	432,196

(a) Includes advances to the Victorian Development Corporation of \$5m in 1974-75; \$5.8m in 1975-76; \$5.2m in 1976-77; \$5.75m in 1977-78; and \$4.25m in 1978-79.

(b) Includes secondary technical.

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

VICTORIAN GOVERNMENT TAXATION

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 459-60 for details of this allocation.)

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

Particulars	1974-75	1975-76	1976-77	1977-78	1978-79
Pay-roll tax (a)	327,200	389,889	431,785	475,138	510,505
Probate and gift duties	60,716	71,392	80,471	89,079	62,955
Land tax	52,968	56,253	59,981	60,753	69,592

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

Particulars	1974-75	1975-76	1976-77	1977-78	1978-79
Liquor tax	21,939	24,830	26,139	34,088	37,242
Lottery tax	27,338	40,251	59,369	74,746	84,889
Soccer pools taxes	1,470	(b) 6,762	1,474	1,452	1,926
Racing taxes	48,089	56,575	62,894	66,070	67,325
Taxes on the ownership and operation of motor vehicles—					
Vehicle registration fees and taxes	74,965	92,496	110,672	137,889	140,602
Drivers', etc., licences and fees	12,687	14,864	14,572	16,089	24,303
Stamp duty (vehicle registration)	23,579	31,500	40,680	44,040	47,696
Road transport taxes	5,296	5,873	6,883	7,132	7,449
Road maintenance contributions	10,038	10,132	9,968	9,818	9,577
Motor car third party insurance surcharges	6,502	7,317	7,461	7,799	7,938
Stamp duties, n.e.i.	141,728	192,658	230,403	236,480	247,750
Statutory authority levy—					
Gas and Fuel Corporation	3,000	3,820	4,640	5,000	7,680
State Electricity Commission	11,520	13,520	15,480	18,720	21,480
Business franchise licences—					
Tobacco	1,104	12,184	24,498	25,983	29,619
Licences and registration fees, n.e.i.	7,818	r11,061	12,552	r13,873	14,979
Other taxes	r872	1,700	r993	r1,584	2,244
Total	r838,829	r1,043,077	r1,200,915	r1,325,733	1,395,751
Paid to—					
Consolidated Fund	707,356	888,053	1,025,288	r1,112,952	1,171,533
Trust funds	r131,473	r155,024	r175,627	r212,781	224,218

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

(b) Includes soccer football pool duty of \$4,924,001 collected on behalf of, and subsequently paid to, other States.

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. Exemptions from pay-roll tax on wages and salaries paid by other employers are also provided. For details see page 437.

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 1978-79, \$20,303,086 was so paid. Total receipts of pay-roll tax for the year ending 30 June 1979, amounted to \$510.5m. For changes proposed in 1980-81 see page 437.

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 situated 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 person where the deceased died on or after 1 October 1976;
- (2) no duty is payable on any portion of the estate passing to a child of a deceased person where the deceased died on or after 21 November 1977; and
- (3) no duty is payable on any portion of the estate passing to a grandchild of a deceased person where the deceased died on or after 1 January 1980.

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. For changes proposed in 1980-81 see pages 437-8.

VICTORIA—RATES OF PROBATE DUTY, 1980 (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
		\$		cents	cents	cents
		Does not exceed	1,200	Nil	Nil	Nil
Exceeds	1,200 but	does not exceed	3,000	Nil	5	7.5
"	3,000 "	" "	10,000	Nil	10	10
"	10,000 "	" "	13,000	Nil	15	17.5
"	13,000 "	" "	20,000	Nil	15	20
"	20,000 "	" "	24,000	Nil	12.5	17.5
"	24,000 "	" "	30,000	15	12.5	17.5
"	30,000 "	" "	48,000	15	17.5	20
"	48,000 "	" "	50,000	12.5	17.5	20
"	50,000 "	" "	60,000	12.5	20	20
"	60,000 "	" "	70,000	17.5	20	20
"	70,000 "	" "	90,000	20	25	25
"	90,000 "	" "	100,000	22.5	30	37.5
"	100,000 "	" "	110,000	25	30	37.5
"	110,000 "	" "	120,000	27.5	32.5	40
"	120,000 "	" "	130,000	30	32.5	40
"	130,000 "	" "	140,000	37.5	37.5	40
"	140,000 "	" "	150,000	37.5	40	42.5
"	150,000 "	" "	160,000	45	40	42.5
"	160,000 "	" "	170,000	45	42.5	42.5
"	170,000 "	" "	180,000	45	42.5	45
"	180,000 "	" "	190,000	47.5	45	45
"	190,000 "	" "	200,696 (b)	47.5	..	..
"	190,000 "	" "	200,810 (c)	..	..	..
"	190,000 "	" "	230,070 (d)	..	45	..
"	190,000 "	" "	233,258 (e)	..	..	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	\$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—Brothers, sisters, or parents; and C—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 0.357 per cent on the total unimproved value up to \$38,500 with a graduated increase in the rate to reach 3 per cent where the unimproved value exceeds \$880,000. Land tax is not charged where the total unimproved value of all non-exempt land of a taxpayer does not exceed \$9,000. However, where only one parcel of land is owned and it is used exclusively by the owner as his principal residence, no land tax is charged unless the unimproved value exceeds \$45,000. Where the value exceeds \$45,000 the tax otherwise payable is reduced by \$173.69. If the principal residence is jointly owned the concession applies if one of the joint owners uses the land exclusively as the principal residence.

The Act provides that 32.5 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. 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 1978, the increase in tax was attributable to a revaluation of municipal valuations in the Melbourne metropolitan area. However, the land tax rate scale was amended by indexation in line with the average movement in land values in order to remove the effect of progression in tax rates. The scale was also reduced by 15 per cent. The principal residence exemption was increased to an unimproved value of \$33,000 from \$15,000 and a maximum deduction of \$117.81 was allowed where the value exceeded \$33,000. As a result the number of taxpayers decreased. For changes proposed in 1980-81 see page 437.

In the following table details are shown of the assessments made during each of the years 1975 to 1979.

VICTORIA—LAND TAX ASSESSMENTS

Year	Number of taxpayers	Total tax payable	Average tax payable per taxpayer	Total unimproved value (a)
		\$'000	\$	\$'000
1975	72,777	59,388	816.03	3,189,019
1976	72,033	58,792	816.18	3,170,845
1977	64,267	56,129	873.37	3,152,445
1978	60,840	97,860	1,608.48	6,119,197
1979	59,415	89,772	1,510.94	6,102,393

(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	1974-75	1975-76	1976-77	1977-78	1978-79
Licences—					
Victuallers	13,914	14,949	15,099	17,898	20,294
Spirit merchants and grocers	5,902	7,324	8,164	12,559	13,066
Others	475	569	578	911	865
Club certificates	1,138	1,296	1,462	1,727	1,913
Permits—extended hours, etc.	409	571	668	745	852
Fees	101	120	169	248	252
Total	21,940	24,831	26,139	34,088	37,243

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"; in 1977, "Gold Lotteries"; and "Super 66" in 1979.

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	1974-75	1975-76	1976-77	1977-78	1978-79
Subscriptions to—					
Ordinary consultations	17,680	16,460	14,440	12,069	12,240
Tattslotto consultations	69,550	116,001	177,186	220,032	265,592
Soccer football pools (a)	4,898	5,809	4,537	4,400	6,185
Gold lotteries	..	..	2,500	7,500	2,500
Duty paid to Consolidated Fund	28,808	(b) 42,089	60,843	76,198	86,815
Allocation out of Consolidated Fund—					
Hospitals and Charities Fund	24,388	36,231	53,966	65,046	77,114
Mental Hospitals Fund	3,462	4,633	5,894	7,084	7,642
Historical and Community Projects Fund	..	..	..	3,100	775
Other funds, etc., (c)	958	1,225	983	968	1,284

(a) Subscriptions from within Victoria only. Duty is, however, payable to the Consolidated Fund on subscriptions from the Northern Territory and the Australian Capital Territory.

(b) Excludes soccer football pool duty of \$4,924,001 collected on behalf of, and subsequently paid to, other States.

(c) Allocated for various sport and recreation purposes.

Racing taxes

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

The *Racing Amendment Act 1978* provided that the 15 per cent commission deducted from the on-course totalizator for win, place, quinella, double, and trifecta wagers from 5 December 1978 be divided as follows: double, quinella, trio, trifecta, and forecast investments, 6.75 per cent to the Consolidated Fund and 8.25 per cent to the club; win and place investments, 8.75 per cent to Consolidated Fund and 6.25 per cent to the club. In respect of country race meetings, double, quinella, trio, trifecta, and forecast investments are divided 4.75 per cent to the Consolidated Fund and 10.25 per cent to the club; win and place investments, 3.75 per cent to the Consolidated Fund and 11.25 per cent to the club.

The *Racing Financial Provisions Act 1979* which came into operation on 19 December 1979 further amended the *Racing Act 1958* by increasing the commission deducted from the trifecta totalizator from 15 to 17 per cent.

The trifecta commission is now divided as follows: for metropolitan meetings, 7.75 per cent to the Consolidated Fund, 9 per cent to the club, and 0.25 per cent to the Racecourses Development Fund. For country meetings, 5.75 per cent to the Consolidated Fund, 11 per cent to the club, and 0.25 per cent to the Racecourses Development Fund.

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, feature doubles, and trifecta — 17 per cent;
- (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, trifecta	Quadrella
	per cent	per cent	per cent
Consolidated Fund	6.25	5.25	5.25
Racecourses Development Fund or Greyhounds			
Racing Grounds Development Fund	0.25	1.25	1.25
Totalizator Agency Board	8.25	8.25	8.25
Totalizator Agency Board Development Reserve	0.25	0.25	0.25
Department of Youth, Sport and Recreation	—	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
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
1977-78	101,077	570,821	476,884	55,706	9,977	387	66,070
1978-79	113,181	585,279	495,895	56,564	10,386	375	67,325

(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 1980. For changes proposed in 1980-81 see page 437.

VICTORIA—RATES OF GIFT DUTY, 1980

Where the value of all relevant gifts—	The rate per centum of duty shall be—
\$	
Does not exceed 15,000	Nil
Exceeds 15,000 but does not exceed 20,000	1.5 per cent plus 0.00072 per cent for each dollar of the excess over \$15,000
.. 20,000 74,000	5.1 per cent plus 0.0001 per cent for each dollar of the excess over \$20,000
.. 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—	1974-75	1975-76	1976-77	1977-78	1978-79
VEHICLE REGISTRATION FEES AND TAXES					
Consolidated Fund—					
Registration fees—recreational vehicles	14	10	8	7	6

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

Paid to—	1974-75	1975-76	1976-77	1977-78	1978-79
VEHICLE REGISTRATION FEES AND TAXES—<i>continued</i>					
Country Roads Board Fund—					
Motor registration fees, etc.	46,244	58,031	68,975	85,847	87,669
Additional registration fees (part)	130	—	—	—	—
Road (Special Projects) Fund—					
Increase in registration fees (Act No. 7283)	21,230	26,684	31,592	39,063	39,770
Transport Regulation Fund—					
Motor omnibus registration fees	9	1	2	2	2
Traffic Authority Fund—					
Surcharge on motor registration	1,007	1,051	2,616	4,490	4,569
Transport Fund—					
Additional registration fees (part)	6,331	6,719	7,479	8,480	8,586
Total	74,965	92,496	110,672	137,889	140,602
DRIVERS, ETC., LICENCES AND FEES					
Consolidated Fund—					
Drivers licence fees (part)	4,778	5,771	5,873	6,528	10,465
Learner drivers test fees (whole) and drivers test fees (part)	2,429	2,628	2,074	2,233	2,202
Country Roads Board Fund—					
Drivers licence fees (part)	1,229	1,478	1,506	1,674	2,658
Drivers test fees (part)	485	437	477	490	524
Learner drivers permits (part)	160	192	208	235	542
Municipalities Assistance Fund—					
Drivers licence fees (part)	2,389	2,885	2,936	3,264	5,223
Drivers Licence Suspend Account—					
Drivers licences, learner drivers permits, and drivers test fees (all part)	1,217	1,473	1,498	1,665	2,689
Total	12,687	14,864	14,572	16,089	24,303
STAMP DUTY (VEHICLE REGISTRATION)					
Consolidated Fund	23,579	31,500	40,680	44,040	47,696
ROAD TRANSPORT TAXES					
Country Roads Board Fund—					
Sale of log books	10	12	15	15	19
Transport Regulation Fund—					
Licences, etc.	4,349	4,975	5,869	6,025	6,258
Permits	937	886	999	1,092	1,172
Total	5,296	5,873	6,883	7,132	7,449
ROAD MAINTENANCE CONTRIBUTIONS					
Country Roads Board Fund—					
Road charges under Commercial Goods Vehicles Act	10,038	10,132	9,968	9,818	9,577
MOTOR CAR THIRD PARTY INSURANCE SURCHARGES					
Consolidated Fund	5,166	7,317	7,461	7,799	7,938
TOTAL					
Consolidated Fund	35,966	47,226	56,096	60,607	68,307
Country Roads Board Fund	58,296	70,282	81,149	98,079	100,989
Municipalities Assistance Fund	2,389	2,885	2,936	3,264	5,223
Road (Special Projects) Fund	21,230	26,684	31,592	39,063	39,770
Transport Regulation Fund	5,295	5,862	6,870	7,119	7,432
Drivers Licence Suspend Account	1,217	1,473	1,498	1,665	2,689
Traffic Authority Fund	1,007	1,051	2,616	4,490	4,569
Transport Fund	6,331	6,719	7,479	8,480	8,586
Total	131,731	162,182	190,236	222,767	237,565

NOTE. The Motor Accidents Board, which came into operation on 19 September 1973, received \$1,929,548 in deductions from third party insurance premiums in 1974-75; \$1,916,779 in 1975-76; \$1,287,322 in 1976-77; \$4,529 in 1977-78; and nil in 1978-79. The Board also received levies from authorised insurers of \$9,046,670 in 1974-75; \$16,340,095 in 1975-76; \$22,698,749 in 1976-77; \$24,044,000 in 1977-78; and \$33,600,000 in 1978-79. (See also pages 550-1.)

Stamp duties

Under the provisions of the *Stamps Act 1958* and subsequent amendments thereto, stamp duty is imposed in Victoria on a wide range of legal and commercial documents.

The rates of duty payable at 1 January 1980 on the principal dutiable classes of documents, etc., are shown in the following table:

VICTORIA—STAMP DUTIES: RATES PAYABLE, 1 JANUARY 1980

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 for each \$100 or part—	14c
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
LEASES AND ASSIGNMENTS OF LEASES OF REAL PROPERTY	variable scale according to nature	
INSURANCE COMPANIES (OTHER THAN LIFE) —Annual licences	} based on annual premium income	7 per cent
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		12c
Drawn outside Victoria but negotiated, trans- ferred, endorsed, or paid in Victoria		12c
BILLS OF EXCHANGE OR PROMISSORY NOTES— Payable on demand		12c
Drawn or made out of Victoria and duly stamped with <i>ad valorem</i> duty of another State		12c
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 per cent
MORTGAGES, BONDS, DEBENTURES, AND COVENANTS—On amount secured	up to \$8,000	\$4
	up to \$10,000—\$4 for first \$8,000 plus per \$200 or part of remainder	70c
	over \$10,000—\$11 for first \$10,000 plus per \$200 or part of remainder	80c
CREDIT AND RENTAL BUSINESS	based on amount of credit, etc., or rental	2.1 per cent \$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		\$1
		\$5

VICTORIA—STAMP DUTIES: RATES PAYABLE, 1 JANUARY 1980—*continued*

Dutiable class	Duty payable
MOTOR CAR OR MOTOR BOAT—	
On every application for registration of a motor car or trailer not previously registered in Victoria or elsewhere—	
For every \$200 and part of \$200 of the market value	\$6
On every other application for registration and every notice of acquisition of a motor car or trailer—	
For every \$200 or part of \$200 of the market value	\$8
MOTOR BOAT—	
On every application for registration and every notice of acquisition of a motor boat—	
For every \$200 or part of \$200 of the market value	\$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

Tobacco licences

The *Business Franchises (Tobacco) Act 1974* requires every person carrying on the business of tobacco wholesaling or retailing to hold a licence issued under the Act. Licence fees are levied at the rate of \$100 plus 12 per cent of the value of tobacco sold for a wholesale merchant and \$12 plus 5 per cent of the value of tobacco sold for a retail merchant.

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 and for 1979–80 the percentage was further increased to 5.5 per cent. For changes proposed in 1980–81 see page 438.

COMMONWEALTH GOVERNMENT TAXATION

Specific collections*Commonwealth Government estate duty*

Commonwealth estate duty is not payable on estates of persons who died after 30 June 1979. The amount of such duty collected throughout Australia during each of the 5 years to 1979–80 was: 1975–76, \$76.1m; 1976–77, \$76.0m; 1977–78, \$95.5m; 1978–79, \$82.1m; and 1979–80, \$48.4m.

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 1980–81 *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 1980 the following were the principal changes:

- (1) The surcharge in the rates of personal income tax was reduced from 1.5 per cent to 1.07 per cent. Tax rates for 1979–80 were the same as for 1978–79.
- (2) The rebate for concessional expenditure was changed from 33.5 per cent to 33.07 per cent of expenditure in excess of \$1,590.
- (3) The maximum marginal rate of tax payable in respect of a lump sum retirement payment for leave which is fully assessable was changed from 33.5 per cent to 33.07 per cent.

(4) Effective from 1 July 1979, a new system was introduced which provides for the taxation of certain "unearned" income of unmarried, non-working children at a minimum rate of tax equal to the "middle" rate (in 1979-80) of 47.07 per cent.

The minimum rate applies to the "eligible taxable income" of a prescribed person where that income is not less than \$1,041 and not greater than \$33,216. Shading-in rules apply where the income is between \$1,040 and \$3,625.

Where the eligible taxable income is \$1,040 or less, it is not taxed at the special rate but is taxed as part of ordinary taxable income. Ordinary or excepted taxable income is taxed at ordinary rates and if less than \$3,894, no tax is payable. Eligible taxable income in excess of \$33,216 is taxed at the maximum rate of 61.07 per cent.

Basically, a "prescribed person" is one who is under the age of 18 at the end of the year of income and is not an "excepted person".

Minors who are married or who are engaged in a full-time occupation (aside from students) are among those "excepted" as are those who are permanently incapacitated for work within the meaning of the Social Services Act or permanently blind.

All the assessable income of a minor who is not an excepted person is eligible taxable income and thus subject to the higher rates of tax, unless it falls for consideration under one of the prescribed exceptions in relation to income derived by the minor or by a trustee for the minor.

The rates of tax that applied to taxable incomes of individuals for the year ended 30 June 1980 are set out in the following scale:

AUSTRALIA—GENERAL RATES OF TAX: INDIVIDUALS
(1979-80 income year)

Total taxable income		Tax at composite rates on total taxable income	
Not less than	Not more than		
\$	\$	\$	\$
0	3,893	Nil	
3,893	16,608	Nil	plus 33.07c for each \$1 in excess of 3,893
16,608	33,216	4,204.8505	plus 47.07c for each \$1 in excess of 16,608
33,216 and over		12,022.2361	plus 61.07c for each \$1 in excess of 33,216

NOTE. The standard rate of 33.07 per cent shown in the scale is derived as an average of the 34.57 per cent standard rate effective for pay-as-you-earn purposes to 30 November 1979 and the 32 per cent standard rate to apply thereafter with weights of five-twelfths and seven-twelfths, respectively.

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 1980 are allowable to resident taxpayers:

Dependant, etc.	Maximum rebate (a)
	\$
Spouse, daughter—housekeeper (a)	597
Parent or parent-in-law (a)	539
Invalid relative (a)	270
Housekeeper	597
Sole parent rebate (a)	417
Zone and overseas allowance—	
Zone A and overseas forces	\$216 plus 25 per cent of above rebates (b)
Zone B	\$36 plus 4 per cent of above rebates (b)

(a) 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 \$203. The sole parent rebate is allowable to a single, widowed, or divorced person who has the sole care of a child or student whose separate net income is less than \$1,283.

(b) 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 33.07 per cent of the excess of the total of the expenditure over \$1,590, but the rebate cannot exceed the tax otherwise payable.

(3) Capital subscribed:

The present scheme under which 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 petroleum exploration, prospecting, or mining has been extended to include on-shore petroleum exploration and development with effect from 21 August 1979. The benefit is available in respect of money subscribed as paid-up share capital to companies holding licences or permits (or recognised interest therein) to prospect, explore, or mine for petroleum in off-shore or on-shore areas of Australia.

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, public funds, and public institutions; and
- (6) tax agents fees.

VICTORIA—INCOME TAX: INDIVIDUALS, 1978-79
(1977-78 income year)

Grade of net income (a)	Number of taxpayers			Net income	Taxable income	Net income assessed
	Males	Females	Persons			
\$				\$'000	\$'000	\$'000
1- 3,999	62,284	60,343	122,627	428,214	420,205	16,176
4,000- 4,999	59,071	75,600	134,671	616,443	604,592	46,218
5,000- 5,999	60,784	72,163	132,947	745,379	731,019	80,958
6,000- 6,999	65,638	77,832	143,470	951,968	933,044	128,471
7,000- 7,499	37,677	37,336	75,013	555,357	544,036	84,719
7,500- 7,999	43,565	36,526	80,091	633,495	620,644	102,996
8,000- 8,499	48,392	37,787	86,179	725,703	711,166	124,333
8,500- 8,999	52,142	35,530	87,672	782,445	766,910	139,951
9,000- 9,499	54,506	29,538	84,044	793,268	777,164	147,171
9,500- 9,999	53,843	22,551	76,394	761,052	744,563	145,417
10,000-10,499	50,942	18,130	69,072	724,029	707,520	142,283
10,500-10,999	47,106	14,630	61,736	679,188	663,397	136,865
11,000-11,499	43,495	11,741	55,236	636,210	621,069	131,032
11,500-11,999	39,529	9,625	49,154	591,454	577,373	124,000
12,000-12,499	35,433	7,960	43,393	543,918	531,274	116,194
12,500-12,999	31,191	6,185	37,376	487,739	476,328	106,234
13,000-13,999	50,101	9,416	59,517	820,868	801,886	185,268
14,000-14,999	38,713	6,672	45,385	672,524	657,133	158,096
15,000-15,999	30,250	4,865	35,115	556,722	543,660	135,427
16,000-16,999	23,857	3,659	27,516	464,010	453,148	117,208
17,000-17,999	16,907	2,372	19,279	345,387	336,819	90,640
18,000-18,999	12,906	1,913	14,819	280,842	273,855	76,418
19,000-19,999	9,998	1,299	11,297	226,173	219,991	63,703
20,000-23,999	21,163	3,170	24,333	543,019	527,984	164,989
24,000-31,999	14,657	2,536	17,193	481,100	467,547	166,571
32,000-39,999	4,866	777	5,643	205,042	199,641	81,535
40,000-49,999	2,563	353	2,916	132,102	129,072	58,498
50,000-99,999	2,581	324	2,905	192,560	189,756	96,593
100,000 and over	453	46	499	85,434	84,777	49,448
Total	1,014,613	590,879	1,605,492	15,661,643	15,315,570	3,217,409

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

Withholding tax

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

The rate of withholding tax on dividends is 30 per cent of the gross payment but the rate applicable to dividends paid to residents of countries with which Australia has comprehensive double tax agreements, other than the Philippines, is limited to 15 per cent. With effect from 1 January 1980, withholding tax on dividends paid to residents of the Philippines, except in specified circumstances, is payable at the rate of 25 per cent of the gross dividend. The rate of withholding tax on interest is 10 per cent of the gross interest.

Company tax

AUSTRALIA—RATES OF TAX: COMPANIES: 1979-80 FINANCIAL YEAR (1978-79 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 1974-75 to 1978-79:

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

Particulars	1974-75	1975-76	1976-77	1977-78	1978-79
State Superannuation Fund—					
Railways	9,695	12,642	16,263	19,591	22,582
Other	24,959	35,603	48,439	61,317	73,436
Total	34,654	48,245	64,702	80,908	96,018
Police Superannuation Fund	4	4	4	4	4
Parliamentary Contributory Superannuation Fund	637	2,442	2,442	2,442	3,280
Married Women's Superannuation Fund	94	68	51	93	89
Other pensions, gratuities, etc.	335	440	545	668	739
Grand total	35,724	51,199	67,744	84,115	100,130

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 of the scheme are as follows:

- (1) A basic pension on retirement for ill-health, or at age 65, of 70 per cent of salary at retirement;
- (2) on age retirement before age 65, but after age 60, the pension will reduce pro rata to $66\frac{2}{3}$ per cent of salary at age 60;
- (3) officers' contributions limited to a maximum of 9 per cent of salary;
- (4) widows' pensions at the rate of two-thirds of officers' pensions;
- (5) right to convert part of the pension into a lump sum;
- (6) married women eligible to elect to be contributors to the superannuation scheme;
- (7) railway officers may elect to limit their superannuation entitlement to a maximum of eleven units, or to forgo superannuation altogether in order to receive retiring gratuities and/or service grants; and
- (8) entry to the fund is subject to medical examination and classification by the Board.

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

Particulars	1974-75	1975-76	1976-77	1977-78	1978-79
Receipts—					
Contributions—					
Officers	43,213	50,468	56,669	55,837	65,280
Consolidated Fund (a)	28,916	37,480	48,887	58,532	67,624
Interest	17,705	20,103	21,620	r26,245	30,155
Other	1,592	10,836	r4,661	r5,470	6,139
Total	91,425	118,887	r131,837	r146,085	169,197
Disbursements—					
Pension payments	34,432	42,564	52,683	61,547	69,886
Lump sum payments	3,148	3,654	4,652	5,093	5,719
Contributions refunded	3,148	3,654	4,652	5,093	5,719
Transfer to Pensions					
Supplementation Fund	7,117	8,720	10,479	12,819	14,945
Other	(b)8,377	—	2,005	5,352	2,534
Total	62,763	89,249	96,646	108,321	117,182
Balance in Fund at 30 June	271,059	300,698	335,889	r373,652	425,667

(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 \$5,681,718.

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, 1977-78**

Particulars	Victorian Government	Local government	Semi- government	Total
	\$'000	\$'000	\$'000	\$'000
	INCOME (a)			
Contributions—				
Employees	56,516	8,771	26,787	92,074
Employing authorities	(b) 82,908	13,213	53,870	149,991
Interest, etc.	35,972	9,270	45,319	90,561
Total	175,396	31,254	125,976	332,626
	EXPENDITURE (a)			
Pensions	100,494	147	14,958	115,599
Lump sum payments	29,107	8,747	29,312	67,166
Other	5,357	4,377	4,008	13,742
Total	134,959	13,271	48,278	196,508

VICTORIA—GOVERNMENT SUPERANNUATION SCHEMES OPERATED
THROUGH SEPARATELY CONSTITUTED FUNDS, 1977-78—continued

Particulars	Victorian Government	Local government	Semi-government	Total
	\$'000	\$'000	\$'000	\$'000
ASSETS (c)				
Government securities—				
Commonwealth Government	10,060	13,033	3,259	26,351
Local and semi-government	217,702	61,899	78,358	357,958
Other securities, etc.	155,117	36,421	413,718	605,256
Total	382,879	111,352	495,334	989,565
Contributors (c)	number (d) 81,094	number 21,610	number 47,040	number (d) 149,744

(a) Excludes transfers between funds.

(b) This figure does not agree with that shown on page 465 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.

PUBLIC DEBT

The public debt chiefly comprises money 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 money has been used in Victoria principally for the construction of railways, roads, water supply and sewerage works, schools, hospitals, 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 1979. These liabilities include advances of \$1,047.4m for housing purposes under the Commonwealth-State Housing Agreements, \$73.6m for sewerage, \$65.9m for rural and dairy reconstruction, \$80.0m for growth centres, \$37.2m 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 1974-75 to 1978-79. 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	1974-75	1975-76	1976-77	1977-78	1978-79
DEBT MATURING IN AUSTRALIA					
	(a)				
Debt outstanding at 1 July	2,711,720	2,618,754	2,807,054	3,005,216	3,222,352
New debt incurred—					
Commonwealth Government loan floatations	411,344	578,909	517,416	567,274	541,163
Domestic raisings					
Less conversion and redemption loans	226,111	360,898	288,372	326,482	300,692
Total new debt incurred	185,233	218,011	229,044	240,791	240,471

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

Particulars	1974-75	1975-76	1976-77	1977-78	1978-79
DEBT MATURING IN AUSTRALIA— <i>continued</i>					
Less repurchases and redemptions from National Debt Sinking Fund	36,299	29,710	30,882	23,656	45,596
Net increase in debt	148,934	188,301	198,162	217,136	194,875
Debt outstanding at 30 June	2,860,654	2,807,054	3,005,216	3,222,352	3,417,227
DEBT MATURING IN LONDON					
Debt outstanding at 1 July	19,304	19,346	15,673	16,115	14,387
New debt incurred	..	..	..	..	..
Less repurchases and redemptions from National Debt Sinking Fund	776	r1,170	r585	r2,451	10,746
Adjustment due to variation in rate of exchange	+ 819	r-2,504	r + 1,027	r + 723	+ 706
Net increase in debt	+ 43	-3,674	+ 442	-1,728	-10,040
Debt outstanding at 30 June	19,346	15,673	16,115	14,387	4,347
DEBT MATURING IN NEW YORK, CANADA, SWITZERLAND, AND THE NETHERLANDS					
Debt outstanding at 1 July	15,587	16,172	11,314	10,441	7,906
New debt incurred	..	..	..	..	..
Less repurchases and redemptions from National Debt Sinking Fund	1,939	r5,620	r1,811	r2,304	2,078
Adjustment due to variation in rate of exchange	+ 2,524	r + 762	r + 938	r-229	+ 152
Net increase in debt	+ 585	-4,858	-873	-2,533	-1,926
Debt outstanding at 30 June	16,172	11,314	10,441	7,906	(b)5,980
TOTAL					
Debt outstanding at 1 July	2,746,610	2,654,272	2,834,041	3,031,771	3,244,646
New debt incurred					
Commonwealth Government loan floatations	411,344	578,909	517,416	567,274	541,163
Domestic raisings	226,111	360,898	288,372	326,482	300,692
Less conversion and redemption loans					
Total new debt incurred	185,233	218,011	229,044	240,791	240,471
Less repurchases and redemptions from National Debt Sinking Fund	39,014	36,499	33,279	28,410	58,421
Adjustment due to variation in rate of exchange	+ 3,342	-1,742	+ 1,966	+ 493	+ 858
Net increase in debt	149,561	179,769	197,731	212,874	182,908
Debt outstanding at 30 June	2,896,172	2,834,041	3,031,771	3,244,646	3,427,554

(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, \$A3,914,867; Canada, \$A1,331,958; and the Netherlands, \$A732,920.

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 1974-75 to 1978-79:

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

At 30 June—	Amount						Total debt
	Australia	London	New York	Canada	Switzerland	The Netherlands	
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
1978	3,222,352	14,387	5,498	1,540	..	869	3,244,646
1979	3,417,227	4,347	3,915	1,332	..	733	3,427,554

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 1974-75 to 1978-79. 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
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
1978	253,707	1,228	254,935	7.86
1979	272,823	572	273,395	7.99

(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 1974-75 to 1978-79 are shown in the following table:

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

Year	Interest paid on loans maturing—				Total interest	Commis- sion on payment of interest overseas, expenses of conversion loans, etc.	Grand total (b)
	In Australia	In London (a)	In New York (a)	Elsewhere overseas (a)			
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	173	209,251	1,215	210,466
1977-78	238,005	925	370	148	239,448	1,201	240,649
1978-79	256,231	772	273	(c) 128	257,403	1,587	258,990

(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, \$A80,736, and the Netherlands, \$A47,321.

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 1974-75 to 1978-79, 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	1974-75	1975-76	1976-77	1977-78	1978-79
Contributed under Financial Agreement—					
Victorian Government	28,839	29,000	31,156	33,458	35,849
Commonwealth Government	7,525	7,500	8,003	8,540	9,098
Total contributions under Financial Agreement	36,364	36,500	39,159	41,998	44,947
Interest on investments	49	49	31	173	922
Special contributions by Victoria	14	..	..	..	..
Total	36,427	36,549	39,190	42,171	45,868
Total to date	509,784	546,332	585,522	627,693	673,562

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

Particulars	1974-75	1975-76(a)	1976-77	1977-78	1978-79
Australia—					
Face value	36,299	29,710	30,882	23,656	45,596
Net cost	36,297	29,697	30,881	23,653	45,544
London—					
Face value	776	r1,170	r585	r2,451	10,746
Net cost	540	962	492	2,597	11,996
New York—					
Face value	1,634	r1,538	r1,601	r1,934	1,673
Net cost	1,426	1,531	1,650	1,923	1,659
Canada—					
Face value	133	r69	r45	r168	188
Net cost	118	65	42	162	181
Netherlands—					
Face value	173	r173	r165	r202	217
Net cost	164	166	177	206	234
Switzerland—					
Face value	—	r3,840	..	..	..
Net cost	—	4,049	..	..	..
Total—					
Face value	39,014	36,499	r33,279	r28,410	58,421
Net cost	38,544	36,469	33,242	28,540	59,615
Total to date—					
Net cost	508,009	544,479	577,721	606,261	665,875

(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.

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