Appropriation Bill (No. 1) 1989–90

Date Introduced: 15 August 1989
House: House of Representatives
Portfolio: Treasury

Digest of Bill

Purpose
To appropriate $12,418,394,700 from the Consolidated Revenue Fund (CRF) for the ordinary annual services of the government during the 1989–90 financial year.

Background
The second reading speech for this Bill is the vehicle used to introduce the Budget.

This Bill forms part of a package relating to government expenditure. The Appropriation Bill (No. 1) covers expenditure for the annual services of government, while Appropriation Bill (No. 2) covers expenditure on capital works and services, payments to the States and for other purposes not authorised by special legislation. Appropriation for expenditure by the Parliamentary Departments is contained in the Appropriation (Parliamentary Departments) Bill. Authority to spend under these Bills lapses on 30 June.

Additional appropriation may be sought in further Appropriation Bills, commonly known as the Additional Estimates, when the appropriation sought in the Appropriation Bills is insufficient for the financial year. The additional estimates also lapse on 30 June.

In the period between 30 June and the Budget, authority to spend is obtained under the Supply Acts. These are normally passed a month or so before the beginning of the financial year and generally do not allow for more than five months expenditure. The amounts authorised in the Supply Acts are later incorporated in the Appropriation Acts for the year to which the expenditure relates.

Outline

The major features of the Budget are:
Revenue:

The major revenue gains announced in this Bill will result from the bringing forward of the time for payment of certain company and PAYE tax liabilities. The changes to company tax collection will result in additional revenue of $885 million in 1989–90. Currently, companies pay tax in quarterly instalments in the year following that in which the income is earned. The final instalment adjusts the tax payable on the previous years income and the actual income for that year. As a result, there is a considerable deferral of tax when compared to PAYE taxpayers. As part of the Budget, it was announced that this deferral would be largely removed, with 85% of the tax payable, still based on the previous years income, by the 15 day of the month preceding the year of income (i.e. 15 July for those companies that balance on 30 June) with the remainder, based on the actual tax payable, payable by the 15 day of the ninth month following the end of the year of income. While there will be no increase in the amount of tax payable, the removal of the deferral will increase the costs to companies which no longer will be able to use the deferred tax payments and may have to borrow to replace these funds. The revenue gain of $885 million will occur only in this financial year, with lesser gains, estimated at approximately $330 million per year, applying in future years through reductions in Commonwealth public debt interest.

The changes to the PAYE system will effect employers which remit $5 million or more in a year in PAYE payments (in the Budget speech the Treasurer estimates that this will effect the 800, or so, largest employers). PAYE deductions are currently remitted to the government every month, and the proposal is that these companies will be required to make twice monthly remittances. It is estimated that this will result in a one off gain of $550 million this financial year, with continuing debt interest savings of $70 million in subsequent years. In the Financial Review of 17 August 1989, a spokesman for Coles Meyer Ltd, Australia's largest PAYE collector, is reported as estimating that the changes to the PAYE collection system will cost the company $7.2 million, after tax, in interest costs.

Outlays:

The Budget papers estimate a decrease in outlays of 0.6% in real terms in 1989–90. However, this is clarified by the estimate that if asset sales are excluded, real outlays are expected to increase by 0.1% in 1989–90 and 1.3% in the next financial year. The major portfolio increases relate to Community Services and Health (up 13.4%); Attorney–Generals (up 22.7%); and Employment, Education and Training (up 14.7%). Asset sales will increase 123% to $1200 million in 1989–90.

Main Provisions

Clause 3 will authorise the Minister for Finance to issue $12 418 394 700 from the CRF for the year ending 30 June 1990.
Clause 4 will deem the sum of $22 362 190 000 (the sum of the amounts appropriated by this Bill and the Supply Act (No. 1) 1989–90) to have been appropriated from 1 July 1989.

Clause 10 anticipates the abolition of the Department of Aboriginal Affairs (proposed to be replaced by the Aboriginal and Torres Strait Islander Commission), while clauses 11 and 12 anticipate the establishment of the Australian National Maritime Museum and the National Science and Technology Centre.

Schedule 3 to the Bill details the Departments and programs to which the funds are allocated.

References

1. 1989–90 Budget Paper No. 1, p. 4.11.
2. Ibid., p. 3.34.

For further information, if required, contact the Economics and Commerce Group.

16 August 1989

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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