PARLIAMENT OF AUSTRALIA
DEPARTMENT OF THE PARLIAMENTARY LIBRARY

LOCAL GOVERNMENT (PERSONAL INCOME TAX SHARING)
AMENDMENT BILL 1980

Date Introduced: 21 February 1980
House: House of Representatives

Short Digest of Bill

Purpose

To amend the Local Government (Personal Income Tax Sharing) Act 1976 to increase the annual percentage of net personal income tax collections allocated to local government from 1.75 per cent to 2.0 per cent as from 1980-81.

Background

Under the Liberal-National Country Parties' Federalism policy which commenced in 1976-77, local government receives a fixed percentage share of net personal income tax collections of the previous year. For 1976-77, 1977-78, and 1978-79, the percentage share was 1.52 per cent. The Local Government (Personal Income Tax Sharing) Amendment Act 1979 raised the share to 1.75 per cent for 1979-80. This Bill provides for the percentage share to be raised further, to 2.0 per cent as from 1980-81. This fulfils an undertaking given by the Prime Minister in his November 1977 Election Policy speech that local governments' share of income tax collections would be raised to 2.0 per cent by 1980-81.

The tax sharing funds, like the general revenue grants for local government provided in 1974-75 and 1975-76 under the Labor Government, are not subject to any conditions as to how they may be spent by local authorities. Untied funds for local government have increased substantially in recent years; $80 million in 1975-76, $140 million in 1976-77, $165 million in 1977-78, $179m in 1978-79, $222 million in 1979-80 and now an estimated $303 million in 1980-81. However at the same time, tied grants for local government (eg RED scheme grants etc) have declined.

The distribution between the States of the total share of income tax collections earmarked for local government is set out in the Principal Act. The
distribution between individual local authorities is decided upon by the State Grants Commissions.

Detailed information on Commonwealth payments to local government may be found in Budget Paper No. 7 "Payments To or For the States, the Northern Territory and Local Government Authorities 1979-80".

Main Provisions

The percentage share of the previous year's net personal tax collections to go to local government is to be increased from 1.75 per cent to 2.0 per cent (sub-clause 3(1)). This will apply as from 1980-81 (sub-clause 3(2)).

Finance, Industries, Trade & Development Group

27 February 1980

LEGISLATIVE RESEARCH SERVICE