HOUSE OF REPRESENTATIVES

A NEW TAX SYSTEM (COMMONWEALTH-STATE FINANCIAL ARRANGEMENTS) AMENDMENT BILL 2003

Second Reading

SPEECH

Thursday, 19 February 2004

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES
Mr SOMLYAY (Fairfax) (10.33 am)—It seems strange, when we are debating the A New Tax System (Commonwealth-State Financial Arrangements) Amendment Bill 2003, to hear the member for Kingston talking about the GST. The GST has been on the political agenda since 1990. We have had several pieces of legislation dealing with the GST before the parliament: in 1998, in 2001 and in the current parliament. There has not been one occasion that I can recall when the Labor Party supported the government’s policy on the new tax system. I challenge the member for Kingston to say to the states that the Labor Party will roll back the GST. The states could not wait to put their hands out to receive the GST once it was offered to them.

The purpose of this bill is to amend the A New Tax System (Commonwealth-State Financial Arrangements) Act 1999. The reason these amendments are necessary is simply to overcome some technical problems in the original drafting of the act. To this end, the bill implements three measures—simply three accounting adjustment measures which have already been agreed to by the states and territories. Those three measures are: firstly, to more accurately determine the total GST revenue by ensuring that all GST refunds are taken into account; secondly, to amend some deadlines by a few days in order to allow time to calculate the final determinations after receipt of required statistics; and, thirdly, to introduce a mechanism by which the budget balancing assistance—BBA—adjustments can be made. None of those three measures alters the intent or focus of the act. They are simple minor adjustments to the mechanisms used to pass all net GST revenue to the states and territories.

The first measure enables the Commissioner of Taxation to take into account all GST refunds when calculating the GST revenue for distribution to the states. Under the current act the commissioner can take into account only most refunds. Commonsense says that, to calculate the total amount of such revenue, you would take the total amount of GST collected and subtract it from the total amount of GST refunds made. However, currently the act does not allow that. Unfortunately, there are a couple of categories of refund not mentioned in the existing act and, because they are not mentioned in the act, the Commissioner of Taxation cannot deduct those particular refunds from the amount of total revenue when calculating the net revenue to be paid to the states and territories. Although the refunds have been made, they cannot be included in the calculation of the net GST revenue. This of course means that the Commonwealth is providing more GST revenue to the states and territories than it actually collects, which was certainly not the intent of the original act. In calculating the total GST revenue, the act currently allows only the commissioner to deduct refunds of input tax credits paid to registered businesses. It does not allow for GST refunds paid to any entity not registered for GST, but in reality there are refunds made to entities not registered for input credits.

The principal example of this is the Tourist Refund Scheme—the TRS—which allows travellers going overseas to recover the GST on eligible goods purchased in Australia and carried in their hand luggage. As well as that, diplomatic missions and visiting defence forces can also claim the refund on eligible, and what can be significant, purchases made in Australia. Clearly, the omission of these funds from the act was not intended. This amendment allows the GST revenue to be calculated as gross GST collected less all refunds, not just most refunds. It ensures that the GST arrangements with the states operate in the way they were originally intended under the IGA—the intergovernmental agreement.

The second amendment relates to statutory deadlines under the act. There are specific deadlines applicable for the determination of payments to each state and territory as well as for the receipt of the statistical information used in calculating those payments. Currently, these statutory deadlines in the scheme technically coincide—they are all 10 June. The problem has so far been handled by means of an informal agreement for the input data to be received a little earlier so that the final determinations can be made by the actual due date. This amendment formalises that informal arrangement.

As members know, the legislation provides that each state receive a guaranteed minimum amount, or GMA, of revenue each year to enable them to budget. In the transitional years of the GST scheme, if the amount of GST revenue is less than the GMA figure for a state, then the Commonwealth makes up the difference with what is
called budget balancing assistance—the BBA. Currently, the determination of the guaranteed minimum amount for each state must be determined by the Treasurer before 10 June. However, to calculate the GMA you first need to determine figures for the population and the amount of hospital grants for each state. Currently, the statutory deadline for those core statistics to be determined and provided is also 10 June—the same date as the statutory deadline for the final determination of the GMA they are used to calculate. This amendment alters the statutory deadline for the determination of population and hospital grants statistics from 10 June to 6 June. It then allows two weeks for the final determination of both GST revenue and the GMA for each state by moving their statutory deadline from 10 June to 20 June. As I said, this amendment simply formalises the informal agreement currently used to overcome a small technical problem.

Because both the Treasurer's determination of the GMA and the Commissioner of Taxation's determination of GST revenue have to be made in June each year, estimates have to be used in their calculations, as the final figures for that year are not available at the time of calculation. The intergovernmental agreement provides that any difference between the estimates and the final outcome for a state's GMA or GST total for the year can be corrected by adjustments in the following year. This is done via adjustments to the budget balancing assistance payments contributed by the Commonwealth. The BBA payment to the state can be adjusted up or down to reflect any error in the previous year's estimates.

The problem arises as the GST revenue for a state increases to be equal to or greater than the GMA figure so the transitional payment of a BBA for that state is not necessary. Under the existing legislation, there is no mechanism to ensure that, as a state comes off the BBA, the required adjustments from the previous year can be implemented. This bill introduces a mechanism to address that. It will allow payment to a state, or recovery from it, as necessary to adjust the previous year's estimated figures. These adjustment amounts will be known as residual adjustment amounts—RAAs—and the Treasurer will determine the RAA for each state.

In 2002-03, the GST revenue exceeded the GMA in both Queensland and the Northern Territory, which meant that no budget balancing assistance payments were made to them. However, it is estimated that in 2003-04 New South Wales and Victoria will be the only states needing to receive balancing payments. This is of course good news for the states, because it means increased revenue—but it also demonstrates that we need to quickly put in place another adjustment mechanism.

The GST has been particularly good for my state of Queensland, despite the fact that some state Labor members have been known to blame the federal government for state problems, saying Queensland has been short-changed on GST revenue. That is something that is very commonly heard in Queensland from state Labor members of parliament. In 2002-03, Queensland was one of only two states or territories where GST revenue exceeded the guaranteed minimum amount. Its GMA was $5,813.1 million and its GST revenue was $5,887.6 million—a bonus of $74.5 million. In this financial year, it is estimated that GST revenue will exceed the GMA by $334.3 million—far more than in any other state or territory. What that means in simple English is that what Queensland would have received from the Commonwealth under the old system is now exceeded by the new tax system and the GST payments. Queensland now receives a windfall payment, over and above what it would have received under the old system, of $334 million. As I said, that is far more than any other state receives.

We get complaints from the state governments when we ask them to spend more money on roads, police or other things that are their responsibility. Their usual cry to us is that they are being starved by the Commonwealth. The GST revenue given to the states is untied; the Commonwealth has no control over how these funds are spent. But, when the states run out of funds, they are quick to blame the Commonwealth, saying the Commonwealth should provide them with more funds. That is patent nonsense. In the recent Queensland election, Premier Peter Beattie had that $334 million windfall from the Commonwealth with which to make many election promises, and many of us are very anxious to see the premier keep these commitments. He will fund them from the additional GST revenue that he will receive in the out years.

There has been quite a bit of debate over the argument between the Commonwealth and the states regarding hospitals and other areas where the states always blame the Commonwealth for insufficient funds. I think it might be time to start reviewing whether the states should do certain activities or whether the Commonwealth should assume those responsibilities—and, in doing so, withhold that revenue from the states. At a breakfast held in my electorate to coincide with the Queensland PGA back in December, Jeff Kennett was a guest speaker. He told the audience that it was inevitable, that the day must come: if we are to have first-class health and hospital services delivered in Australia, the states should hand over responsibility for health and hospitals to the Commonwealth. I am inclined to agree with Mr Kennett on that point.
I think there are three or four high-rise buildings full of bureaucrats in Brisbane administering the health agreement between the Commonwealth and the states. If all of those jobs, which probably are not necessary, were converted into health delivery services and the money put towards nurses and doctors, we would have a far better health system with far fewer people on waiting lists. I commend the bill to the House.