House of Representatives

Infosheet

THE BUDGET AND FINANCIAL LEGISLATION

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The Budget

Budget day is one of the busiest and most important sitting days of the parliamentary year and receives close public and media attention. It is the day when the Government announces its intentions for revenue raising (taxes and other charges) and expenditure for the forthcoming year.

In Australia the financial year runs from 1 July to 30 June. In the same way as private businesses, government departments prepare budgets based on their expected activities for the next financial year and report on their expenditure for the past year. Funding for government services and programs is generally provided annually for each financial year. Budget day is normally in May so that the Budget can be considered by the Parliament before the new financial year begins. However, the Budget may occur at another time if a general election prevents it being delivered in May.

This Infosheet describes the process for introducing and considering the annual Budget in the House of Representatives. It also outlines the different types of financial legislation and special requirements or parliamentary processes for these. The ordinary legislative process is described in Infosheet No. 7 'Making laws' which should be read in conjunction with this Infosheet.

What's in the Budget?

The Budget is the occasion of the Government's annual financial report and policy statement to the Parliament and the nation. In addition to the Treasurer's speech, the Budget includes the main appropriation bills which authorise the spending of public money, other legislation to give effect to the financial proposals announced in the Budget speech, and the Budget papers—documents presented to Parliament containing information on government finances and related matters.

In the House of Representatives there is no special Budget procedure as such: the Budget depends upon the passage of the main appropriation bill for the year, which in its essentials follows the same stages as any other bill.

Introducing the Budget

In recent years the Budget proceedings have begun at 7.30 p.m. First the Speaker announces a message from the Governor-General recommending that an appropriation of revenue be made in connection with Appropriation Bill (No. 1). This step fulfils a constitutional requirement that proposed laws appropriating money may not be passed unless the purpose of the appropriation has been recommended to the House by the Governor-General. The Treasurer then presents the bill to the House. The first stage is the first reading. This is purely formal and consists of the Clerk of the House reading out the bill's long (or full) title as follows 'A Bill for an Act to appropriate money out of the Consolidated Revenue Fund for the ordinary annual services of the Government, and for related purposes'. The Treasurer then moves 'That this bill be now read a second time' and delivers the second reading speech on the bill. This is the Budget speech. For ordinary bills the second reading speech explains the purpose of the bill and outlines its main contents. The Budget speech goes beyond the scope of Appropriation Bill (No. 1) to cover wider financial and policy matters.

The Budget speech

In the Budget speech the Treasurer compares the estimates of the previous financial year with actual expenditure, reviews the economic condition of the nation, and states the anticipated income and expenditure for the current financial year, including the taxation measures proposed to pay for the expenditure. In making the Budget speech, the Treasurer may speak without limitation of time although in recent years the speech has normally been about half an hour. At the conclusion of the speech debate is adjourned (deferred) on a motion moved by (or on behalf of) the Leader of the Opposition, who thus has the right to speak first when the debate is resumed. The Budget speech is televised, as is the Leader of the Opposition's speech in reply on a subsequent day.

Other Budget business

After debate on Appropriation Bill (No. 1) has been adjourned, the Treasurer presents the Budget Papers. The Appropriation Bill (No. 2) and the Appropriation (Parliamentary Departments) Bill are then introduced, usually by the Assistant Treasurer. Other business may include the introduction of Budget-related bills, the presentation of various Budget-associated documents, ministerial statements by the responsible Minister explaining Budget decisions in detail, and the moving of customs and excise tariff proposals connected with the Budget. The Budget Papers contain detailed financial information covering the financial year. Their titles vary—in recent years they have been *Budget strategy and outlook; Budget measures; Australia's federal relations* and *Agency resourcing.*

Budget debate and consideration in detail

The debate on the second reading of Appropriation Bill (No. 1) is known as the 'Budget debate' and normally continues over a period of several weeks. The scope of discussion in the Budget debate is almost unlimited because the debate on the main Appropriation Bill is exempt from the standing order (rule) which requires the second reading debate on other bills to be strictly relevant to the bill. The standing order allows debate on appropriation bills to cover matters relating to 'public affairs'. This is interpreted to mean any matters concerning government policy or administration.

After the second reading has been agreed to, the bill is considered in detail. Before considering the clauses of the bill the House considers the schedule to the bill which contains the proposed expenditure for the various government departments listed alphabetically. The expenditure of a department may be considered on its own or grouped with that of other departments, whichever best meets the convenience of both the Opposition and the Government.

The Senate's role

Before they become law the three main Budget appropriation bills must be passed by the Senate in the same way as any other bills. The appropriation bills are first introduced into the House of Representatives and must complete their consideration in that House before they can be formally considered by the Senate. However Senators hear the Budget speech in the Senate at the same time that the Treasurer makes the speech in the House of Representatives. The Senate Minister whose duties include representing the Treasurer in that house makes the speech there. He or she also tables copies of all the associated documentation including details of the expenditures contained in the appropriation bills but not the bills themselves as technically they can only be in one house at a time.

The Senate immediately refers these details to its committees to conduct estimates hearings. During these hearings Senators are able to question representatives of government departments about the proposed expenditures. When the actual bills are transmitted to the Senate following their agreement in the House the Senate is usually able to consider them relatively speedily because of the extensive consideration the proposed expenditures have already received in the estimates process. The House of Representatives does not have an equivalent of the Senate's estimates hearings but rather considers the proposed expenditures in the House itself during the consideration in detail stage and does not question government officials directly.

Financial legislation

The Parliament's control. . .

The Parliament has the ultimate control over government finances. This control is two-fold. First, taxes are imposed by legislation which must be agreed to by the Parliament. Secondly, and more importantly, government expenditure must also be authorised by legislation.

Australia's Constitution states that '**no money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law'**. This means that however much money the Government has, whether raised by taxation or by loan or even by sale of government assets, the money cannot be spent unless the Parliament has authorised the expenditure by an Act of Parliament (an appropriation Act). Such authorisation is often known by the term 'supply', for example, when it is stated that 'the government has supply' or that 'supply has been withheld'.

. . . but the Government's initiative

Although Parliament has the ultimate control by way of veto, the Government has what is known as the 'financial initiative'. This is another way of saying that only the Government can request that an appropriation be made or increased, or propose to impose or increase taxation. This is established partly through the constitutional requirement referred to earlier that the purpose of any appropriation must be recommended to the House by a message from the Governor-General

before the law is passed. Since the Governor-General only acts on the advice of the Government, this requirement effectively limits the initiation of any expenditure proposals to government Ministers.

Financial legislation procedures

Ordinary bill procedure is described in Infosheet No. 7 'Making laws'. Financial legislation follows the same basic pattern as any other kind, that is, introduction and first reading, Minister's second reading speech, second reading debate, consideration in detail and third reading. However, the Constitution imposes certain restrictions or additional requirements. The specific restraints on particular types of financial legislation are outlined below.

Revenue—Taxation bills

Taxation bills impose a tax. Examples of taxation bills are income tax bills, customs tariff bills and excise tariff bills. Bills imposing 'a charge in the nature of a tax' are also considered to be taxation bills—that is, where a charge is a revenue raising measure as distinct from a fee for a service.

Under the Constitution taxation bills cannot originate in, or be amended by, the Senate. Under the standing orders of the House they may be introduced without notice—all other bills require notice (written advice) of their introduction to be given at least the day before—and can only be introduced by a Minister. Additionally, amendments to a bill to increase the rate, or widen the incidence of, a proposed tax can only be made by a Minister (any Member may move to reduce a proposed tax).

Bills dealing with taxation

Bills in this category lay down the administrative procedures for assessing and collecting tax as distinct from authorising the imposition of the tax itself. As with taxation bills they may be introduced without notice but in all other respects they are treated as ordinary bills, and may originate in, and be amended by, the Senate.

Customs and excise tariff proposals and bills

Customs tariffs (duties on imports and exports) and excise tariffs (duties on goods produced in Australia) are initiated by a customs tariff or excise tariff proposal, taking the form of a motion moved by a Minister without notice. Such a motion is usually treated as a formal announcement and is not voted on, and rarely debated. Successive tariff proposals are listed together on the Notice Paper as 'orders of the day', that is, theoretically, as matters on which debate will be resumed at a later date.

The tariffs take effect from the time the proposal is moved in the House. However they must be confirmed by legislation within a limited time, usually 12 months. Periodically a customs tariff or excise tariff amendment bill is introduced. Such a bill consolidates unconfirmed tariff proposals and provides for their operation retrospectively to the date of their introduction as a proposal. Following the bill's enactment the 'proposals' are discharged (removed) from the Notice Paper.

Appropriation and supply bills

Appropriation bills are any bills which contain words of appropriation (that is, authorising expenditure) and also those which would have the effect of increasing, altering the destination of, or extending the purpose of an already existing appropriation. A bill which does not have the word 'appropriation' in its title may still be an appropriation bill.

Under the Constitution appropriation bills cannot be initiated in the Senate, and appropriation bills for 'the ordinary annual services of the Government' cannot be amended by the Senate (e.g. Appropriation Bill (No. 1)). No appropriation bill can be passed unless the purpose of the appropriation has been recommended by a message from the Governor-General.

Annual appropriation bills

The annual appropriation bills are bills which are passed regularly each financial year to appropriate money from the Consolidated Revenue Fund (in effect 'the public purse') to provide funds for government and parliamentary expenditure. (Parliament is constitutionally separate and independent from the Government and has separate funding by means of its own appropriations.) The annual bills are shown in the table below which outlines the annual appropriation cycle.

If the main appropriation bills do not pass before the commencement of the financial year, the Parliament may pass supply bills to provide funds in the interim. This was more common when the budget was presented in August but is now more likely to arise if an election interrupts the normal budget cycle.

Special appropriation bills

Only about 25% of government expenditure is authorised by the annual appropriation bills. The remaining 75% is authorised by what are referred to as special appropriation bills. This type of bill

appropriates funds for a specified purpose, for example, to finance a particular project or program. Special appropriation bills are often not specific in amount or duration. Those providing funds for an indefinite period are said to give 'standing appropriation'. For example, the *Aged Care Amendment (Residential Care) Act 2007* authorises continuing expenditure on various subsidies for the provision of aged care services.

For more information

House of Representatives Practice, 6th edn. Department of the House of Representatives, Canberra, 2012. pp 419–444.

For more information about the Senate estimates hearings refer to Senate Brief no. 5, *Consideration of Estimates by the Senate's Legislation Committees*: www.aph.gov.au/senate/briefs

The annual appropriation cycle

1 July	Start of the financial year
October/ November	**Additional or supplementary estimates**—inevitably some departments will need more funds than those appropriated by the main appropriation bills. **Appropriation Bill (No. 3)** (ordinary annual government services—*see below*), **Appropriation Bill (No. 4)** (other expenditure), and **Appropriation (Parliamentary Departments) Bill (No. 2)** (expenditure for the Parliament) provide additional funds for the current financial year.
May	**The Budget**—introduction of the main appropriation bills which appropriate money for expenditure by the Government and the Parliament for the next financial year. **Appropriation Bill (No. 1)** covers expenditure for ordinary annual government services (continuing expenditure by government agencies on services for existing policies); **Appropriation Bill (No. 2)** covers new policies, new capital expenditure, and payments to the States; and **Appropriation (Parliamentary Departments) Bill** covers expenditure for the Parliament.
30 June	End of financial year.