Local Government (Personal Income Tax Sharing) Bill 1976

Introduced by the Treasurer (Hon. P R. Lynch) in the House of Representatives on 14 October 1976.

**Purpose**

The purpose of this Bill is to provide for local government, through the States, to receive a share of personal income tax collections.

The Bill will implement one of the main features of the Liberal–National Country Parties policy on federalism. Effectively it will enable a substantial increase in Commonwealth untied general purpose financial assistance for local government: 75% increase in 1976–77 compared with 1975–76.

**Related Legislation**

The personal income tax collections, of which local government is to receive a share, are to be ascertained by reference to the definition used in the States (Personal Income Tax Sharing) Bill 1976. Mr Lynch has proposed that these two Bills be debated cognately.

The Commonwealth Grants Commission Act 1976 (assented to on 2 June 1976) amended the Grants Commission Act 1973–1975 essentially to remove those references to assistance for local government which are no longer appropriate under the federalism policy; to make specific provision for the Commission to advise the Government on matters relating to local government under the new policy; and to remove the obligation upon the Commission to report on applications by local government authorities referred to it.

**Main Provisions**

Under the Bill, the States in total will receive $140 million for on-passing to local government as untied general purpose funds in 1976–77. (sub-clause 5(1)) In 1977–78 and subsequent years the Bill provides for the State in total to receive 1.52% of the previous year’s personal income tax collections for distribution to local government. (sub-clause 5(2))

The entitlements of each State in 1976–77 are set out in sub-clause 5(1). The entitlements of each State for subsequent years are specified by sub-clause 5(2) as percentages of the entitlements of the States collectively (called the “base figure” in the Bill). The States will be required to allocate the assistance in two distinct elements as follows:

**Element A.** A minimum of 30% of each State’s allocation is to be distributed as a weighted (for such factors as population density and size of local government areas) per capita grant to all local government authorities.

**Element B.** The remainder is to be distributed as equalisation payments to ensure that each local government body is able to function by reasonable effort.
at a standard similar to that of other local government bodies in the State. (sub-clause 6(2))

Sub-clause 6(3) requires that each State establish a Local Government Grants Commission by the end of 1977–78 in order to be eligible for a payment under this Bill. Sub-clause 6(4) requires the States to distribute Element B, having regard to the recommendation of their Local Government Grants Commissions.

For the Minister to declare a body a Local Government Grants Commission for the purposes of this Bill, among other requirements, the body must include at least one member who is or has been associated with local government. (sub-clause 4(b)(i)).


Sub-clause 12(1) of the Bill requires that these arrangements, after consultation with the States, be reviewed before 30 June 1981. Sub-clause 12(2) provides for the Commonwealth Grants Commission by that date to inquire into and report on any desirable changes to the respective entitlements of the States.

The Treasurer emphasised in his Second Reading Speech of the Bill on 14 October 1976, that the Government regards the figure of 1.52% referred to in the Bill as a minimum percentage.

He also stated that the Commonwealth has decided that it should guarantee that in any year the total entitlement for local government under this Bill will not be less than the amount in the previous year.

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