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Date introduced: 12 February 2009
House: House of Representatives
Portfolio: Treasury
Commencement: Various dates as set out in the table in clause 2

Links: The relevant links to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at http://www.aph.gov.au/bills/. When Bills have been passed they can be found at ComLaw, which is at http://www.comlaw.gov.au/.

Purpose

To implement consequential amendments to various Acts pursuant to the introduction of the Federal Financial Relations Bill 2009, and to provide for the appropriation of an additional $500 million under the Health Care (Appropriation) Act 1998 before that Act is repealed.

Background

The Howard Government implemented major reforms to Commonwealth-state financial relations. These reforms are contained in the Intergovernmental Agreement on the Reform of Commonwealth–State Financial Relations. This is incorporated—as Schedule 2—into A New Tax System (Commonwealth–State Financial Relations) Act 1999. (Schedule 1 of this Act contains the transitional provisions that were introduced when the Howard Government’s reforms were implemented).

In November 2008, the Council of Australian Governments (COAG) agreed to major reforms to Commonwealth–State financial relations. The COAG reforms change, to a considerable extent, existing arrangements. (The COAG reforms are discussed in the Bills Digest for the Federal Financial Relations Bill 2009).

However, the COAG reforms continue virtually all of the arrangements for the distribution among the states of the revenue from the goods and services tax (GST). The Federal Financial Relations Bill 2009 incorporates the COAG arrangements for the GST. It is therefore necessary to amend the A New Tax System (Commonwealth–State Financial
the Bill—does both. In particular, the Howard Government’s arrangements for the GST expire on 30 June 2009. The amendments in this Bill to the A New Tax System (Commonwealth–State Financial Relations) Act 1999 therefore come into effect on 1 July 2009.

The Bill repeals Schedules 1 and 2 of the A New Tax System (Commonwealth–State Financial Relations) Act 1999. Following the repeal of these two Schedules, the rump of this Act will deal thereafter only with the rate of GST and the maintenance of its base.

The Bill also appropriates $500 million for expenditure under the Health Care (Appropriation) Act 1998. This is additional base funding for health to be paid in 2008–09. Under the new National Healthcare Agreement agreed by COAG on 28 November 2008, the states and territories will be paid an additional $500 million in base funding for five years, beginning in 2008–09.¹


### Financial implications

The Bill appropriates $500 million for expenditure under the Health Care (Appropriation) Act 1998 for use under the COAG healthcare arrangements.

### Main provisions

#### Schedule 1—Amendments commencing on 1 July 2009


**Item 2** changes the outline of the A New Tax System (Commonwealth–State Financial Relations) Act 1999 to read ‘This Act deals with circumstances in which the rate of the GST and the GST base can be altered’.

**Items 3 to 17** inclusive repeal redundant definitions in the A New Tax System (Commonwealth–State Financial Relations) Act 1999, that is, those not relevant to the GST rate and base maintenance.


Schedule 2—Other amendments

Item 5 has the effect of increasing the amount that can be appropriated under the Health Care ( Appropriation) Act 1998 by $500 million.

Item 7 amends the Interstate Road Transport Act 1985. This is one of several Acts under which the Commonwealth implements the Federal Interstate Registration Scheme (FIRS). Under the FIRS, the Commonwealth collects registration fees on trucks operating interstate and passes the revenue to the states. The states spend the money on road maintenance. The effect of item 7 is to ensure that once the Minister has ascertained how much FIRS revenue has been collected, the amount must be credited to the COAG Reform Fund, and the Treasurer must ensure that the money is paid as soon as practicable.

The Commonwealth and Western Australia share taxes on petroleum produced offshore. The Commonwealth collects the revenue and pays Western Australia’s share to that state. The effect of item 11 is to ensure that the Treasurer credits to the COAG Reform Fund Western Australia’s share of the revenue collected under the Offshore Petroleum and Greenhouse Gas Storage Act 2006, and pays the money to Western Australia as soon as practicable.

Schedule 3—Repeal

Item 1 repeals the Health Care ( Appropriation) Act 1998 with effect from 1 July 2009.

Schedule 4—Transitional provisions

As noted, the Howard Government’s arrangements for the GST expire on 30 June 2009. Item 1 ensures that is the provisions of the A New Tax System (Commonwealth–State Financial Relations) Act 1999 remain in force for 2008–09 despite the amendments to this Act contained in the Bill.

Under current law, the Commissioner of Taxation estimates GST receipts for a financial year and payments are based on this estimate. When actual receipts are known, an adjustment is made in the following financial year to ensure that each state receives its correct entitlement. Item 2 deals with overpayments and underpayments for the 2008-09 GST year. Subitem 2(1) provides that where a state has been overpaid in 2008–09, the Minister must deduct an equal amount from any financial assistance that the state is entitled to receive, under section 5 of the Federal Financial Relations Act 2009, for the financial year starting on 1 July 2009.

Conversely, subitem 2(2) provides that if a state has been paid less than its GST entitlement in 2008–09, the Minister must add an amount equal to the shortfall to any
amount that the state is entitled to receive by way of financial assistance under section 5 of the \textit{Federal Financial Relations Act 2009} for the financial year starting on 1 July 2009.

\textbf{Subitem 2(3)} provides that payments made under \textbf{subitem 2(2)} are to be made out of the Consolidated Revenue Fund, which is appropriated accordingly.