

1907-8.

THE SENATE.

SURPLUS REVENUE BILL.

(No. 43.)

MEMORANDUM.

The bookkeeping clauses of the Constitution, sections eighty-nine and ninety-three, have been found to hamper considerably the finances of the Commonwealth.

The strict system of crediting revenue, debiting actual expenditure, and paying monthly balances to the States means that, whatever the financial obligations of the Commonwealth for the coming month or the coming year may be, the Treasury must be emptied of cash at the end of each month.

The difficulties were comparatively small in the early stages of the Commonwealth, before the establishment of large national undertakings, and the bookkeeping clauses were never intended to last beyond these preliminary stages. They were made absolute for five years after the imposition of uniform duties, but were terminable after that period at the will of Parliament. Those five years have now elapsed, and Parliament has power to put an end to the operation of sections eighty-nine to ninety-three by legislation under section ninety-four.

Section ninety-four is far more elastic than the temporary sections. Those sections contain a special appropriation to the States of all unexpended revenue ; and while they remain in force the Commonwealth is bound to return to the States every penny that is not actually expended. Under section ninety-four the special appropriation by the Constitution ceases and in its place there is a requirement that the Federal Parliament should appropriate to the States all surplus revenue, *i.e.*, all revenue which it does not require for Commonwealth purposes.

In legislation under section ninety-four, therefore, the Parliament may provide for the retention of revenue which, though not actually expended at the end of any given month, is nevertheless required for and appropriated to the public purposes of the Commonwealth, and is therefore not in any sense "surplus revenue."

This Bill, after providing that the temporary clauses shall cease to operate, substitutes Parliamentary provisions for the same purpose and enables the Commonwealth at any time to withdraw from the Consolidated Revenue and pay to Trust Account moneys which have been appropriated by the Parliament for any special purpose.

The Bill does not, of course, affect the operation of section eighty-seven (the Braddon Clause) ; but, while the Commonwealth remains during the currency of the Braddon Clause under an obligation to return to the States three-fourths of the net Customs and Excise revenue, it will have power to retain anything over and above that amount which it requires and has appropriated for Commonwealth expenditure. The

The Bill makes no radical alteration in the method of crediting revenue and debiting expenditure. It, however, makes provision for certain minor adjustments as to which the terms of the Constitution itself were not sufficiently explicit, but as to the justice of which there can be no dispute. For instance, there is a definition of New Revenue. New Revenue is revenue which is credited to the States on a population basis.

Amounts were received from time to time by the Treasury which, although received in a particular State, could not by reason of their nature be credited to such State. Again, the Commonwealth earns interest on money in its hands in London. This interest is not collected in any State, and does not belong to any State.

It has been divided on a population basis. The expenditure for the production of Gazettes and Federal Parliamentary reports is borne on a population basis ; the proceeds of sale, being practically a re-imbursement of that expenditure, are also distributed on a population basis without respect to the State in which they are received. Considerable amounts have been received for rebates made by shipping companies in respect of freight from Great Britain to Australia. It is practically impossible to trace the items on which the freight of the various shipments was originally charged, and *it has been the practice to distribute such amounts on a population basis.* In practice, the greater part of the revenue received by the new Commonwealth Departments, which really do not appertain to any particular State, is being distributed on a population basis ; and this Bill lays down definite rules in accordance with which such amounts are to be credited. It has been found, however, that any precise rule which can be laid down for this purpose will cause some anomalies ; and therefore two provisos have been inserted to give a measure of elasticity to the system, and to enable the Treasurer to credit on a population basis any items of revenue which, obviously from their nature, should be so distributed, and, on the other hand, to credit to a particular State any items of revenue which, from their nature, obviously ought to be so credited.
