

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

20-21 November 2013

**Question: SBT 89**

**Topic: Tax equivalent payments for infrastructure projects**

**Hansard Page: 20-21, 21 November 2013**

**Senator DASTYARI asked:**

89. Senator DASTYARI: Could I perhaps ask you to take on notice a couple of questions. The Treasurer has indicated a policy decision that the New South Wales government is going to keep tax equivalent payments for infrastructure projects. My question is: if that is a policy that ends up being pursued, what impact would this have on the kinds of relativities—

Mr Spasojevic: I cannot answer that question because that would be something that the commission would need to consider. It is not possible for me to give you an answer prior to their consideration. They would not consider it and make it public until they have had evidence in front of them and until the arrangements have been in place and we see the impact on the observer data.

Senator DASTYARI: Can you expand on that a tiny bit for me. I am conscious of time.

Mr Spasojevic: I cannot answer how the commission will judge how it should treat such an arrangement, were it to come into place and, in any event, it would not reach such a judgement until it has seen the arrangements in operation and reflected in the data. So we are looking at something several years down the track.

Senator DASTYARI: I guess the bit that kind of surprises me there and, again, enlighten me on this is that. surely, if a government is looking at a proposal that may or may not have an impact on relativities, would it not be well within the scope of the Commonwealth Grants Commission to provide advice: 'If you pursue the following path, this may or may not be the impact,' or 'This would be a possible impact'? Are you telling me that one of your functions is not providing advice to government or that you are incapable of providing advice to government in its decision-making process and that it is only to reflect on decisions that have already been made?

The question that I want to put to you on notice is this—and I understand from what you are saying that you would have to take this away: if such an arrangement were implemented, what are the possible impacts of such an arrangement on the relativities and would that create a case for compensation for other states?

Mr Spasojevic: I will take that on notice. Whether we can answer it in any substantive way, we will find out.

**Answer:**

89. Changes in Commonwealth-State financial arrangements may impact on the relativities assessed by the Commission, depending on the terms of reference received by the Commission. The Commission advises government in response to terms of reference provided to it by the Treasurer, and after fully consulting with the States.

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The Commission has in the past provided conditional advice on how its existing methodology guidelines might apply in the event of a major change in Commonwealth State financial arrangements. From time to time Commission staff also provide advice on how current arrangements, reflected in existing methodology, impact on relativities.

In the absence of any consideration by the Commission of the specific matter raised by the Senator, it is not possible to speculate how the Commission would treat the matter.