

STATEMENT BY THE PRIME MINISTER, MR JOHN GORTON
IN THE HOUSE OF REPRESENTATIVES ON
30 SEPTEMBER 1970

Mr. Speaker, I received approximately two hours ago, a copy of Sir Henry Bolte's Budget Speech, and I have noted the statement in that speech that it is not the intention of the Victorian Government to seek an appropriation from the Victorian Parliament for the purpose of paying payroll tax to the Commonwealth. Sir Henry Bolte indicated that exclusion of provision for the payment of payroll tax to the Commonwealth would mean a reduction of about \$9 million in the payments side of the Victorian Consolidated Fund for 1970-1971, and I interpolate, it would also mean a reduction of \$9 million in the amount of receipts into the Commonwealth revenue.

Payroll tax has been imposed by the Commonwealth continuously since 1941. The relevant provision of the Commonwealth law concerning the payment of this tax by the States has since that time, 1941, remained unchanged. The relevant Commonwealth Act, the Payroll Tax Assessment Act 1941-1969, provides that an "employer" for Payroll Tax purposes includes the Crown in the right of a State.

The payment of financial assistance grants by the Commonwealth to the States has, since introduction of the payroll tax in 1941, allowed for the payment of payroll tax by the States and all the States have in fact paid payroll tax since 1941 in accordance with the provisions of the Commonwealth Act. If they had not paid payroll tax, then their reimbursement grants would have been less.

At the June 1970 Premiers Conference, when Commonwealth/State financial relations for the period of five years commencing with 1970-71 were discussed, I made plain to the Premiers that the Commonwealth proposals were on the basis that there were no significant changes in the financial relationships between the Commonwealth and the States during the five-year period. I indicated in particular that under the proposed arrangement we would expect that the States and their authorities would continue to pay payroll tax. The actual words used at that conference were :-

"If we are to provide such a substantial increase in revenue assistance and in resources available to the States, it should be on the basis that there are no significant changes in the financial relationships between the Commonwealth and the States during the period of the agreement. In particular, we would expect that the States and their authorities will continue to pay payroll tax and that the distribution of tax resources between the Commonwealth and the States will remain unchanged."

Although the Premier of Victoria made claim that he did not regard his Government as having agreed to the financial arrangements that resulted from the Conference, there was no indication by him or any of the other Premiers that they proposed not to continue to pay payroll tax.

On the other hand, as I have indicated, there was a clear and unequivocal intimation from the Commonwealth that the continuance of the payment of payroll tax was a key part of the offers made by the Commonwealth.

The Commonwealth Budget for 1970/71 was accordingly formulated on the basis that payroll tax would continue to be paid by the States to the Commonwealth. This was allowed for in the Budget estimate of payroll tax collections and also in the provision for the payment of Commonwealth grants to the States.

If Victoria or any other State or States were not to pay payroll tax, there would thus be a direct and significant effect on the Commonwealth Budget. The Government is therefore unable to accept the position taken by the Victorian Government, as stated in Sir Henry Bolte's Budget Speech.

My Government will therefore consider what course of action it should take in relation to Sir Henry Bolte's statement in order to see that the Commonwealth Budget is not impaired.
