



## PRIME MINISTER

FOR PRESS

APRIL 9, 1976

### PREMIER'S CONFERENCE

The Commonwealth and State Governments today made progress and agreement on a wide range of Federal issues, including the principles of a new tax sharing arrangement with the States.

The meeting was a highly successful working conference on a number of difficult and fundamental issues, at which progress was possible because of the cooperative and understanding attitude adopted by all who took part.

The Conference made a firm decision that local government would participate in the new tax sharing arrangements as from 1976/77. We agreed to establish State Grants Commissions in those States which do not already have such a Commission.

There will be a further meeting with the Premiers in June. At this Conference it is hoped to be able to give an indication of the assistance which local government might expect to receive under the new arrangements in 1976/77.

As a result of today's meeting there is a strong feeling of confidence that the June Premier's Conference will lead to agreement on implementing the new tax sharing system in 1976/77.

Details of issues on which agreement was reached are contained in an attached document.

Working parties of Commonwealth and State officials will be set up, and will report to the June Premier's Conference.

Today's meeting also resulted in agreement to establish an Advisory Council on Intergovernmental Relations. The proposed charter for this Council is also attached to this statement.

The Commonwealth Government will introduce the appropriate legislation to establish the Council during the current parliamentary session.

PERSONAL INCOME TAX SHARING ISSUES SETTLED BETWEEN  
THE COMMONWEALTH AND STATE GOVERNMENT FOLLOWING MEETING  
ON FRIDAY 9 APRIL 1976

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Following is a very brief summary of issues which have  
been settled:-

- (1) The scheme will be related to personal income tax - not company tax and not including withholding taxes on interest and dividends.
- (2) The scheme will be introduced in two Stages.

Stage 1

- (3) Stage 1 will be introduced as from the beginning of 1976-77.
- (4) The States' entitlements under Stage 1 will represent a specified percentage of Commonwealth imposed personal income tax and State legislation will thus not be required in regard to State 1.
- (5) The "base" to which the percentage will be applied each year will be personal income tax collection in the year. The percentage figure will be determined by reference to the relationship between the financial assistance grants in 1975-76 and personal income tax collections in that year.
- (6) Personal income tax collections in the Territories will be included in the base figure but with this subject to review in the light of developments in public finances in the Territories.

- (7) The yield or costs of special surcharges or rebates applied, in appropriate circumstances, by the Commonwealth will not be included in the base figure from which the States' entitlements will be calculated.
- (8) There will be a "guarantee" arrangement to ensure that the States' Stage 1 entitlements in any year are not less, in absolute terms, than in the previous year. This arrangement will be supplemented in the first three years of the new scheme (i.e. 1976-77, 1977-78 and 1978-79) by a further undertaking that the entitlements will not be less in a year than the amount which would have been yielded in that year by the financial assistance grants formula as laid down in the States Grants Act 1973-75.
- (9) A total entitlement for all States will first be determined, to be then divided between the States
- (10) The initial per capita relativities between the States in their Stage 1 entitlements will be the relativities in the financial assistance grants in 1975-76.
- (11) Subject to (13) below, and to any absorption of specific purpose payments, these relativities will be carried

forward into subsequent years in such a way as to maintain the proportionate relationships between the per capita entitlements of the States.

- (12) The four less populous States will continue to be free to apply for grants on the recommendation of the Grants Commission in addition to their basic entitlements as yielded under the arrangements summarised above.
- (13) There will be a periodic review of relativities between all States.

Stage 2

- (14) Under Stage 2 each State will be able to legislate to impose a surcharge on personal income tax in the State, (but not company taxation or withholding tax on dividends and interest) additional to that imposed by the Commonwealth, or to give (at cost to the State) a rebate on personal income tax payable under Commonwealth law and to authorise the Commonwealth to collect the surcharge or grant rebate as its agent.
- (15) Any State surcharges or rebates will be expressed in percentage terms.
- (16) Assessment provisions, and the basic income tax rate structure, will continue to be uniform throughout Australia, these being matters for the Commonwealth to determine.

- (17) The Commonwealth will at all times remain the sole collecting and administrative agency in the income tax field.
- (18) The level of any State surcharges or rebates will be a matter for consideration by each State; relevant decisions will be taken within an appropriate framework of consultation with the Commonwealth and other States, but ultimately the level of surcharge or rebate will be a decision for each individual State. In exercising these powers the States will accept responsibility to work in parallel with and not in negation of the overall economic management policies of the Commonwealth.
- (19) Equalisation arrangements will be made so that less populous States will be enabled to obtain the same relative advantage from a surcharge as the States with a broader tax base.
- (20) The Grants Commission will be responsible for assessing amounts payable under the arrangements referred to under (19).
- (21) An officers' working party will be established to formulate detailed proposals to implement Stage 2. The firm target is to have an appropriate framework established, relevant matters agreed and necessary legislation prepared in time for Stage 2 to commence from the beginning of 1977-78.

- (22) At an appropriate time the Commonwealth will consider what implications Stage 2 might have in relation to the Territories.

#### Local Government Assistance

- (23) There will be a new scheme of local government assistance, beginning in 1976-77, under which such assistance, to be distributed through the States, will be related to the yield of Commonwealth personal income tax.
- (24) The amount of such assistance in 1976-77 will be determined by the Commonwealth Government having regard to its overall budget considerations.

#### Implications for Tax Forms and Assessment Notices

- (25) In relation to tax forms, changes will be minimal apart from necessary changes to take account of surcharges or rebates.
- (26) Assessment notices will be changed only to accommodate State surcharges or rebates (any Commonwealth surcharge or rebate would, of course, also be shown), with information on disposition of Commonwealth tax to States and local government provided to taxpayers separately but in conjunction with assessment notices.

#### Review of Total Tax Sharing Arrangements

- (27) There will be a review of the tax sharing arrangements as a whole periodically. The first review will be made at

# ADVISORY COUNCIL FOR INTER-GOVERNMENTAL RELATIONS

## CHARTER

### DECLARATION OF PURPOSE

Section 1. Successful operation of our system of federal government demands the fullest co-operation and co-ordination of activities between all spheres of government. In increasingly complex society in future years suggests that an Advisory Council for Inter-government Relations be established to give continuing attention to inter-governmental problems.

It is intended that the Advisory Council, in the performance of its duties, will bring together representatives of the Federal, State and local governments and private citizens for the consideration of common problems.

Premiers' Conference will refer to the Council subjects for advice. Local government authorities, through their State organisations, will be able to submit matters to their respective Premiers, for consideration by the Premiers' Conference for reference to the Council. It would also be open to the Council itself to request that matters be referred to it for advice.

### DUTIES OF THE COUNCIL

Section 2. It shall be the duty of the Advisory Council -

- (1) to engage in such activities and to make such studies and investigations as are necessary or desirable in the accomplishment of the purposes set forth in section 1 of this charter;
- (2) to consider ways and means of fostering better relations between the spheres of government;
- (3) To submit reports on matters referred to the Council to the Prime Minister and the Premiers for tabling in Parliament; and to submit an annual report on or before 31 August each year to the Prime Minister and the Premiers for tabling in Parliament.

### LEGAL BASIS

The Council is to be established by a memorandum of agreement between the Prime Minister and the Premiers at the Premiers' Conference. The Commonwealth alone will introduce any necessary legislation.

COMPOSITION OF THE COUNCIL

The Council is to comprise three Government and two Opposition members of the Commonwealth Parliament; one representative from each State; three representatives from local government to be elected by the Local Government Association of Australia and preferably to be selected from separate States; and five citizens to be selected by the Commonwealth in consultation with the States having regard to the various areas and sections of the community and with a view to ensuring that States without local government representation having citizens selected.

ROTATION OF MEMBERS

Nomination of Commonwealth and State representatives by the Government of the time will ensure rotation of those members in the normal course of electoral change. The local government representatives and the citizens to be appointed for a three-year term with a limit of two consecutive terms. Re-election after a break in office would be permissible.

STATUS OF MEMBERS

It would be open to Governments to decide whether to appoint Ministers or backbenchers to the Council.

CHAIRMAN

The Chairman is to be a citizen nominated by the Commonwealth in consultation with the States.

BUDGET

Funds for the Council to be limited to \$300,000 in the first year with the proviso that the Commonwealth and the States would meet the cost of fares and accommodation for their representatives.

COST SHARING

Costs will be shared:

Commonwealth	45%	or	\$135,000
Local Government	10%	or	\$30,000
States	45%	or	\$135,000



3.

The Local Government Association of Australia will be asked to assess the method of allocating the local government share.

The State share will be allocated as follows:

N.S.W.	\$35,500
Vic	\$30,000
Qld	\$21,500
S.A.	\$17,500
W.A.	\$17,000
Tas	\$13,500

CANBERRA

9 April 1976

## ISSUES STILL BE TO RESOLVED

A number of issues still remain to be resolved, but they are technical matters and not issues of principle. We do not foresee difficulties in deciding these issues. They will be considered by working parties of Commonwealth and State officials who will report to Heads of Government.

One of the tasks remaining is to establish procedures and guidelines for reviewing periodically the relative shares of personal income tax revenue to go to each State.

The Commonwealth feels strongly that the appropriate body for this task is the Grants Commission.

More work is to be done to determine the legal framework which will be required for the imposition of surcharges or the granting of rebates under stage 2 of the tax sharing arrangements which will come into effect in 1977/78.

To minimise any difficulties for employers and employees which may result from changes PAYE processes, there will need to be close consultation as to the timing of the introduction of any changes.

The single most important issue outstanding is the question of which specific purpose payments to the States are to be absorbed into the general revenue arrangements. A good deal of consideration will need to be given to this matter and a working group of officers will be examining the whole range with a view to decisions being made during the course of the next financial year.