

COMMONWEALTH GRANTS COMMISSION (CGC) 2010 REVIEW

COMMISSION POSITION PAPER CGC 2008/11

MISCELLANEOUS REVENUE

NEW SOUTH WALES TREASURY COMMENTS

FEBRUARY 2009

The Miscellaneous revenue category assessment includes revenue sources which individually are relatively minor, are not standard across the States and territories, or are difficult to assess differentially.

New South Wales agrees that the assessment should be based on an equal per capita (EPC) approach.

Issues about different tax bases were raised by States and territories during previous iterations but these have been found by the Commission to not be material or too difficult to assess. New South Wales supports these conclusions.

One outstanding issue remains – the treatment of interest and dividend income, which is linked to the capital assessment.

New South Wales Treasury notes the broad proposals outlined in CGC Position Paper 2008/11.

The Commission proposes to include in miscellaneous revenue those revenues which satisfy one or more of the following three conditions:

- a minor revenue for which separate assessment would have immaterial effects
- a revenue collected in a minority of States and reflecting non-standard policy and
- a revenue for which a reliable and material assessment could not be developed.

The proposed revenues include:

- property title user charges

- fees and fines
- public safety user charges
- user charges other than those associate with PTEs
- business taxes to be abolished under the IGA
- gambling revenue
- contributions by trading enterprises and
- net interest and dividend income.

New South Wales Treasury considers equal per capita treatment is the most appropriate for a collection of revenue sources which are minor individually, have highly diverse, difficult to assess bases and are significantly affected by differing policies.

Treatment of Gambling Revenue

New South Wales notes the inability of the States and CGC to identify a suitable tax base for gambling revenue and the use of equal per capita in the assessment as the alternative.

In particular, New South Wales considers that population density is unlikely to be a reliable indicator of gambling expenditure in relation to electronic gaming machines (EGMs) or any other form of gambling.

Contributions by Trading Enterprises

New South Wales notes the Commission's view on contributions of trading enterprises. As these contributions reflect policy decisions by State and territory governments, it is appropriate to continue to assess them on an equal per capita basis.

Public Safety User Charges

As a consequence of the varied policies and varied ways of raising funds in the States and territories for this category, the Commission has not been able to identify a reliable and material measure of revenue capacity. Therefore, the most appropriate method of assessment is on an equal per capita basis. By employing an equal per capita assessment, the need to identify the average policy across the States and territories is eliminated.

In relation to levies which partly fund fire services, New South Wales does not agree with the Commission's conclusion that: "Given the different bases that States use to impose the levy and the differences in the coverage of the levies between States, the most likely [revenue capacity] measure is some form of unimproved property values."¹

Unimproved property values would not be relevant in cases where levies on insurance are used (New South Wales, Victoria and, to a lesser extent, Tasmania), motor vehicles are included in the base (South Australia and Tasmania), or property valuations are augmented by other factors such as risk, service expectations and geographical location.

Other User Charges

New South Wales notes the Commission's intended treatment of other user charges on an equal per capita basis. This reflects the inability of States and territories to identify a suitably robust and reliable base for assessment. It is conceptually difficult to accept a single indicator (such as Household Disposable Income or Gross State Product) could be identified for the diverse charges and levies involved. Whilst Household Disposable Income may represent a broad measure of the capacity of the household sector to pay user charges, the charges themselves are levied in a diverse manner, generally not related to the capacity to pay, and in many cases are not levied directly on households.

Net Interest and Dividend Income

New South Wales notes the intention of the Commission to assess net interest and dividend income EPC in this category, pending final determination of the capital assessment.

¹ Commonwealth Grants Commission, 2010 Review, Miscellaneous Revenue, Commission Position Paper CGC 2008/11, para. 47.