

John Spasojevic
Secretary
Commonwealth Grants Commission
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Dear Mr Spasojevic

Victoria's response to CGC Position Papers

Thank you for the opportunity to provide a Victorian Government response to the Commonwealth Grants Commission Position Papers (CGC position papers) released in September 2008. Victoria has some minor commentary to make on the proposals relating to Payroll Tax, Insurance Tax, Miscellaneous Revenue, Public Safety, Conveyancing Duty, Insurance Tax, Motor Vehicles and the Administrative Scale. Overall, Victoria supports the Commonwealth Grants Commission's (the Commission) proposals in each of the following categories.

Payroll tax

Victoria extends its support for the proposal to increase the minimum tax-free threshold where States' thresholds have increased over the past couple of years and for annual updating of tax-free thresholds. However, Victoria is opposed to Tasmania's proposal to apply a \$10 per capita disability factor threshold to assess agriculture, forestry and fishing wages in the revenue base because this would add unnecessary complexity to the assessment.

Miscellaneous Revenue

Victoria agrees with the composition of the miscellaneous revenue assessment. The revenue streams included in the category are either minor or heavily policy influenced and without a policy neutral indicator.

As expressed in our response to the Capital position paper, Victoria disagrees with the treatment of capital in the 2010 Review. However, Victoria is comfortable with the equal-per-capita treatment of net interest expenses in the miscellaneous revenue category. Victoria also supports the decision not to assess a cost of borrowing factor

in relation to net interest revenue. Such a factor would add considerable complexity and be reliant on Commission judgment.

Public Safety

Victoria understands that when the Commission compiled its position paper evidence on the issue of Public Safety was unavailable so the Commission decided not to assess an urban complexity disability in this category.

In a response to the ACT disabilities paper to be released shortly, Victoria will comment on the issue of whether or not national capital disability should be excluded from Public Safety assessment. Victoria notes the proposal to include Public Safety with Miscellaneous expenses however it may be more transparent to present Public Safety as a separate category.

Nonetheless, if the Commission is satisfied and the proposed presentation is considered simpler, then Victoria has no objections.

Conveyancing Duty

Victoria supports making the identified adjustments to the conveyancing revenue base. Victoria considers that unless the States collect data in relation to the transactions for which a policy adjustment is necessary, the State Revenue Office should be the first point of reference in determining the size of policy adjustments.

Insurance Tax

Victoria supports the assessment of CTP and general and life insurance in the one component. Victoria also supports the assessment of five services levies in the miscellaneous revenue category.

Motor vehicles

Victoria supports the methodology developed to assess motor vehicle revenue. However, we would appreciate more information on the application of the method to specific vehicle classes.

In our previous submission we proposed that long combination bulk revenue should be weighted separately from other articulated vehicle revenue, to better implement an adjustment already proposed by Commission staff. This proposal was not acknowledged in position paper 2008/09 and there is no way of telling from the paper whether it has been accepted or not, and the reasons for a decision.

The final weight applied to each vehicle class are not published in the position paper, nor is a calculation of the redistribution from the proposed method.

Administrative Scale

Victoria has no further comment on the administrative scale category.

We look forward to providing further feedback to the Commission on all other proposals in its position papers. If you would like to discuss this further please do not hesitate to contact me on 9651 6495 or by email to Alain.Baillie@dtf.vic.gov.au.

Yours sincerely

Joe Monforte
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