

2007-08 BUDGET PAPER No. 3

**FEDERAL
FINANCIAL RELATIONS
2007-08**

CIRCULATED BY
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FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 2007-08
8 MAY 2007

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ISBN 1741 95685 4

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Printed by Canprint Communications Pty Ltd

FOREWORD

Budget Paper No. 3 *Federal Financial Relations 2007-08* is one of a series of Budget Papers that provides information to supplement the Budget Speech. A full list of the series is printed on the inside cover of this paper.

This Budget Paper presents information on the Australian Government's financial relations with State, Territory and local governments. This includes information on GST revenue provision and Australian Government payments, as well as an overview of fiscal developments in the States and Territories.

Notes

This paper uses the following style conventions.

The Australian Capital Territory Government and the Northern Territory Government are referred to as 'the Territories'. References to the 'States' or 'each State' include the State governments and Territory governments.

The State and local government sector is denoted as the 'State/local sector'. References to the 'State/local sector' include the Territory governments unless otherwise stated.

Payments made to the state government sector include payments made to the local government sector unless otherwise specified.

Budget year refers to 2007-08, while the forward years refer to 2008-09, 2009-10 and 2010-11.

Figures in tables, and generally in the text, have been rounded. Discrepancies in tables between totals and sums of components reflect rounding unless otherwise noted. Percentage changes in tables are based on the underlying unrounded amounts.

One billion is equal to one thousand million.

Estimates of \$100,000 and over are generally rounded to the nearest tenth of a million.

Estimates midway between rounding points are rounded up.

Tables use the following notations:

na	not applicable
0	zero
-	nil
*	unquantifiable
..	not zero, but rounded to zero
\$m	millions of dollars
\$b	billions of dollars

The following abbreviations are used, where appropriate:

NSW	New South Wales
VIC	Victoria
QLD	Queensland
WA	Western Australia
SA	South Australia
TAS	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory
BBA	Budget balancing assistance
GMA	Guaranteed minimum amount
GST	Goods and services tax

In this paper the term Commonwealth refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

The term Australian Government is used when referring to the Government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.

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EXECUTIVE SUMMARY

- Federal financial relations were substantially reformed from 1 July 2000, as part of *The New Tax System*. The new financial arrangements provide the States and Territories (the States) with a robust, secure and growing source of revenue – the goods and services tax – which replaced several inefficient state taxes and financial assistance grants from the Australian Government.
- The States will receive GST revenue of \$41.9 billion in 2007-08 – an increase of 5.8 per cent from 2006-07. This revenue will be distributed among the States in accordance with the recommendations of the Commonwealth Grants Commission in its 2007 update of relativities and as agreed by all States.
- In 2007-08, the States will be better off by an estimated \$3.2 billion due to the Australian Government's reforms. Each State will receive more revenue from the GST than it would have received had the previous financial arrangements continued. This revenue windfall will increase to \$4.6 billion by 2010-11.
- GST revenue will be 3.8 per cent of GDP in 2007-08 – up from 3.6 per cent in 2001-02 (the first full year of its operation).
- The Australian Government will provide the States with specific purpose payments of \$28.5 billion in 2007-08 – an increase of 8.7 per cent from 2006-07. In addition, local governments will receive \$2.3 billion in Australian Government grants in 2007-08, an increase of 11.8 per cent.
- Timetables are in place for the abolition of all but one of the state taxes listed for abolition in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*. The abolition of these taxes is estimated to save taxpayers \$5.0 billion in 2007-08 and a further \$18.9 billion over the forward years. However, no State has yet committed to a timetable to abolish the last remaining tax specified in the agreement.
- Most States expect to record small operating surpluses in 2007-08 and the forward years and to rely on debt financing to cover capital expenditures. State public sector debt is expected to increase in 2007-08 and the forward years.

OVERVIEW OF FEDERAL FINANCIAL RELATIONS

THE AUSTRALIAN GOVERNMENT'S REFORMS

The Australian Government implemented *The New Tax System* from 1 July 2000. An important component of the new system was the substantial reforms which were also made to Australia's system of federal financial arrangements.

In 1999, Commonwealth and State agreement was reached on the reform of federal financial relations. That agreement was formalised in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* of June 1999. The Australian Government gave effect to the agreement by enacting the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*.

There are three objectives underpinning the Intergovernmental Agreement:

- the achievement of a new national tax system, including the elimination of inefficient indirect taxes;
- the provision to the States of a more robust tax base that will grow over time; and
- an improvement in the financial position of all States.

The Australian Government has implemented all of its Intergovernmental Agreement commitments. It abolished the inefficient Commonwealth tax listed in the agreement (wholesale sales tax) and implemented the goods and services tax. It also ensured, through legislative provision, that the States receive every dollar of GST revenue. As was anticipated at the time, GST revenues have proved to be a robust source of state revenue that has been growing over time. Furthermore, every State now receives more revenue under the current federal financial arrangements than it would have if the previous arrangements had continued.

REFORM OF STATE TAXES

In the Intergovernmental Agreement, the States agreed to abolish a range of inefficient indirect taxes that were impeding economic activity. The States themselves nominated the taxes to be abolished.

By 1 July 2005, the States had abolished several taxes that were listed in the Intergovernmental Agreement. This first tranche of abolished state taxes included accommodation tax, financial institutions duty, quoted marketable securities duty and debits tax.

The agreement also provided for further state taxes to be abolished once GST revenues proved to be sufficient. In 2006, the Australian Government reached agreement with all States on a schedule for the abolition of a second tranche of taxes, including all but one of the remaining state taxes listed in the Intergovernmental Agreement. This second tranche of inefficient state taxes being abolished includes stamp duties on mortgages, leases, and credit and rental arrangements. Notwithstanding that all States are already receiving substantial revenue gains from the Australian Government's reforms, some of these state taxes will not be abolished until as late as 2012-13.

Furthermore, the States are still required to abolish the one remaining tax before all of their commitments will have been met. So far, no State has specified when it will abolish stamp duty on conveyances of real non-residential property. The Australian Government will continue to pursue this matter.

PAYMENTS TO THE STATES AND TERRITORIES

In 2007-08, the States will receive GST revenue of \$41.9 billion and other payments from the Australian Government of \$30.8 billion, totalling \$72.6 billion, as shown in Table 1. This is a 7.1 per cent increase in total payments, compared with the \$67.8 billion that the States will receive in 2006-07.¹

¹ Payments made to the state government sector include payments made to the local government sector unless otherwise specified.

Table 1: GST revenue and Australian Government payments to the States

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2006-07									
(1) GST revenue to the States	11,034	8,573	8,049	3,978	3,591	1,573	768	1,985	39,552
(2) General revenue assistance	-	-	-	-	-	-	-	-	-
(3) Specific purpose payments	9,076	6,540	5,477	3,412	2,199	679	444	417	28,244
Payments to the States	6,633	4,641	4,001	2,623	1,605	495	297	331	20,627
Payments through the States	1,797	1,418	1,073	541	451	115	110	51	5,555
Grants for local governments	539	396	326	195	117	55	35	24	1,687
Payments direct to local govt	108	86	76	52	26	14	1	11	374
(4) Australian Government payments to the States and local govt (2) + (3)	9,076	6,540	5,477	3,412	2,199	679	444	417	28,244
(5) GST and total payments (1) + (4)	20,110	15,113	13,526	7,390	5,790	2,253	1,212	2,402	67,796
2007-08									
(1) GST revenue to the States	11,926	9,147	8,384	3,945	3,855	1,646	823	2,124	41,850
(2) General revenue assistance	-	-	-	-	-	-	-	-	-
(3) Specific purpose payments	9,850	6,983	6,095	3,711	2,388	767	486	483	30,774
Payments to the States	7,168	4,906	4,454	2,831	1,737	545	328	388	22,367
Payments through the States	1,962	1,547	1,186	597	493	138	122	56	6,100
Grants for local governments	559	410	338	202	121	57	37	25	1,749
Payments direct to local govt	160	120	117	81	38	27	..	14	557
(4) Australian Government payments to the States and local govt (2) + (3)	9,850	6,983	6,095	3,711	2,388	767	486	483	30,774
(5) GST and total payments (1) + (4)	21,776	16,130	14,479	7,657	6,243	2,413	1,309	2,606	72,624

GST revenue provided to the States will increase by \$2.3 billion (5.8 per cent) in 2007-08 and Australian Government payments to state and local governments will increase by a further \$2.5 billion (9.0 per cent). Australian Government payments to the States include payments provided for local governments of \$2.3 billion in 2007-08.

All GST revenue is provided to the States to spend according to their own budget priorities. As agreed by all States in the Intergovernmental Agreement, GST revenues are distributed among the States in accordance with the principle of horizontal fiscal equalisation, and having regard to the recommendations of the Commonwealth Grants Commission.

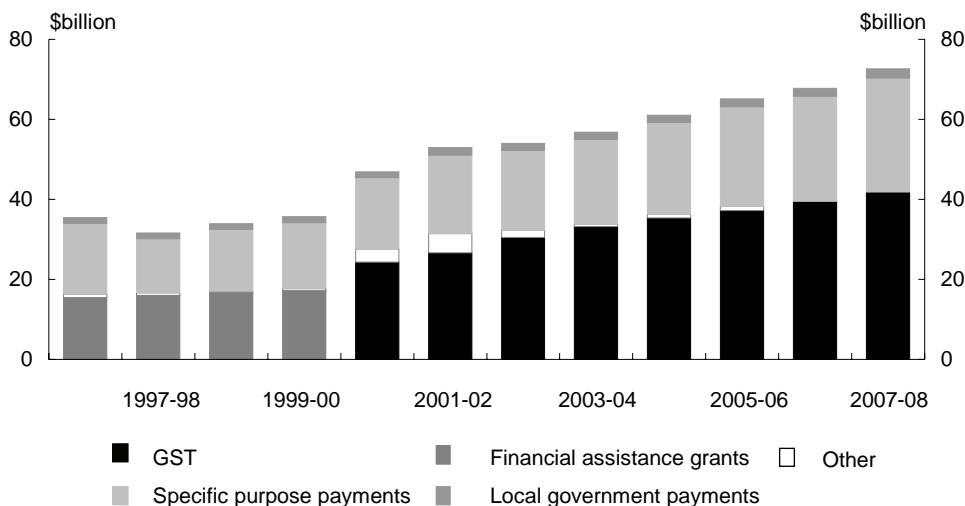
Specific purpose payments are a financial contribution to important areas of state responsibility which the Australian Government makes in pursuit of its policy objectives. Typically, the States need to fulfil specified conditions in order to receive these payments, which cover most functional areas of state and local government activity, including education, health, social security, housing and transport.

At the request of the States, the Australian Government provided a commitment in the Intergovernmental Agreement that it would maintain specific purpose payments in aggregate. The commitment was consistent with the objective of the States being

financially better off under the new arrangements. The Australian Government continues to meet this commitment.

Total payments to the States have grown steadily since the introduction of *The New Tax System* in 2000-01 (Chart 1). The average annual increase in total payments over this seven year period has been 6.5 per cent, compared with 6.3 per cent for the previous seven years.

Chart 1: Total payments to the States since 1996-97



MINISTERIAL COUNCILS

The Ministerial Council for Commonwealth-State Financial Relations was established in accordance with the Intergovernmental Agreement to oversee the operation of the agreement. The Ministerial Council generally meets annually to review the administration of the GST by the Australian Taxation Office, consider amendments to the GST, and consider the on-going reform of federal financial relations.

The Australian Loan Council generally meets annually to coordinate public sector borrowing. The council has regard to each jurisdiction’s fiscal position as well as the macroeconomic implications of the aggregate borrowing requirement. Current arrangements operate on a voluntary basis and emphasise transparency of public sector financing rather than adherence to strict borrowing limits.

GST REVENUE TO THE STATES

In accordance with the Intergovernmental Agreement, the Australian Government administers the GST on behalf of the States and all GST revenue is paid to the States. This provides the States with a robust, secure and growing source of revenue to spend according to their own budget priorities. In 2007-08, GST revenue will be \$43.1 billion – an increase of \$2.4 billion (5.8 per cent) from 2006-07.

VARIATIONS IN GST REVENUE SINCE THE 2006-07 BUDGET

Table 2 is a reconciliation of the GST revenue estimates since the 2006-07 Budget and the *Mid-Year Economic and Fiscal Outlook 2006-07* (MYEFO). The reconciliation accounts for policy decisions and parameter and other variations.

Table 2: Reconciliation of GST revenue estimates

\$million	Estimates		Projections	
	2006-07	2007-08	2008-09	2009-10
GST revenue at 2006-07 Budget	40,000	42,210	44,440	46,670
<i>Changes from 2006-07 Budget to MYEFO</i>				
Effect of policy decisions
Effect of revenue recognition variations(a)	390	340	260	350
Effect of parameter and other variations	240	580	930	980
Total variations	630	920	1,190	1,330
GST revenue at 2006-07 MYEFO	40,630	43,130	45,630	48,000
<i>Changes from MYEFO to 2007-08 Budget</i>				
Effect of policy decisions	..	-110	-161	-138
Effect of parameter and other variations	90	70	31	-52
Total variations	90	-40	-130	-190
GST revenue at 2007-08 Budget	40,720	43,090	45,500	47,810

(a) Accrual estimates for GST revenue at the 2006-07 Budget were recognised using the Taxation Liability Method (TLM) of revenue recognition. Since the 2005-06 Final Budget Outcome, GST revenue has been recognised using the Economic Transactions Method (ETM) method of revenue recognition. Refer to Appendix F of Statement 5 in 2006-07 Budget Paper No. 1 for an explanation of the different methods of revenue recognition.

GST revenue for 2006-07 is expected to be \$90 million higher than forecast at MYEFO. This reflects the stronger than expected March quarter outcome for consumption subject to GST. However, weaker inflation forecasts since MYEFO dampen GST revenue in 2007-08 and the forward years. Policy decisions will also have a small negative impact on GST revenue in 2007-08 and the forward years.

Policy decisions which have a positive impact on GST revenue include:

- providing funding for additional compliance activities for GST (additional revenue of \$65 million over four years); and

- not proceeding with a decision in respect to compulsory third party insurers (additional revenue of \$27 million over four years).

The revenue impact of those policy decisions is more than offset by decisions which have a negative impact on GST revenue, including:

- increasing the registration turnover threshold for the GST (at a cost of \$318 million over four years); and
- changes to the operation of tourist shopping arrangements to enhance their effectiveness (at a cost of \$263 million over four years).

The estimated revenue effect of each GST policy decision since the 2006-07 MYEFO is shown in Table 3. Detailed information on each decision is in Appendix C.

Table 3: GST revenue policy decisions since the 2006-07 MYEFO

\$million	2007-08	2008-09	2009-10	2010-11
Compulsory third party schemes - alternative global decreasing adjustment methodology	6.7	6.7	6.7	6.7
Debt collection enhancement - reducing taxation debt and outstanding superannuation guarantee charge payments	5.0	20.0	20.0	20.0
Employee share schemes that provide stapled securities	-0.1	-0.1	-0.1	-0.1
Expand the range of goods in inwards duty free stores	-2.0	-2.0	-2.0	-2.0
GST car concession for certain injured defence personnel	-	-	-	-
GST concessions for the International Criminal Court
Increasing the GST registration turnover threshold	-56.7	-82.9	-87.1	-91.4
Increasing the threshold for requiring an approved tax invoice for GST	-0.9	-1.1	-1.2	-1.3
International telecommunications services	-	-	-	-
PAYG instalments paid annually when voluntarily registered for GST	-	-35.0	-5.0	-5.0
Pharmaceutical concession for certain defence personnel	-	-	-	-
Simplified accounting methods - extending availability	-1.0	-2.0	-2.0	-2.0
Tourist Refund Scheme - introducing private providers and enhancements to tax-free shopping	-61.0	-65.0	-67.0	-70.0
Total GST revenue policy decisions	-110.0	-161.4	-137.7	-145.1

GST REVENUE TO THE STATES

Under the Intergovernmental Agreement, all GST revenue collected by the Australian Taxation Office is provided to the States. The Commissioner of Taxation estimates the likely level of GST receipts in June, prior to the end of each financial year. A balancing adjustment is also usually made in the following financial year to ensure that the States receive the full amount of GST receipts for a financial year. The calculations of GST revenue to be provided to the States are provided in Table 4.

Table 4: GST revenue to the States

\$million	Actual	Estimates		Projections		
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
GST revenue	38,884	40,720	43,090	45,500	47,810	50,300
<i>less</i> change in GST receivables	1,443	1,140	1,240	1,300	1,360	1,450
GST receipts	37,442	39,580	41,850	44,200	46,450	48,850
<i>plus</i> variation from the Commissioner's determination(a)	28					
<i>plus</i> prior year balancing adjustment	-288	-28				
GST revenue to the States	37,182	39,552	41,850	44,200	46,450	48,850

(a) The Commissioner's determination for 2005-06 was \$28 million higher than the final outcome.

GST revenue to the States has grown strongly since its introduction, as shown in Table 5. The average annual growth since 2001-02² has been 7.9 per cent. Furthermore, GST revenue has increased from 3.6 per cent of GDP in 2001-02 to 3.8 per cent in 2007-08.

Table 5: Growth in GST revenue to the States since 2000-01

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2000-01	7,258	5,099	4,658	2,375	2,279	988	473	1,226	24,355
2001-02	8,132	5,593	5,019	2,518	2,477	1,060	544	1,290	26,632
2002-03	9,080	6,365	5,888	2,910	2,859	1,247	616	1,515	30,479
2003-04	9,667	6,961	6,553	3,158	3,146	1,394	658	1,681	33,219
2004-05	9,884	7,346	7,329	3,624	3,293	1,435	680	1,730	35,323
2005-06	10,362	7,833	7,689	3,804	3,442	1,496	723	1,834	37,182
2006-07(a)	11,034	8,573	8,049	3,978	3,591	1,573	768	1,985	39,552
2007-08(a)	11,926	9,147	8,384	3,945	3,855	1,646	823	2,124	41,850

(a) Estimates.

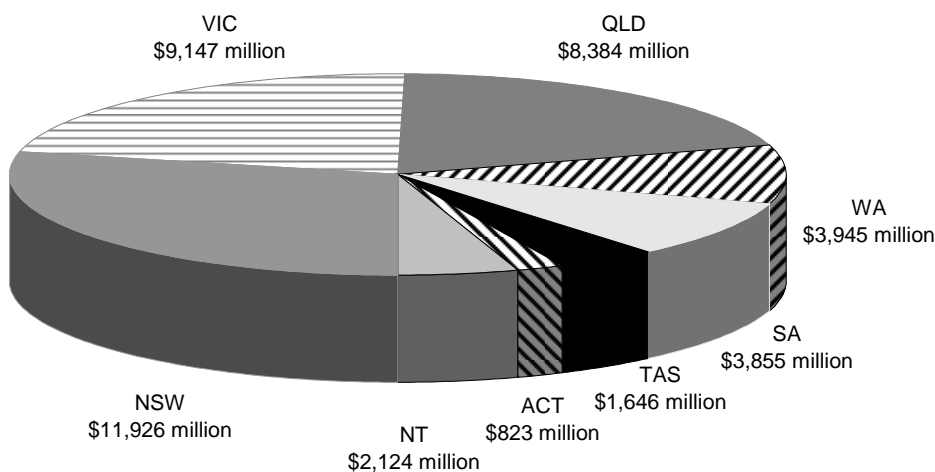
2 As only 11 monthly activity statements, 3 quarterly activity statements, and no annual activity statements were payable in 2000-01, the calculated annual growth uses 2001-02 as the base year.

DISTRIBUTION OF GST REVENUE AMONG THE STATES

As agreed by all States in the Intergovernmental Agreement, GST revenue is distributed among the States in accordance with the long-standing principle of horizontal fiscal equalisation and having regard to the recommendations of the Commonwealth Grants Commission.

The state shares of GST revenue for 2007-08 (totalling \$41.9 billion) are shown in Chart 2.

Chart 2: State shares of GST revenue, 2007-08



GST relativities

The Commission recommends relativities to be used in calculating each State's share of GST revenue such that, if each State made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each State would have the capacity to provide services at the same standard.

This does not necessarily result in the equalisation of government services — just the equalisation of the capacity to provide the same standard of services. States are able to spend their share of GST revenue according to their own budget priorities.

In calculating the GST relativities, the Commission takes into account differences in the States' capacities to raise revenues and differences in the costs the States would incur in providing the same standard of government services.

The GST relativities have been endorsed by the Ministerial Council for Commonwealth-State Financial Relations. The relativities for 2006-07 and 2007-08 are shown in Table 6.

Table 6: GST relativities, 2006-07 and 2007-08

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2006-07(a)	0.87332	0.89559	1.02387	1.00480	1.18862	1.54931	1.14575	4.32755
2007-08	0.89079	0.90096	1.00607	0.94747	1.20791	1.54465	1.16293	4.36824

(a) These relativities take account of amended data provided by South Australia after the release of the Commonwealth Grants Commission's 2006 report.

Applying the GST relativities to the GST pool

The Intergovernmental Agreement defines the GST pool for a financial year to consist of GST revenue plus health care grants provided by the Australian Government under Australian Health Care Agreements. Some health care grants are quarantined from the pool.

The GST relativities are applied to estimated state populations in order to determine a weighted population for each State. Each State is then allocated its population-weighted share of the combined pool of GST revenue and unquarantined health care grants. The final distribution of GST revenue is determined by deducting the unquarantined health care grants, which are separately provided to the States, from each State's share of the GST pool. The calculations for the distribution of the GST pool are shown in Table 7.

Table 7: Distribution of the GST pool, 2006-07 and 2007-08

	Projected population 31 December	GST relativities	Weighted population(a) (1) x (2)	Share of weighted population %	Share of GST pool \$m	Unquarantined HCGs \$m	GST revenue (5) - (6) \$m
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006-07							
NSW	6,863,553	0.87332	5,994,078	28.9	13,821.4	2,787.1	11,034.2
VIC	5,128,419	0.89559	4,592,961	22.1	10,590.6	2,017.8	8,572.8
QLD	4,089,996	1.02387	4,187,624	20.2	9,656.0	1,607.0	8,049.0
WA	2,073,267	1.00480	2,083,219	10.0	4,803.6	825.7	3,977.9
SA	1,561,537	1.18862	1,856,074	8.9	4,279.8	689.0	3,590.8
TAS	490,427	1.54931	759,823	3.7	1,752.0	178.8	1,573.3
ACT	330,735	1.14575	378,940	1.8	873.8	105.5	768.3
NT	208,330	4.32755	901,558	4.3	2,078.8	93.5	1,985.4
Total	20,746,264	n/a	20,754,277	100.0	47,855.9	8,304.2	39,551.7
2007-08							
NSW	6,928,601	0.89079	6,171,928	29.4	14,858.3	2,932.0	11,926.3
VIC	5,198,499	0.90096	4,683,640	22.3	11,275.4	2,128.4	9,147.0
QLD	4,165,916	1.00607	4,191,203	19.9	10,089.9	1,705.6	8,384.3
WA	2,114,454	0.94747	2,003,382	9.5	4,822.9	877.5	3,945.4
SA	1,574,204	1.20791	1,901,497	9.0	4,577.6	723.0	3,854.6
TAS	493,242	1.54465	761,886	3.6	1,834.2	187.8	1,646.3
ACT	333,585	1.16293	387,936	1.8	933.9	111.3	822.6
NT	211,303	4.36824	923,022	4.4	2,222.1	98.6	2,123.5
Total	21,019,804	n/a	21,024,494	100.0	50,614.2	8,764.2	41,850.0

(a) The totals of the weighted populations in column 3 differ from the totals of the populations in column 1. This is a consequence of the population projections in column 1 being revised subsequent to the Commonwealth Grants Commission calculating the GST relativities.

The effect of horizontal fiscal equalisation

One way to view the effect of horizontal fiscal equalisation is to compare each State's share of the GST pool using the GST relativities with a notional distribution on an equal per capita basis. In 2007-08, \$3.3 billion (or 6.6 per cent) of the GST pool will be redistributed among the States, compared with an equal per capita distribution (Table 8).

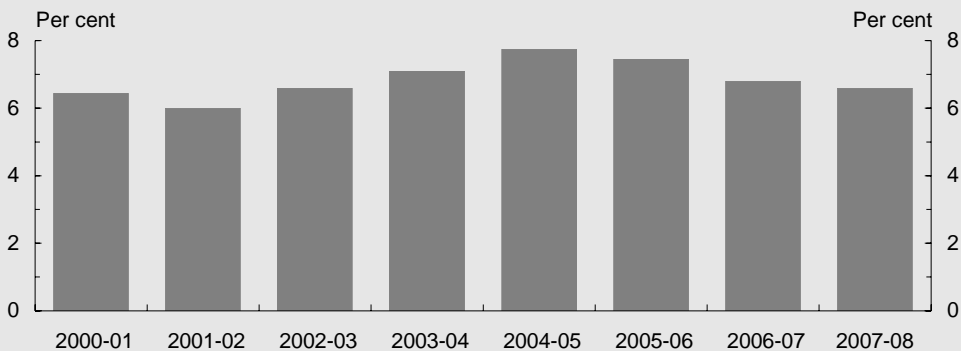
Table 8: Effect of horizontal fiscal equalisation, 2007-08

	GST pool distributed using GST relativities	Equal per capita distribution of GST pool	Redistribution(a)	Estimated population	Per capita redistribution
	\$m	\$m	\$m	million	\$
NSW	14,858.3	16,683.6	-1,825.3	6.9	-263.4
VIC	11,275.4	12,517.6	-1,242.3	5.2	-239.0
QLD	10,089.9	10,031.2	58.6	4.2	14.1
WA	4,822.9	5,091.5	-268.5	2.1	-127.0
SA	4,577.6	3,790.6	787.1	1.6	500.0
TAS	1,834.2	1,187.7	646.5	0.5	1,310.6
ACT	933.9	803.2	130.7	0.3	391.7
NT	2,222.1	508.8	1,713.3	0.2	8,108.1
Total	50,614.2	50,614.2	3,336.1	21.0	na

(a) The total redistribution of \$3,336.1 million is the sum of positive (or negative) items in that column.

The proportion of the GST pool being redistributed in 2007-08 continues the decline evident since 2004-05 (Chart 3). This reflects the convergence in the fiscal capacities of the four most populous States, partly due to the influence of commodity prices and property market cycles on the revenue raising capacities of these States.

Chart 3: GST redistribution as a proportion of the GST pool



Simplification of the horizontal fiscal equalisation methodology

In March 2007, the Commonwealth Grants Commission reported to the Ministerial Council for Commonwealth-State Financial Relations on its further progress with the methodology review. The report was endorsed by the Ministerial Council. The outcomes of the Commission's methodology review are to be implemented in 2010. The Commission's report is available on its website at www.cgc.gov.au.

GST ADMINISTRATION

Because the GST has a national tax base, but all GST revenue is provided to the States, the Intergovernmental Agreement provides for the Australian Taxation Office to administer the GST on behalf of the States. Consequently, the States compensate the Australian Government for the agreed costs incurred by the Australian Taxation Office in administering the GST, as shown in Table 9.

Table 9: GST administration costs

\$million	Actual	Estimates		Projections		
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	603.8	618.5	635.9	644.5	633.6	639.3
State government payments	-603.8	-618.5	-635.9	-644.5	-633.6	-639.3
Australian Government budget impact	0	0	0	0	0	0

In March 2007, the Ministerial Council for Commonwealth-State Financial Relations endorsed the administration costs for 2007-08, including additional costs of \$15 million over four years in respect of the policy decision to improve compliance activities.

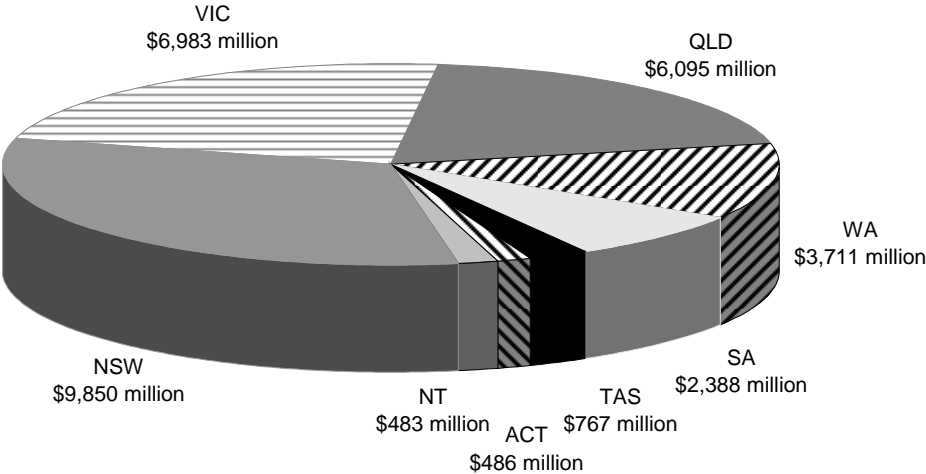
AUSTRALIAN GOVERNMENT PAYMENTS TO THE STATES

Australian Government payments to the States consist of general revenue assistance and specific purpose payments.

Prior to the reform of federal financial relations, implemented from 1 July 2000, general revenue assistance comprised the largest component of Australian Government payments to the States. Those payments consisted mostly of financial assistance grants, which have now been replaced by the provision of GST revenue to the States. General revenue assistance also includes a range of other payments, most of which have largely been phased out. For 2007-08 and the forward years, the Australian Government has estimated that it will not provide any general revenue assistance to the States.

The Australian Government will continue to provide specific purpose payments to state and local governments. In 2007-08, these payments will total \$30.8 billion, an increase of \$2.5 billion (9.0 per cent) from 2006-07. The state shares of these payments are shown in Chart 4.

Chart 4: State shares of Australian Government payments, 2007-08



GENERAL REVENUE ASSISTANCE TO THE STATES

General revenue assistance is a broad category of payments that are provided to the States to spend according to their own budget priorities. They include budget balancing assistance (BBA), compensation payments in respect of GST policy decisions and National Competition Policy payments.

Budget balancing assistance

In the Intergovernmental Agreement, the Australian Government guaranteed that the budgetary position of each State would be no worse than it would have been had its reforms not been implemented. The guaranteed minimum amount (GMA) is an estimate of the revenue that each State would have received under the previous system of financial assistance grants and if their own inefficient state taxes had not been abolished as part of the reforms. Detailed calculations of the GMA for 2006-07 and 2007-08 are provided in Appendix B.

The Australian Government will pay BBA to the States during the transitional period (which will expire on 30 June 2009) if a State's share of GST revenue in a financial year is less than its GMA for that year.

In 2007-08 and the forward years, all States will receive more GST revenue than their GMA. Consequently, no State will require BBA. Indeed, the States will receive a total revenue gain from tax reform of \$3.2 billion more than their GMA in the Budget year. These revenue gains are estimated to increase to \$4.6 billion by 2010-11, as shown in Table 10.

Table 10: State revenue gains from tax reform^(a)

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2006-07									
(1) GMA	10,873	8,123	7,368	3,651	3,388	1,464	707	1,867	37,440
(2) GST revenue	11,034	8,573	8,049	3,978	3,591	1,573	768	1,985	39,552
(3) BBA (1) - (2)	0	0	0	0	0	0	0	0	0
(4) States' revenue gain (2) - (1)	162	450	681	327	203	109	61	119	2,112
2007-08									
(1) GMA	11,295	8,422	7,554	3,516	3,585	1,529	740	2,000	38,642
(2) GST revenue	11,926	9,147	8,384	3,945	3,855	1,646	823	2,124	41,850
(3) BBA (1) - (2)	0	0	0	0	0	0	0	0	0
(4) States' revenue gain (2) - (1)	631	725	830	429	269	117	82	124	3,208
2008-09									
(1) GMA	11,941	8,832	7,662	3,368	3,750	1,579	765	2,122	40,019
(2) GST revenue	12,911	9,849	8,629	3,898	4,092	1,710	862	2,249	44,200
(3) BBA (1) - (2)	0	0	0	0	0	0	0	0	0
(4) States' revenue gain (2) - (1)	970	1,017	966	530	342	131	97	127	4,181
2009-10									
(1) GMA	12,866	9,271	7,880	3,290	3,942	1,628	804	2,250	41,931
(2) GST revenue	13,969	10,393	8,847	3,850	4,324	1,768	906	2,392	46,450
(3) States' revenue gain (2) - (1)	1,103	1,122	967	560	382	140	102	142	4,519
2010-11									
(1) GMA	13,893	9,831	8,297	3,220	4,163	1,687	840	2,365	44,296
(2) GST revenue	15,009	11,020	9,190	3,738	4,564	1,839	952	2,538	48,850
(3) States' revenue gain (2) - (1)	1,117	1,189	893	517	402	152	112	173	4,554

(a) No BBA is payable when GST revenue exceeds the GMA. As part of the agreement with the States to abolish most of the state taxes listed for review under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the Australian Government has extended the transitional period (in which BBA may be paid) from 30 June 2006 to 30 June 2009.

Compensation payments for GST policy decisions

The Australian Government, with the agreement of state governments, legislated that from 2004-05, small businesses and non-profit organisations which voluntarily registered for the GST could pay and report GST on an annual rather than monthly or quarterly basis. To obtain the agreement of the States, the Australian Government agreed to compensate the States for the deferral of GST revenue.

At MYEFO, it was anticipated that the States would be provided compensation payments of \$17 million in 2006-07 and \$18 million in 2007-08, increasing over the forward years.

Final tax return data for 2004-05 now indicates that the impact of the policy decision on GST revenue was lower than forecast. Consequently, there has been an overpayment of compensation to the States. The overpayment is currently estimated to be about \$320 million. The Australian Government has agreed with the States to suspend future compensation payments to prevent further overpayment. Once final tax return data for 2005-06, 2006-07 and 2007-08 is available, the States will acquit accounts based on a net present value calculation of the total compensation required. If the amount already

paid to the States is less than the net present value, the shortfall will be paid to the States. More likely, there will be a remaining overpayment to be recovered.

Further information is contained in the expense measure *Suspending GST compensation* in Budget Paper No. 2 in the Treasury portfolio.

National Competition Policy payments

Between 1997-98 and 2005-06, the Australian Government provided National Competition Policy payments to the States for implementing National Competition Policy and related reforms. Each State's payments were conditional on that State achieving satisfactory progress with the implementation of the reforms, including a commitment to review legislation that restricts competition, applying competitive neutrality principles to government business activities and introducing specific reforms in the electricity, gas, water and road transport sectors.

The Australian Government suspended \$43.2 million in 2005-06 National Competition Policy payments, following recommendations provided by the National Water Commission. This included water reform suspensions for outstanding obligations relating to interstate trading in the southern Murray-Darling Basin, and for lack of progress and outstanding reforms with respect to water planning.

The Commission has indicated that it will make recommendations about the 2005-06 suspensions following assessments in 2007.

SPECIFIC PURPOSE PAYMENTS

Specific purpose payments constitute a significant amount of Australian Government expenditure. In 2007-08, they are estimated to total \$30.8 billion, an increase of \$2.5 billion (9.0 per cent) over 2006-07. For the Budget year, total specific purpose payments will represent 13.1 per cent of total Australian Government expenditure.

The Australian Government provides specific purpose payments to pursue important national policy objectives in areas that may be administered by the States. Typically the States need to fulfil specified conditions in order to receive these payments, which cover most functional areas of state and local government activity, including education, health, social security, housing and transport.

Detailed tables of specific purpose payments for 2006-07 and 2007-08, including state shares of each payment, are provided in Appendix D.

The broad categories of specific purpose payment, as shown in Chart 5 and Table 11, are:

- payments made to the States to help fund state government functions;

- payments made through the States, where the state governments distribute the payment to other organisations, such as private schools;
 - this includes financial assistance grants to be distributed to local governments; and
- payments made by the Australian Government direct to local governments.

Chart 5: Specific purpose payments, 2007-08

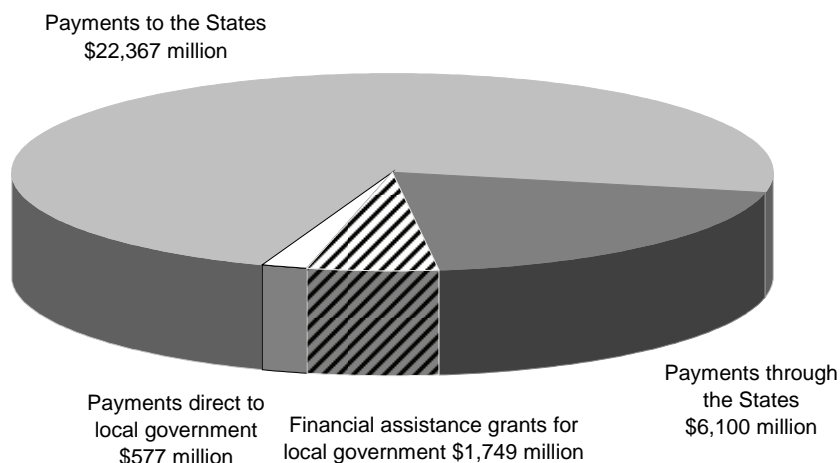


Table 11: Specific purpose payments

\$million	Actual		Estimates	
	2005-06	2006-07	2006-07	2007-08
Payments to the States	19,612.5	20,627.0		22,367.4
Payments through the States	5,296.9	5,555.3		6,100.2
Financial assistance grants				
through States to local government	1,618.6	1,687.5		1,749.4
Payments direct to local government	376.1	374.3		556.6
Total payments	26,904.1	28,244.1		30,773.6

Specific purpose payments have grown strongly since 1999-00, as shown in Table 12, with an average annual growth of 7.0 per cent.

Table 12: Growth in specific purpose payments since 1999-00

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
1999-00	5,813	4,148	3,213	2,082	1,500	549	321	290	17,916
2000-01	6,256	4,401	3,544	2,313	1,533	526	327	309	19,207
2001-02	6,806	5,024	3,999	2,517	1,687	554	366	505	21,458
2002-03	7,067	5,155	3,988	2,539	1,721	550	395	366	21,781
2003-04	7,618	5,355	4,287	2,551	1,801	563	405	361	22,940
2004-05	8,154	5,742	4,614	2,898	1,955	637	415	379	24,795
2005-06	8,727	6,262	5,055	3,249	2,079	680	426	426	26,904
2006-07(a)	9,076	6,540	5,477	3,412	2,199	679	444	417	28,244
2007-08(a)	9,850	6,983	6,095	3,711	2,388	767	486	483	30,774

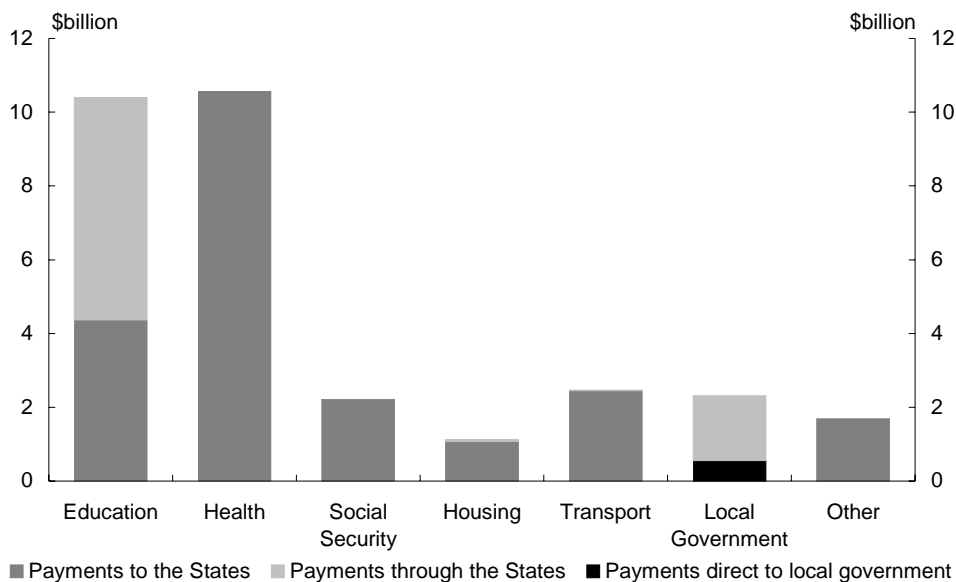
(a) Estimates.

The Australian Government’s commitment to maintain specific purpose payments in aggregate is being met. In nominal terms, total specific purpose payments have increased by 71.8 per cent since 1999-2000.

Major categories of specific purpose payments

In 2007-08, specific purpose payments for health, education and transport are estimated to account for 76.2 per cent of all specific purpose payments. These categories encompass payments for public hospitals, schools, vocational education and training, and the development, construction and maintenance of the National Land Transport Network under AusLink (Chart 6). Payments to local governments account for a further 7.5 per cent of all specific purpose payments.

Chart 6: Composition of specific purpose payments, 2007-08



‘Tied’ and ‘untied’ specific purpose payments

Agreements to provide specific purpose payments are often put in place to achieve national objectives in areas of state and local government responsibility. However, in making these payments, the Australian Government does not seek to take over responsibility for those functions.

Most specific purpose payments are ‘tied’, meaning that they are subject to conditions designed to ensure that the national objectives are achieved. Such objectives may include:

- general policy conditions – for example, the provision of free public hospital access for Medicare patients in return for funding under the Australian Health Care Agreements; and
- requirements that payments be expended for a specific purpose only – for example, grants provided for the eradication of red imported fire ant infestations detected in Australia.

Many of the ‘tied’ payments are made subject to the States maintaining real growth in their own financial contributions to a specified programme area or matching the Australian Government’s funding contributions. The States are also required to report agreed financial and performance information relating to each ‘tied’ payment in order to evaluate whether the national objectives are being achieved.

Some specific purpose payments are not subject to conditions relating to expenditure – or are ‘untied’. These typically relate to revenue sharing arrangements or compensation – either for the referral of powers, the transfer of responsibilities or for other Australian Government action that affects the States.

PAYMENTS TO LOCAL GOVERNMENTS

The Australian Government provides financial assistance to local governments to enhance their capacity to provide services to local communities. This funding is provided in the form of financial assistance grants (which are specific purpose payments paid through the States) and specific purpose payments direct to local governments.

In aggregate, Australian Government payments to local government will be \$2.3 billion in 2007-08, as shown in Table 13.

Table 13: Australian Government payments to local government (accrual basis)

\$million	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Financial assistance grants	1,328	1,394	1,455	1,508	1,548	1,619	1,687	1,749
Payments direct to local govt	109	503	279	368	311	376	374	557
Australian Government payments	1,437	1,897	1,734	1,876	1,859	1,995	2,062	2,306

There is some variation in payments between financial years. This is a consequence of the specific purpose payments direct to local government being programme based and provided in response to identified needs. In contrast, financial assistance grants are indexed annually so that they are maintained in real per capita terms.

Financial assistance grants

The Australian Government provides untied financial assistance grants to local governments to spend according to their own priorities. In 2006-07, \$1.69 billion in financial assistance grants will be provided to the local government sector and \$1.75 billion will be provided in 2007-08 (Table 13).

The annual increase in financial assistance grants is based on an escalation factor, which the Treasurer determines with reference to population growth and the consumer price index. For 2007-08, it is estimated that the financial assistance grants will be indexed by 3.8 per cent.

Financial assistance grants are paid to the States as a specific purpose payment, on the condition that all the funds are passed on to local government. The grants contain two components:

- general purpose assistance, which is distributed on the basis of population; and
- untied local road funding, which is distributed on the basis of historical shares.

State grants commissions determine the intra-state distribution of the financial assistance grants between local governments.

State shares of financial assistance grants for 2006-07 and 2007-08 are shown in Table 14. The cash totals vary from the accrual totals shown in Table 13 due to adjustments for any overpayment or underpayment from the previous year. These adjustments arise because the Treasurer determines the escalation factors in June prior to the end of each financial year, and the adjustment in the following financial year ensures that local governments receive their correct entitlement using the final escalation factor.

Table 14: Financial assistance grants to local government (cash basis)

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2006-07									
General purpose assistance	388	288	229	116	88	28	19	12	1,168
Untied local road funding	150	107	97	79	28	27	17	12	518
Total(a)	539	395	326	195	117	55	35	24	1,686
2007-08									
General purpose assistance	401	300	240	121	91	29	19	12	1,214
Untied local road funding	156	111	101	82	30	29	17	13	539
Total(b)	557	411	341	204	121	57	37	25	1,753

(a) The 2006-07 estimate takes into account an underpayment of \$1.7 million in 2005-06. The Treasurer will determine the final 2006-07 escalation factor in June 2007. The 2006-07 escalation factor is currently estimated to be 1.0419.

(b) The 2007-08 estimate includes the estimated adjustment for the difference between the 2006-07 escalation factor estimated in June 2006 (used to calculate payments in 2006-07) and the final factor for 2006-07 (to be determined in June 2007). On the basis of the current estimate of the 2006-07 escalation factor, this adjustment will be an increase of \$2.1 million. The 2007-08 escalation factor is currently estimated to be 1.0380. Financial assistance grants in 2007-08 will be paid on the basis of the escalation factor that the Treasurer will estimate in June 2007. The Treasurer will determine the final escalation factor for 2007-08 in June 2008.

Specific purpose payments direct to local governments

The Australian Government provides specific purpose payments direct to local governments to help fund local roads and infrastructure, child care programmes, and disability and other services administered by local governments. These payments will total \$374 million in 2006-07 and increase to \$557 million in 2007-08 (Table 13).

These payments mainly comprise a component of AusLink funding which assists local councils with upgrading and maintenance works on local roads. In 2007-08, the local government sector will receive \$496 million under the AusLink programme.

MIRROR TAX ARRANGEMENTS

The Australian Government introduced mirror tax arrangements in 1998 to ensure that the States were not financially disadvantaged by the High Court decision in *Allders International Pty Ltd v Commissioner of State Revenue (Victoria)*, which invalidated state taxes on Commonwealth places.

These arrangements mirror certain state taxes, including payroll taxes, land taxes and stamp duties, with respect to Commonwealth places.

The States collect these mirror taxes on behalf of the Australian Government and bear the administrative costs of collection. All mirror tax revenues are credited to the Australian Government and simultaneously appropriated to the States. Hence, mirror taxes are recorded as both Australian Government revenue and negative revenue, with no net impact on the Australian Government's Budget.

Estimates of mirror taxes are provided in Table 15.

Table 15: Mirror taxes accrued on behalf of the States

\$million	Estimates		Projections		
	2006-07	2007-08	2008-09	2009-10	2010-11
Mirror taxes	353.3	370.8	391.4	413.6	437.6
Payments to state governments	-353.3	-370.8	-391.4	-413.6	-437.6
Australian Government budget impact	0	0	0	0	0

REFORM OF STATE TAXATION

BENEFITS FROM THE REFORM OF STATE TAXES

The GST was introduced to replace several inefficient indirect taxes – one Commonwealth tax and ten state taxes. The state taxes included in the Intergovernmental Agreement were nominated by the States themselves as being undesirable on efficiency and equity grounds.

Implementation of the Intergovernmental Agreement has already delivered significant economic benefits as a result of abolishing a first tranche of inefficient state taxes from as early as 1 July 2000. The value of the revenue foregone from the abolition of these inefficient taxes is estimated to be \$4.1 billion in 2007-08 (Table 16).

Table 16: State taxation revenues foregone as a result of reform^(a)

\$million	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
<i>Tranche 1</i>											
Financial institutions duty		1,196	1,359	1,413	1,470	1,529	1,591	1,655	1,722	1,792	1,864
Debits tax		140	340	344	349	1,160	1,269	1,306	1,346	1,387	1,431
Quoted marketable securities duty		675	747	791	837	886	939	994	1,054	1,116	1,183
Accommodation tax	79	80	86	91	97	106	115	125	136	148	161
Total - Tranche 1	79	2,091	2,531	2,639	2,753	3,681	3,913	4,081	4,257	4,443	4,639
<i>Tranche 2</i>											
Mortgage duty				17	223	277	384	477	776	1,051	1,356
Rental duty			4	4	21	34	103	271	293	325	346
Lease duty	3	39	42	50	64	80	103	140	196	212	225
Non-quoted marketable securities duty			12	20	27	32	46	59	90	136	151
Cheque duty				3	9	12	12	13	13	14	14
Non-real non-residential conveyances duty							1	1	10	69	294
Total - Tranche 2	3	39	58	94	345	434	650	962	1,379	1,806	2,385
Total state taxes abolished	82	2,130	2,589	2,733	3,098	4,115	4,564	5,043	5,636	6,249	7,025

(a) Includes all revenue foregone from the abolition of Intergovernmental Agreement taxes. The revenue foregone is only included in the GMA once all States have abolished the tax.

In 2006, the Australian Government agreed with the States on a schedule for the second tranche of state taxation reform. The schedule provides for the abolition of all but one of the remaining taxes listed in the Intergovernmental Agreement. The timetable for the abolition of state taxes is provided in Appendix E. The value of the revenue foregone from this second tranche of state taxation reform is estimated to be a further \$1.0 billion in 2007-08 (Table 16). This benefit to consumers and business from the second tranche of tax reforms is expected to grow to \$2.4 billion by 2010-11.

Notwithstanding the substantial state taxation revenues foregone from these reforms, the States are still receiving significant revenue windfalls, compared with the revenue

they would have received had the previous Commonwealth-State financial arrangements continued (Table 17).

STAMP DUTY ON CONVEYANCES OF REAL NON-RESIDENTIAL PROPERTY

The States have so far refused to fulfil their commitments by agreeing on a timetable to abolish the final tax listed in the Intergovernmental Agreement – stamp duty on conveyances of real non-residential property. The abolition of this tax would save taxpayers \$2.8 billion in 2007-08.

The cost of abolishing this tax from 1 July 2007 is shown in Table 17, together with the remaining revenue windfall to the States from tax reform and any BBA that may be required to ensure that no State is worse off relative to its position if the previous financial arrangements had continued. The Australian Government has indicated to the States that it would be willing to be flexible as to the timing and phasing of the abolition of this tax.

Table 17: Abolishing stamp duty on conveyances of real non-residential property

\$million	NSW(a)	VIC(a)	QLD	WA	SA	TAS(a)	ACT	NT	Total
2007-08									
Current revenue gain	631	725	830	429	269	117	82	124	3,208
Cost of abolition	884	579	505	600	143	33	40	25	2,809
BBA required	253	0	0	171	0	0	0	0	424
Revised revenue gain	0	146	326	0	126	84	42	98	822
2008-09									
Current revenue gain	970	1,017	966	530	342	131	97	127	4,181
Cost of abolition	958	589	540	600	161	33	41	26	2,948
BBA required	0	0	0	70	0	0	0	0	70
Revised revenue gain	12	428	426	0	181	98	56	102	1,302
2009-10									
Current revenue gain	1,103	1,122	967	560	382	140	102	142	4,519
Cost of abolition	1,039	593	578	600	166	35	42	26	3,079
BBA required	0	0	0	40	0	0	0	0	40
Revised revenue gain	64	528	389	0	216	106	60	116	1,479

(a) Australian Treasury estimates of the cost of abolition.

Stamp duty on conveyances of real non-residential property is an inefficient tax that impedes the transfer of commercial property to its highest value use, and particularly impacts on small businesses, superannuation funds and smaller property investors. The Australian Government will continue to pursue the abolition of this tax.

FISCAL DEVELOPMENTS IN THE STATES

Most States are expected to record net operating surpluses in 2007-08 and over the forward estimates. After allowing for capital investment, most States are expected to record fiscal deficits in 2007-08 and over the forward estimates. As a consequence, net debt of the States is expected to rise from \$10.7 billion in 2005-06 to \$67.0 billion in 2009-10.

This section provides an overview of fiscal developments in the States. It provides context to the discussion of the Australian Loan Council in the next section.

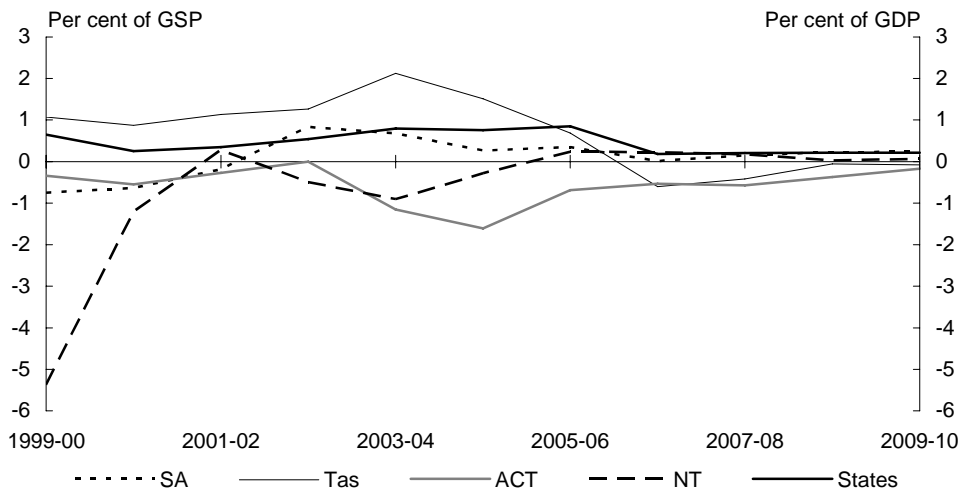
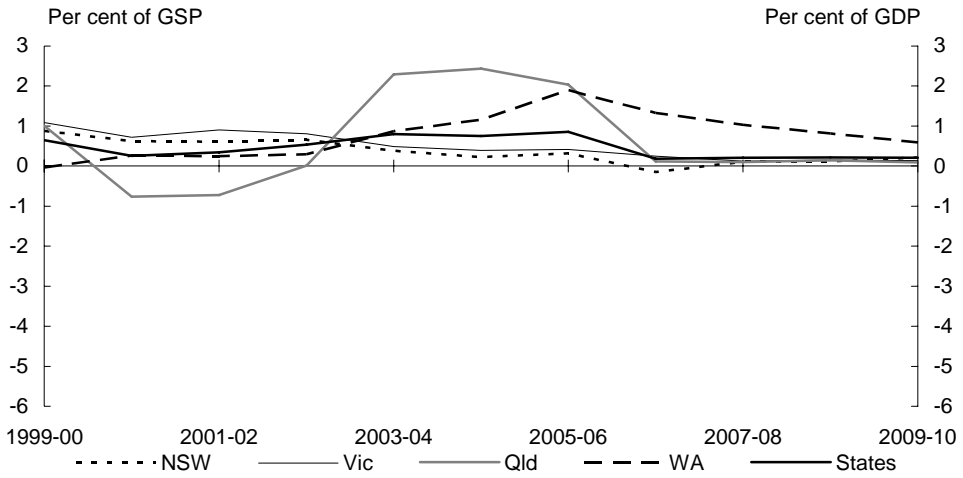
STATE GENERAL GOVERNMENT SECTOR NET OPERATING BALANCE

The aggregate state general government sector net operating position is expected to be a small surplus in 2007-08, broadly in line with 2006-07 as a proportion of GDP (Chart 7). The significant fall in States' operating balances, compared with 2005-06, largely reflects the impact of higher expenditures and slower revenue growth.

The net operating balance measures, in accrual terms, the gap between a government's expenses and revenue for a given period. It provides a good indication of the sustainability of the existing level of government services. An operating surplus indicates that a government can finance the services it provides in a period using revenues derived in that period. An operating deficit indicates that a government must borrow or sell assets in order to finance services provided in a period.

Tasmania and the Australian Capital Territory expect to record operating deficits in 2007-08 and over the forward years.

Chart 7: Individual state general government sector net operating balance^(a)



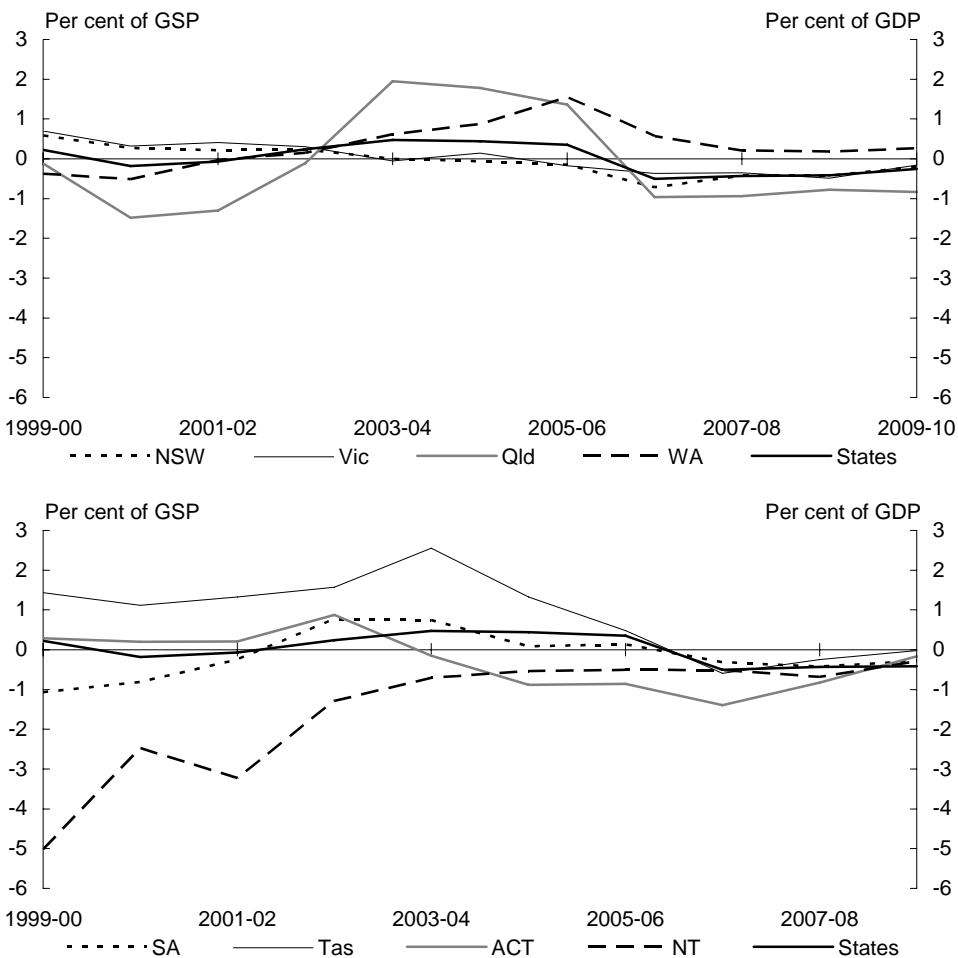
(a) States' net operating balances are expressed as a percentage of Gross State Product (GSP) (left hand axis) and the States' aggregate net operating balance is expressed as a percentage of Gross Domestic Product (GDP) (right hand axis).

Sources: ABS cat. no. 5512.0, State 2006-07 mid-year reports, Northern Territory and Victoria 2007-08 Budgets and Treasury estimates.

STATE GENERAL GOVERNMENT SECTOR FISCAL BALANCE

The aggregate state fiscal balance for the general government sector is estimated to be in deficit by 0.4 per cent of GDP in 2007-08 (Chart 8). Given the aggregate state operating balance is expected to be a small surplus in 2007-08, the aggregate state fiscal deficit arises from the funding of capital expenditure. The aggregate fiscal balance is expected to be in deficit over the forward years. Western Australia is the only State expected to have a fiscal surplus in 2007-08 and in the forward years, reflecting its large operating surpluses.

Chart 8: Individual state general government sector fiscal balance^(a)



(a) States' fiscal balances are expressed as a percentage of GSP (left hand axis) and the States' aggregate fiscal balance is expressed as a percentage of GDP (right hand axis).

Sources: ABS cat. no. 5512.0, State 2006-07 mid-year reports, Northern Territory and Victoria 2007-08 Budgets and Treasury estimates.

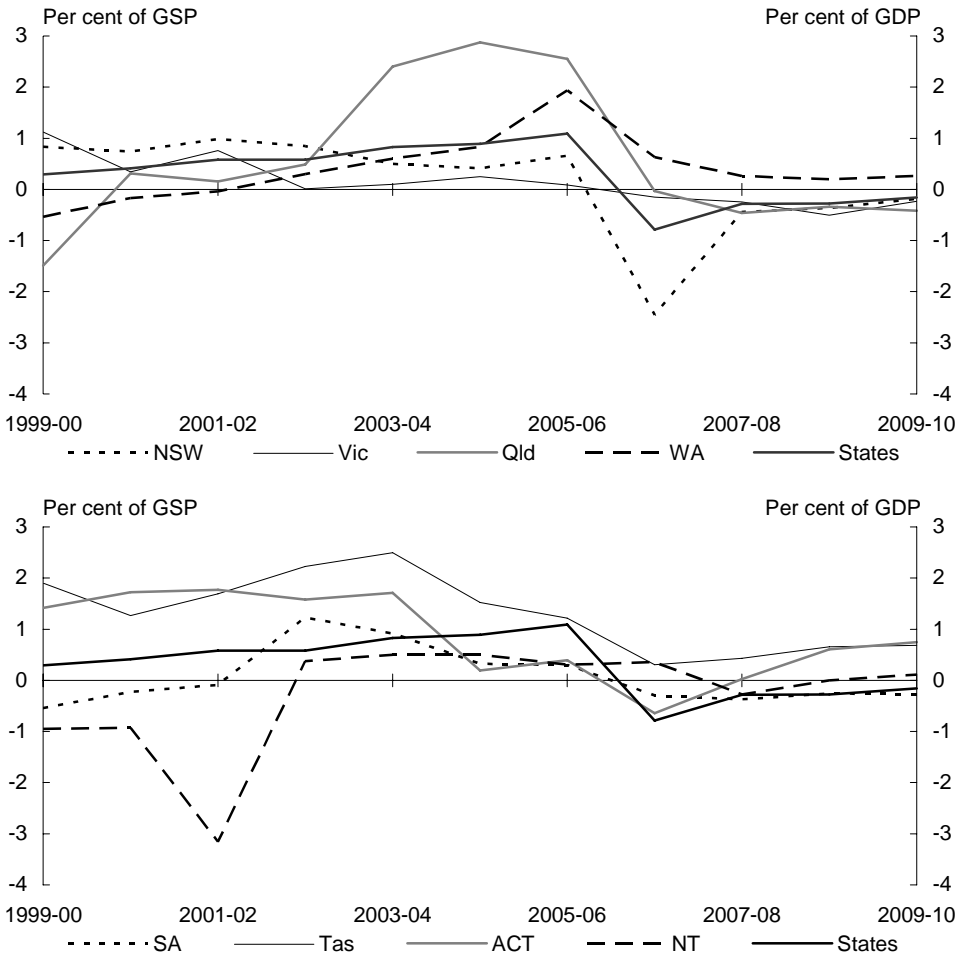
The fiscal balance measures, in accrual terms, the gap between government savings plus net capital transfers, and investment in non-financial assets. A fiscal surplus indicates that a government is lending to other sectors. A fiscal deficit indicates that a government is borrowing.

Trends in the aggregate fiscal balance for the State/local general government, public non-financial corporations and non-financial public sectors are presented in Tables 1, 2 and 3 of Statement 12 in Budget Paper No. 1.

STATE GENERAL GOVERNMENT SECTOR CASH BALANCE

Similar to the fiscal balance, most States expect to record cash deficits in 2007-08 (Chart 9), reflecting funding of capital expenditure. The New South Wales general government sector moved into a cash deficit in 2006-07, although the recorded cash deficit in 2006-07 was substantially affected by a one-off contribution of \$7.2 billion from the general government Liability Management Fund towards the defined benefits superannuation scheme. In aggregate, the general government sector cash position is expected to be a deficit of 0.3 per cent of GDP in 2007-08, compared to a 0.8 per cent deficit the previous year. The aggregate general government sector cash deficit is expected to continue over the forward years.

Chart 9: Individual state general government sector cash balance^(a)



(a) States' cash balances are expressed as a percentage of GDP (left hand axis) and the States' aggregate cash balance is expressed as a percentage of GDP (right hand axis).
 Sources: ABS cat. no. 5512.0, State 2006-07 mid-year reports, Northern Territory and Victoria 2007-08 Budgets and Treasury estimates.

A cash surplus reflects the extent to which cash is available to a government to increase financial assets or decrease liabilities (assuming no revaluations or other changes occur). A cash deficit measures the extent to which a government requires cash, either by running down financial assets or by borrowing.

Trends in the aggregate cash surplus for the State/local general government, public non-financial corporations and the non-financial public sectors are presented in Chart 2 of Statement 12 in Budget Paper No. 1.

STATE NET DEBT

Most States are forecasting an increase in general government sector net debt in 2007-08 and the forward years as they borrow to finance significant capital expenditure programmes (Chart 10). Queensland, Western Australia, Tasmania and the Australian Capital Territory are the only States to forecast a net debt position below zero in 2007-08 and the forward years.

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans and other borrowing) less the sum of selected financial assets (cash and deposits, advances paid, and investments, loans and placements). Net debt does not include superannuation related liabilities.

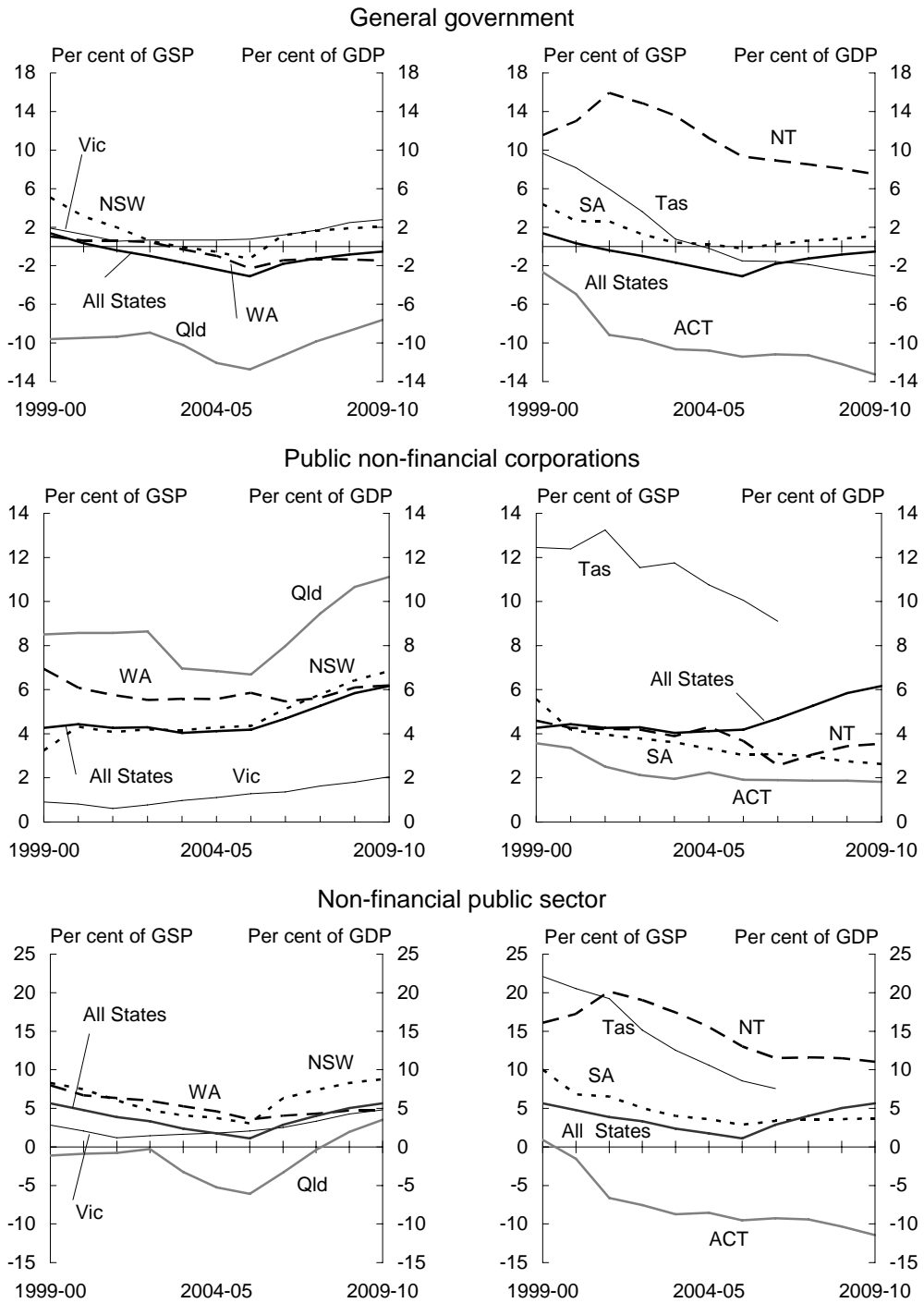
The higher the net debt of a government, the greater the call that will be imposed on the government's future revenue flows to service that debt.

In aggregate, the state general government sector continues to record net debt levels below zero. Its net debt is expected to be -1.3 per cent of GDP in 2007-08, falling to -0.5 per cent of GDP by 2009-10.

Net debt for the aggregate state public non-financial corporations sector is estimated to be 4.7 per cent of GDP in 2006-07, up from 4.2 per cent in 2005-06. The public non-financial corporations sector owns nearly all of the stock of state non-financial public net debt.

In aggregate, net debt of the state total non-financial public sector (which combines general government and public non-financial corporations) will increase from 1.1 per cent of GDP in 2005-06 to 5.7 per cent in 2009-10, an increase of \$56.4 billion.

Chart 10: Individual state net debt by sector (as at end of financial year)^(a)



(a) States' net debt is expressed as a percentage of GSP (left hand axis) and the States' aggregate net debt is expressed as a percentage of GDP (right hand axis).

Sources: ABS cat. no. 5512.0, State 2006-07 mid-year reports, Northern Territory and Victoria 2007-08 Budgets and Treasury estimates.

THE AUSTRALIAN LOAN COUNCIL

The Australian Loan Council is a Commonwealth-State ministerial council that coordinates public sector borrowing. The Loan Council consists of the Prime Minister of Australia and the Premier/Chief Minister of each State and Territory. However, in practice each member is represented by a nominee, usually the Treasurer of that jurisdiction, with the Australian Treasurer as Chairman.

Current Loan Council arrangements operate on a voluntary basis and emphasise transparency of public sector financing rather than adherence to strict borrowing limits. These arrangements are designed to enhance financial market scrutiny of public sector borrowing and facilitate informed judgments about each government's financial performance.

The Loan Council traditionally meets annually in March to consider jurisdictions' nominated borrowings for the forthcoming year. As part of the agreed arrangements, the Loan Council considers these nominations, having regard to each jurisdiction's fiscal position and the macroeconomic implications of the aggregate figure.

OUTCOME OF THE 2007 AUSTRALIAN LOAN COUNCIL

The Loan Council met on 30 March 2007 to consider Loan Council nominations for 2007-08. The Loan Council approved each jurisdiction's nominated allocation. In aggregate, the nominations represent a surplus of \$4.3 billion (Table 18). The States nominated a deficit of \$12.8 billion and the Australian Government nominated a surplus of \$17.2 billion.

Table 18: Loan Council Allocation (LCA) nominations for 2007-08^(a)

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	A/Gov \$m	Total \$m
Nominated 2007-08 LCAs										
General government sector cash deficit(+)/surplus(-)	1,604	613	995	-363	259	-85	-6	40	-12,736	
PNFC sector cash deficit(+)/surplus(-)	3,395	1,553	4,694	778	28	148	39	4	882	
Non-financial public sector cash deficit(+)/surplus(-)(b)	4,988	2,179	5,688	415	287	63	34	44	-11,854	
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(c)	-50	2	0	0	-6	-3	-1	0	4,878	
<i>plus</i> Memorandum items(d)	-309	180	77	-564	-307	21	-6	0	-431	
Loan Council Allocation	4,729	2,357	5,765	-149	-14	87	29	44	-17,163	-4,315
2007-08 tolerance limit	1,193	719	824	455	246	109	60	72	5,744	

(a) LCA nominations for 2007-08 reflect current best estimates of non-financial public sector deficits/surpluses. Nominations have been provided on the basis of policies announced up to and included in jurisdictions' mid-year reports. Nominations are based on preliminary estimates of general government finances provided by jurisdictions for purposes of their mid-year reports, and projected bottom lines for each jurisdiction's public non-financial corporations (PNFC) sector, where actual estimates are unavailable. Each jurisdiction will publish an updated LCA estimate as part of its budget documentation. The 2 per cent (of non-financial public sector cash receipts from operating activities in each jurisdiction) tolerance limits around each jurisdiction's 2007-08 LCA are designed, *inter alia*, to accommodate changes to the LCA resulting from changes in policy.

(b) The sum of the surpluses of the general government and PNFC sectors may not directly equal the non-financial public sector surplus due to intersectoral transfers.

(c) This comprises net lending by governments with the aim of achieving government policy, as well as net equity sales and net lending to other sectors or jurisdictions. Such transactions involve the transfer or exchange of a financial asset and are not included within the cash deficit. However, the cash flow from investments in financial assets for policy purposes has implications for governments' call on financial markets. The Australian Government's estimates include cash flows from the sale of Telstra.

(d) Memorandum items are used to adjust the non-financial public sector deficit/surplus to include in LCAs certain transactions — such as operating leases — that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from non-financial public sector deficit/surplus certain transactions that the Loan Council has agreed should not be included in LCAs, for example, the funding of more than employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities. Where relevant, memorandum items include an amount for gross new borrowings of government home finance schemes.

APPENDIX A: PARAMETERS AND FURTHER INFORMATION

Parameter estimates used in this Budget Paper

Table A1 sets out the population series used in this Budget Paper.

Table A1: Population by State

Millions	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2006-07	6.864	5.128	4.090	2.073	1.562	0.490	0.331	0.208	20.746
2007-08	6.929	5.198	4.166	2.114	1.574	0.493	0.334	0.211	21.020

The state populations for 2006-07 and 2007-08 are projections of the population of each State on 31 December in the respective year constructed using the latest demographic data available and Australian Treasury assumptions. Broadly, these assumptions are in respect of fertility, mortality, net overseas migration and interstate migration.

There is a risk that the population projection for 2006-07 may differ materially from the population to be determined by the Australian Statistician in June 2007. This is because the 2007 determination will take account of new information from the 2006 Census of Population and Housing and a new net overseas migration estimation methodology.

Table A2 sets out the parameters used in this paper, rounded to the nearest quarter.

Table A2: Parameters used in this Budget Paper

Per cent growth	CPI(a)	Population
2006-07	3 1/2	1 1/2
2007-08	2 1/4	1 1/4

(a) Defined in section 8 of the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*.

Some data presented in this paper are drawn from the Commonwealth Grants Commission's *Report on State Revenue Sharing Relativities – 2007 Update*, 2006-07 state mid-year budget updates and 2007-08 state budgets where available.

Further information

Several publications of the Australian Bureau of Statistics also provide information that is relevant to analysing federal financial relations, including:

- Taxation Revenue, Australia (cat. no. 5506.0);
- Government Finance Statistics, Australia (cat. no. 5512.0);
- Australian System of Government Finance Statistics – Concepts, Sources and Methods (cat. no. 5514.0);

Budget Paper No. 3

- Information Paper: Developments in Government Finance Statistics (cat. no. 5516.0); and
- Information Paper: Accruals-Based Government Finance Statistics (cat. no. 5517.0).

APPENDIX B: GUARANTEED MINIMUM AMOUNT

The guaranteed minimum amount (GMA) is calculated using a methodology agreed by the States. The amount of each State's GMA comprises estimates of Australian Government financial assistance grants foregone, state taxes abolished by taxation reform and other items. Revenue foregone from the abolition of state taxes is only included in the calculation of GMA once all States have abolished the tax.

The Australian Government continues to guarantee that, in each of the transitional years following the introduction of *The New Tax System* in July 2000, the budgetary position of each State will be no worse off than if the financial reforms had not been implemented. The Australian Government has extended the transitional period for a further three years until 30 June 2009.

Where the GMA for a state exceeds the GST revenue entitlement for that state, budget balancing assistance (BBA) is payable by the Australian Government to cover the shortfall.

Prior to taxation reform, financial assistance grants were distributed among the States according to the principle of horizontal fiscal equalisation, as embodied in relativities recommended by the Commonwealth Grants Commission. As financial assistance grants foregone are included as a component of the GMA, the Commission continues to calculate relativities for the notional allocation of these grants between the States. The relativities for 2006-07 and 2007-08 are show in Table B1.

Table B1: Financial assistance grants relativities, 2006-07 and 2007-08

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2006-07(a)	0.80893	0.87406	1.05636	0.96845	1.28415	1.75660	1.17823	5.47833
2007-08	0.82028	0.87572	1.04406	0.88815	1.32813	1.79171	1.18808	5.66456

(a) These relativities take account of amended data provided by South Australia after the release of the Commonwealth Grants Commission's 2006 report.

The detailed calculation of the GMA, GST revenue entitlement and the BBA required for each State are shown in Tables B2 and B3 for 2006-07 and 2007-08 respectively.

Table B2: Guaranteed minimum amount, GST revenue provision and budget balancing assistance in 2006-07

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
State revenues foregone									
Financial assistance grants	5,624.9	4,773.7	4,939.0	2,216.4	2,349.2	1,126.5	485.0	1,635.7	23,150.3
Revenue replacement payments	2,838.0	1,898.6	1,718.7	1,178.8	736.5	249.6	126.3	159.5	8,906.0
Financial institutions duty	808.7	435.4	na	166.4	111.2	26.0	21.5	21.5	1,590.7
Debits tax	357.0	283.9	385.0	126.5	63.6	24.2	19.8	8.6	1,268.7
Marketable securities duty	544.9	281.8	30.1	34.8	18.6	0.8	26.6	1.2	938.8
Marketable securities duty needs	-24.8	12.6	13.3	2.4	1.0	2.9	-8.3	0.8	0.0
Accommodation taxes	104.7	na	na	na	na	na	na	10.5	115.3
Cheque duty	na	na	na	5.5	3.2	na	na	2.8	11.4
plus Reduced revenues									
Gambling taxes	662.5	424.6	279.5	80.5	109.6	28.1	23.8	33.0	1,641.5
plus Interest costs									
Interest costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
plus Additional expenditures									
First home owners scheme	318.7	266.7	215.0	94.7	72.2	20.2	19.0	8.8	1,015.3
GST administration costs	204.6	152.9	121.9	61.8	46.6	14.6	9.9	6.2	618.5
plus Other items									
WST payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
minus Reduced expenditures									
Off-road diesel subsidies	149.9	63.3	152.0	194.6	39.9	2.4	0.0	4.3	606.5
Savings from tax reform	218.0	154.2	123.0	72.1	53.3	18.2	10.9	15.9	665.6
Low alcohol beer subsidies	27.5	19.1	5.4	8.7	5.1	1.9	1.1	1.3	70.2
minus Growth dividend									
Remaining state taxes	174.0	112.3	58.8	35.0	28.2	7.2	5.5	3.9	424.8
minus Compensation payments									
Compensation for GST deferral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
plus Adjustments									
2005-06 GMA adjustment	2.8	-58.4	4.6	-6.0	2.5	0.6	0.8	3.5	-49.6
Total GMA (1)	10,872.7	8,122.8	7,368.0	3,651.3	3,387.6	1,463.9	707.0	1,866.7	37,439.9
GST revenue provision (2)	11,034.2	8,572.8	8,049.0	3,977.9	3,590.8	1,573.3	768.3	1,985.4	39,551.7
BBA (1)-(2)(a)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(a) Where the difference between the GMA and GST revenue is less than zero, the amount is zero.

Table B3: Guaranteed minimum amount, GST revenue provision and budget balancing assistance in 2007-08

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
State revenues foregone									
Financial assistance grants	5,916.9	4,959.6	5,066.4	2,046.4	2,532.2	1,188.1	505.7	1,765.0	23,980.5
Revenue replacement payments	2,920.4	1,953.5	1,767.5	1,210.2	757.4	256.5	130.1	163.9	9,159.5
Financial institutions duty	847.1	448.5	na	171.9	115.2	26.6	22.0	23.5	1,654.9
Debits tax	361.1	286.7	411.6	128.7	64.3	24.7	20.3	8.7	1,306.2
Marketable securities duty	578.7	298.8	31.2	36.8	19.7	0.8	27.2	1.2	994.5
Marketable securities duty needs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accommodation taxes	114.2	na	na	na	na	na	na	11.1	125.4
Cheque duty	na	na	na	6.0	3.4	na	na	3.3	12.8
plus Reduced revenues									
Gambling taxes	635.5	424.9	293.6	81.7	107.0	29.1	24.8	35.1	1,631.7
plus Interest costs									
Interest costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
plus Additional expenditures									
First home owners scheme	320.4	268.1	216.2	95.3	72.6	20.3	19.1	8.8	1,020.8
GST administration costs	209.6	157.3	126.0	64.0	47.6	14.9	10.1	6.4	635.9
plus Other items									
WST payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
minus Reduced expenditures									
Off-road diesel subsidies	151.9	64.5	155.5	199.3	40.4	2.4	0.0	4.4	618.4
Savings from tax reform	232.5	164.5	131.2	76.9	56.8	19.4	11.6	17.0	710.0
Low alcohol beer subsidies	28.2	19.5	5.5	8.9	5.2	1.9	1.1	1.4	71.7
minus Growth dividend									
Remaining state taxes	196.5	126.8	66.4	39.6	31.9	8.1	6.2	4.4	479.8
minus Compensation payments									
Compensation for GST deferral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total GMA (1)	11,294.9	8,422.1	7,554.0	3,516.4	3,585.1	1,529.3	740.4	2,000.0	38,642.2
GST revenue provision (2)	11,926.3	9,147.0	8,384.3	3,945.4	3,854.6	1,646.3	822.6	2,123.5	41,850.0
BBA (1)-(2)(a)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(a) Where the difference between the GMA and GST revenue is less than zero, the amount is zero.

APPENDIX C: GST REVENUE POLICY DECISIONS

Compulsory third party schemes — alternative global decreasing adjustment methodology

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	6.7	6.7	6.7	6.7

The Government will not proceed with the measure announced in the 2005-06 Budget to allow compulsory third party (CTP) insurers to use a further methodology to calculate decreasing adjustments when settling claims under CTP insurance schemes.

Debt collection enhancement — reducing taxation debt and outstanding superannuation guarantee charge payments

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	5.0	20.0	20.0	20.0

The Government will provide additional funding to the Australian Taxation Office, including \$15.2 million in relation to GST administration, to help reduce the existing stock of taxation debt and outstanding superannuation guarantee charge payments owed by employers. The States have agreed to reimburse the Government for the additional GST administration expense.

The enhanced debt recovery is expected to result in additional GST revenue of \$65 million over four years. Total GST cash collections, including amounts previously recognised as revenue, are expected to increase by \$450 million over four years. These additional collections will be paid to the States.

See also the related expense measure titled *Debt collection enhancement – reducing taxation debt and outstanding superannuation guarantee charge payments* in Budget Paper No. 2 in the Treasury portfolio.

Employee share schemes that provide stapled securities

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-0.1	-0.1	-0.1	-0.1

The Government has extended the GST exemption for services acquired offshore in relation to an employee share scheme, to include employee share schemes that provide stapled securities, with effect from 1 July 2006.

Imported services used to make input taxed supplies are generally subject to the GST 'reverse charge'. A reverse charge means that the Australian recipient of the supply is liable for GST on the imported service, rather than the overseas supplier. The reverse charge does not apply to imported services relating to employee share schemes.

This measure ensures that imported services relating to employee share schemes that provide stapled securities attract the same GST treatment as imported services relating to other employee share schemes.

This measure relates to the 2006-07 Budget measure titled *Employee share schemes – extending current concessions to stapled securities* (Budget Paper No. 2, *Budget Measures 2006-07*).

Expand the range of goods in inwards duty free stores

Revenue (\$m)

	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-2.0	-2.0	-2.0	-2.0

The Government will relax the current restrictions on the range of goods available for sale in inwards duty free stores. The type of goods available for sale will be limited by size, weight and the value of the duty free passenger concession. The changes will take effect from the date that the applicable customs regulation is amended.

The range of goods currently available for sale in inwards duty free stores is restricted. This measure will allow travellers, on arrival in Australia, to purchase a broader range of goods that are able to be carried as part of their hand luggage, up to a value of \$900.

The measure will increase convenience for inward travellers purchasing duty free goods.

See also the related revenue measure titled *Expand the range of goods in inwards duty free stores* in Budget Paper No. 2 in the Attorney-General's portfolio.

GST car concession for certain injured defence personnel

Revenue (\$m)

	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-	-	-

The Government has extended the GST-free motor vehicle concession to include everyone who is eligible to receive the Special Rate Disability Pension under the *Military Rehabilitation and Compensation Act 2004*, with effect from 1 July 2004.

This measure enhances the Government's 2004-05 Budget announcement that it would extend the GST-free motor vehicle concession to include severely injured veterans

under the Military Rehabilitation and Compensation Scheme. Before the 2004-05 Budget announcement, only those veterans who had lost (or effectively lost) a leg or both arms, and who were in receipt of a Totally and Permanently Incapacitated Pension under the *Veterans' Entitlements Act 1986*, were entitled to the concession.

GST concessions for the International Criminal Court

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office

The Government will provide the International Criminal Court (ICC) and certain of its officials with GST concessions that are consistent with the Agreement on the Privileges and Immunities of the International Criminal Court. The measure will have effect from the commencement of the Agreement.

Under the Agreement, the ICC is entitled to GST relief on major purchases of goods and services and on property purchases. ICC officials are entitled to certain GST concessions. The GST concessions will not be available to individuals who are Australian nationals or permanent residents.

Increasing the GST registration turnover threshold

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-56.7	-82.9	-87.1	-91.4

The annual turnover thresholds for registration for the GST will be raised to \$75,000 for businesses and to \$150,000 for non-profit bodies, with effect from 1 July 2007.

As a result of this measure, businesses and non-profit bodies with a turnover between the present threshold (\$50,000 or \$100,000) and the proposed threshold (\$75,000 or \$150,000) will no longer be required to register for GST. Those that voluntarily register for GST will have the option of remitting GST annually, rather than quarterly or monthly.

The new thresholds are in line with recommendation 5.38 of *Rethinking Regulation: Report of the Taskforce on Reducing Regulatory Burdens on Business*. See also the related revenue measure titled *Increasing the GST registration turnover threshold* in Budget Paper No. 2 in the Treasury portfolio and the item titled *PAYG instalments paid annually when voluntarily registered for GST*.

This measure is subject to the unanimous agreement of the States.

Increasing the threshold for requiring an approved tax invoice for GST

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-0.9	-1.1	-1.2	-1.3

Businesses will be allowed to claim input tax credits for purchases with a GST-exclusive value of \$75 or less without the need for an approved tax invoice, with effect from 1 July 2007.

To claim an input tax credit, businesses currently have to obtain an approved tax invoice for all purchases with a GST-exclusive value greater than \$50. For purchases with a GST-exclusive value of \$50 or less, the documentation required for income tax purposes is sufficient to claim an input tax credit.

The increase in the threshold for requiring an approved tax invoice to claim an input tax credit to \$75 will reduce business compliance costs.

This measure is subject to the unanimous agreement of the States.

See also the related revenue measure titled *Increasing the threshold for requiring an approved tax invoice for GST* in Budget Paper No. 2 in the Treasury portfolio.

International telecommunications services

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-	-	-

The Government will ensure that certain international telecommunications services, including global roaming services, will remain GST-free, with effect from 1 July 2000.

The measure will confirm the GST-free status of such supplies and provide certainty to telecommunication providers.

The measure will ensure that Australia's GST treatment of international telecommunications supplies will remain consistent with Australia's obligations under the International Telecommunication Regulations (the Melbourne Agreement).

This measure is subject to the unanimous agreement of the States.

PAYG instalments paid annually when voluntarily registered for GST

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-35.0	-5.0	-5.0

The Government will align the pay as you go (PAYG) payment and reporting requirements with the annual payment and reporting requirements for taxpayers who are voluntarily registered for GST, with effect from 1 July 2008.

Currently, taxpayers can remit PAYG annually only if they are not registered for GST and they meet other eligibility requirements. This measure will allow taxpayers who voluntarily register for GST, and who report and pay GST on an annual basis, to meet their PAYG obligations on an annual basis, subject to the other eligibility tests. The increased scope for taxpayers to lodge PAYG instalments on an annual basis will encourage some taxpayers that are currently remitting GST on a quarterly basis to shift to an annual basis. The annual GST election has already been agreed to by the States.

The measure will reduce the compliance costs of eligible taxpayers, as they will be able to lodge only one Business Activity Statement per year.

See also the related revenue measure titled *PAYG instalments paid annually when voluntarily registered for GST* in Budget Paper No. 2 in the Treasury portfolio and the item titled *Increasing the GST registration turnover threshold*.

Pharmaceutical concession for certain defence personnel

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-	-	-

The Government has allowed drugs, medicines and other pharmaceutical items to be GST-free when supplied on prescription as pharmaceutical benefits under the *Military Rehabilitation and Compensation Act 2004*, with effect from 1 July 2004.

The measure ensures consistency with the GST-free treatment of drugs, medicines and other pharmaceutical items supplied as pharmaceutical benefits under the *Veterans' Entitlements Act 1986*.

Simplified accounting methods — extending availability

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-1.0	-2.0	-2.0	-2.0

The Commissioner of Taxation will have power to develop simplified accounting methods (SAMs) for all entities with an annual turnover of less than \$2 million that

make mixed supplies – taxable and GST-free – or mixed purchases, with effect from 1 July 2007.

Currently, SAMs are restricted to retailers that sell food and to charities that make GST-free supplies. Under this measure, businesses will be able to approach the Australian Taxation Office to initiate the development of a SAM to simplify their GST calculations and reduce their compliance costs.

This measure is subject to the unanimous agreement of the States.

See also the related revenue measure titled *Simplified accounting methods – extending availability* in Budget Paper No. 2 in the Treasury portfolio.

Tourist Refund Scheme — introducing private providers and enhancements to tax-free shopping

Revenue (\$m)

	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-61.0	-65.0	-67.0	-70.0

Proposed changes to the operation of tourist shopping arrangements will be made to enhance their effectiveness by:

- enabling private providers to provide tourist refunds – with approval for refunds and compliance to remain a government function – with effect from 1 February 2008;
- extending the period during which travellers can purchase goods and be eligible to claim a refund of GST and wine equalisation tax through the Tourist Refund Scheme (TRS) from 30 days to 60 days;
- allowing travellers using the TRS to aggregate multiple invoices from single retailers in order to meet the \$300 threshold for TRS claims; and
- extending the period during which travellers can make tax-free purchases through the sealed bag system from 30 days to 60 days.

The changes to the TRS (other than introducing private providers) and to the sealed bag system require the unanimous agreement of the States. These changes will be implemented as soon as practicable after that agreement is received.

See also the related revenue measure titled *Tourist Refund Scheme – introducing private providers and enhancements to tax-free shopping* in Budget Paper No. 2 in the Treasury portfolio.

APPENDIX D: SPECIFIC PURPOSE PAYMENTS

This appendix provides accrual estimates of Australian Government specific purpose payments to and through the States and direct to local government. This includes payments for current and capital purposes, and Australian Government advances (loans) to the States, including new advances, interest on advances and repayments by the States. Most of these advances were funded from borrowings made on behalf of the States under previous Australian Loan Council arrangements.

Table D1 presents specific purpose payments on a functional basis for the period 2006-07 to 2010-11. Payments are categorised according to like purposes and are divided into those paid to the States and those paid through the States to be passed on to local government and other organisations. Payments through the States are indicated in the table with an asterisk.

Tables D2 and D3 present state distributions of the payments listed in Table D1, for the years 2006-07 and 2007-08 respectively.

Several agreements with the States are due for negotiation during the forward estimates period. Provision has been made for continued funding in the forward estimates. However, the extension of these agreements has not been negotiated and therefore the amounts payable under the agreements cannot be specifically identified. In these cases, the relevant sections of the tables have been marked 'nfp' – not for publication.

Final decisions on the distribution between the States of some payments are still to be taken by the Australian Government. For others, the final distribution for 2007-08 will not be settled until further data becomes available. In most instances, provisional or notional estimates of the distribution are included. This does not commit the Australian Government to fund a particular project or indicate that a State has agreed to participate in the programme.

Tables D4, D5 and D6 present estimates of Australian Government specific purpose payments direct to local government authorities. Table D4 presents estimates on a functional basis for the period 2006-07 to 2010-11. Tables D5 and D6 present estimates of state distributions of payments direct to local government for 2006-07 and 2007-08.

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Public Order and Safety					
Legal aid(a)	39,537	41,028	nfp	nfp	nfp
Funding is provided to State and Territories' legal aid commissions for the provision of legal assistance in Australian Government matters.					
Film and literature classifications	817	833	850	867	884
Payment to States and Territories for participation in the Cooperative National Censorship Scheme as per the inter-governmental agreement signed on 28 November 1995. Classification decisions are made in accordance with the <i>Classification (Publications, Films and Computer Games) Act 1995</i> and the National Classifications Code. Complementary enforcement arrangements are in place with all States and Territories.					
Improving policing in very remote areas	4,467	15,234	22,265	384	0
To address violence and child abuse in indigenous communities, the Australian Government is providing assistance to the States and the Northern Territory for the construction of police stations and related infrastructure including police housing, and for additional sniffer dog teams to reduce the use of illicit substances in some indigenous communities.					
Cole Inquiry Task Force	600	0	0	0	0
Funding to the Victorian Police and the Victorian Office of Public Prosecutions for their assistance to the Task Force with the investigations and investigation outcomes of possible breaches of the <i>Crimes Act 1914</i> , the Criminal Code, the Victorian Crimes Act and foreign exchange regulations by key stakeholders of the Australian Wheat Board.					
Illegal foreign fishing - indigenous rangers trial	282	0	0	0	0
To contribute to a twelve-month trial involving members of a Western Australian indigenous community to carryout surveillance activities in the coastal waters of northern Australia and to report sightings of illegal foreign fishing vessels.					
CrimTrac Police Reference System	4,000	5,318	0	0	0
Payments to the State and Territories for their contribution toward a national information sharing solution through the development of the CrimTrac Police Reference System.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Education					
Government schools(a)	1,795,605	1,931,581	nfp	nfp	nfp
Provides supplementary assistance to State and Territory education authorities through per capita general recurrent grants which can be applied to staff salaries, teacher professional development, curriculum development and maintenance and general operational provisions.					
* Non-government schools(a)	5,082,265	5,509,193	nfp	nfp	nfp
Provides supplementary assistance to non-government schools and systems through per capita general recurrent grants which can be applied to staff salaries, teacher professional development, curriculum development and maintenance and general operational provisions.					
Skilling Australia's Workforce(a)	1,239,776	1,256,372	nfp	nfp	nfp
Funds are used to promote a national vocational education and training system.					
Targeted programmes - government schools and joint(a)	432,189	472,318	nfp	nfp	nfp
Provides assistance: for the improvement of literacy, numeracy and education outcomes for educationally disadvantaged students; to promote the study of other languages; and to assist in the transition from school to work.					
* Targeted programmes - non-government schools(a)	220,996	252,707	nfp	nfp	nfp
Provides assistance for: the improvement of literacy, numeracy and education outcomes for educationally disadvantaged students; to promote the study of other languages; and to assist in the transition from school to work.					
Indigenous Education Strategic Initiatives Programme - government(a)	71,280	106,554	nfp	nfp	nfp
Provides supplementary recurrent funding to education providers in the preschool, school and vocational education and training sectors, as well as project-based funding aimed at improving indigenous education outcomes.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Education (continued)					
Australian Technical Colleges(a)(b)	5,805	1,734	1,015	nfp	nfp
The Australian Government is establishing 28 Australian Technical Colleges to encourage more young Australians into traditional trades. Students will combine academic courses leading to a Year 12 certificate with a School-based New Apprenticeship in a trade, leading to a nationally endorsed training package qualification.					
Health					
Hepatitis C Settlement Fund	3,615	4,655	0	0	0
The Australian Government's Hepatitis C Settlement Fund is designed to provide financial assistance to those who have been infected with Hepatitis C via blood transfusion.					
Health programme grants	1,160	1,185	1,207	1,232	1,257
Health programme grants provide alternative funding to Medicare benefits, with the aim of improving access to approved health services and/or where fee for service is inappropriate, by reimbursing service costs to State and Territory governments.					
Health care grants(a)(c)	8,819,475	9,278,038	nfp	nfp	nfp
Grants to the States and Territories under the Australian Health Care Agreements to assist with the provision of public hospital services free of charge to eligible persons.					
Highly specialised drugs	580,024	637,502	694,841	748,584	807,131
Provides access to certain drugs under the Pharmaceutical Benefits Scheme which, because of special need in clinical administration or monitoring, cannot safely be provided through community pharmacy and must be supplied through hospitals to outpatients.					
Youth health services	2,510	2,565	2,614	2,661	2,711
Funding is provided on a matched basis to develop and implement innovative primary health care services for homeless and at-risk youth.					
National public health(a)(d)	230,752	233,972	239,668	nfp	nfp
Payments to the States and Territories, under broadbanded and other arrangements for public health, for subsidies for health promotion and disease prevention (covering areas such as women's health, AIDS control, drug strategies and cancer screening).					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Health (continued)					
Essential vaccines(a)	240,775	396,063	260,609	nfp	nfp
Funds for essential vaccines for immunisation under the bilateral Australian Immunisation Agreements for inclusion in the National Vaccine Schedule.					
Repatriation general hospitals	2,026	2,116	2,208	2,307	2,357
To provide funds for payments of a non-treatment nature (for example, staff transfer costs such as accrued leave credits, income maintenance, superannuation differential etc) to State and Territory governments in accordance with agreements reached on integration of repatriation general hospitals.					
Supporting Western Sydney - Positron Emission Tomography scanner Westmead	1,100	1,200	1,300	1,300	1,300
The Australian Government is contributing to the purchase and installation of a new Positron Emission Tomography scanner at Westmead Hospital (New South Wales) and providing annual grants towards running costs.					
Royal Darwin Hospital - equipped, prepared and ready	13,184	13,434	13,661	13,919	14,184
The Royal Darwin Hospital will receive funding to ensure that it can operate as a National Critical Care and Trauma Response Centre. Royal Darwin Hospital's capacity will be enhanced to ensure that, in the event of a major incident, it has the capacity to receive and treat as many people as possible.					
Organ transplantation services	1,795	1,829	1,864	1,899	1,899
The Australian Government will contribute to certain transplantation costs in New South Wales and South Australia. Under long-standing arrangements, the Australian Government is committed to reimburse these States for 40 per cent of the cost of certain organ and tissue transplantation-related services that are conducted by the Australian Red Cross Blood Service.					
Organ and tissue donation	1,350	3,900	2,550	525	525
To fund initiatives that will assist with improving rates of organ and tissue donation in Australia.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Payment title					
Description					
Social Security and Welfare					
Aged care assessment	64,835	68,392	71,855	75,218	78,697
Funds are provided to enable aged care assessment teams to conduct holistic assessments of frail aged clients and refer them to appropriate residential or community care services.					
Home and community care(a)	928,401	1,038,496	nfp	nfp	nfp
Funds are provided on a matched basis for the provision of appropriate community care services to help frail aged people and people with a disability live independently in their homes as long as possible.					
Disabilities services	620,792	636,916	643,325	654,896	666,655
Under the terms of the Commonwealth State Territory Disability Agreements, the Australian Government provides funds to States and Territories to assist in the provision of accommodation support and other services for people with disabilities.					
Children's services	10,411	8,584	8,736	8,888	9,045
Funds are provided to ensure access to affordable quality child care in programmes administered by State and Territory governments on behalf of the Australian Government.					
Supported Accommodation Assistance(a)(e)	181,958	185,780	189,309	192,905	nfp
This is a jointly funded Commonwealth-State Government programme to assist people who are homeless and in crisis. Under the Commonwealth-State agreements, recurrent annual funding is provided under the <i>Supported Accommodation Assistance Act 1994</i> .					
Unaccompanied humanitarian minors	2,253	2,271	2,327	2,385	2,445
To assist humanitarian minors without parents in Australia and the families providing their care through early intervention, counselling and assistance by State and Territory welfare agencies.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Social Security and Welfare (continued)					
Family Violence Partnership(a)	0	8,322	nfp	nfp	nfp
The Family Violence Partnership Program assists the States and Territories to jointly fund projects designed to reduce and prevent the incidence of family violence in indigenous communities. The Program commenced on 30 June 2004 and is currently due to lapse on 30 June 2008.					
Indigenous housing and infrastructure(a)	0	0	nfp	nfp	nfp
Payments to State and Territory governments for housing and infrastructure for Indigenous people in remote areas.					
Extension of fringe benefits	201,834	206,027	219,244	225,636	233,130
This funding compensates the States and Territories for the extra costs resulting from the liberalisation of access to the Australian Government's Pensioner Concession Card in 1993. In return the States and Territories agree to provide a core group of concessions to all cardholders.					
Native Title(f)	0	0	0	0	0
For expenditure under part 9 of the <i>Native Title Act 1993</i> . Funding is to assist States and Territories implement a consistent framework for dealing with native title issues and meeting native title compensation costs.					
Young people with disabilities(a)	4,190	14,266	28,288	37,465	nfp
Provides funding to the States on a matched basis for the purpose of reducing the number of younger people with a disability in residential aged care, with priority given to people aged less than 50 years.					
National action plan to build on social cohesion, harmony and security	450	461	472	482	493
Commonwealth contribution to partnership projects with State and Territory governments aimed at further integrating the Muslim community into broader Australian society.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Housing and Community Amenities					
Assistance for water and sewerage	9,435	9,633	9,817	10,004	10,195
To compensate the Australian Capital Territory (ACT) for additional costs resulting from the national capital planning influences on the provision of water and sewerage services. The level of funding is based upon the findings of the Commonwealth Grants Commission in its second and third reports on financing in the ACT prior to self-government of the Territory in 1989.					
Natural Heritage Trust of Australia - Bushcare(g)	12,069	14,738	0	0	0
To conserve and restore habitat for Australia's unique native flora and fauna that underpin the health of our landscapes.					
Natural Heritage Trust of Australia - Coastcare(g)	4,558	5,576	0	0	0
To protect our coastal catchments, ecosystems and the marine environment.					
Natural Heritage Trust of Australia - Landcare(g)	9,264	11,309	0	0	0
To reverse land degradation and promote sustainable agriculture.					
Natural Heritage Trust of Australia - Rivercare(g)	9,567	11,686	0	0	0
To improve water quality and environmental conditions in our river systems and wetlands.					
Natural Heritage Trust phase three(a)	0	0	nfp	nfp	nfp
For the protection and sustainable use of natural resources, through protecting coastal catchments, providing habitat for Australia's unique flora and fauna, and improving water quality and the environmental condition of river systems and wetlands.					
National Water Initiative - Living Murray	18,253	90,548	48,715	40,000	0
To implement a package of water recovery and water use efficiency activities to address water over-allocation in the Murray Darling Basin and improve the health of the Murray Darling system.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Recreation and Culture					
Natural Heritage Trust of Australia - Bushcare(g)	6,574	6,700	0	0	0
To conserve and restore habitat for Australia's unique native flora and fauna that underpin the health of our landscapes.					
Natural Heritage Trust of Australia - Coastcare(g)	2,486	2,534	0	0	0
To protect our coastal catchments, ecosystems and the marine environment.					
Natural Heritage Trust of Australia - Landcare(g)	5,040	5,139	0	0	0
To reverse land degradation and promote sustainable agriculture.					
Natural Heritage Trust of Australia - Rivercare(g)	5,213	5,314	0	0	0
To improve water quality and environmental conditions in our river systems and wetlands.					
Natural Heritage Trust phase three(a)	0	0	nfp	nfp	nfp
For the protection and sustainable use of natural resources, through protecting coastal catchments, providing habitat for Australia's unique flora and fauna, and improving water quality and the environmental condition of river systems and wetlands.					
Strengthening Tasmania	50	0	0	0	0
To undertake refurbishment of buildings in the Low Head Historic Precinct to promote increased visitation, and economic viability and long-term sustainability to the precinct through the generation of sufficient revenue to provide for adequate management and maintenance of the site's heritage assets as a public facility.					
Fuel and Energy					
Snowy Hydro Ltd - company tax compensation	4,323	34,331	34,331	34,331	34,331
To compensate Victoria and New South Wales for company tax payments made by Snowy Hydro Ltd.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Agriculture, Forestry and Fishing					
Natural Heritage Trust of Australia - Bushcare(g)	23,067	23,225	0	0	0
To conserve and restore habitat for Australia's unique native flora and fauna that underpin the health of our landscapes.					
Natural Heritage Trust of Australia - Coastcare(g)	8,728	8,785	0	0	0
To protect our coastal catchments, ecosystems and the marine environment.					
Natural Heritage Trust of Australia - Landcare(g)	17,695	17,817	0	0	0
To reverse land degradation and promote sustainable agriculture.					
Natural Heritage Trust of Australia - Rivercare(g)	18,289	18,417	0	0	0
To improve water quality and environmental conditions in our river systems and wetlands.					
Exotic Disease Preparedness Programme	379	387	387	387	395
The Wildlife and Exotic Diseases Preparedness Programme supports investigations into the role of wildlife species in the maintenance and spread of emerging animal diseases and incursions of major exotic diseases of animals.					
Exceptional circumstances assistance	354,366	335,502	58,610	0	0
To provide support to eligible farm business and associated small business enterprises where incomes have been adversely affected by exceptional circumstances such as extreme drought and to support the administrative costs of State and Territory rural assistance authorities for the issuing of exceptional circumstance certificates and the delivery of exceptional circumstance interest rate subsidies.					
National Landcare Programme (NLP)(h)	25,275	26,822	0	0	0
The NLP aims to achieve efficient, sustainable and equitable management of natural resources in Australia. Current payments mainly assist community landcare group activities and projects which support community landcare, although some state and territory agency projects are also supported. This funding is managed in conjunction with Natural Heritage Trust allocations to the NLP.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Agriculture, Forestry and Fishing (continued)</i>					
Improving Water Information	0	10,000	20,000	20,000	20,000
Funding is being provided to the Bureau of Meteorology to improve the detail and scope of nationally available water information, which will allow the Bureau to forecast, analyse and publicly report on water resources. Some of this information will be sourced from state agencies.					
Natural Heritage Trust phase three(a)	0	0	nfp	nfp	nfp
For the protection and sustainable use of natural resources, through protecting coastal catchments, providing habitat for Australia's unique flora and fauna, and improving water quality and the environmental condition of river systems and wetlands.					
Regional assistance	500	259	0	0	0
To provide support to farm business enterprises to improve farm productivity, profitability and sustainability.					
Great Artesian Basin Sustainability Initiative	10,216	8,148	8,299	14,880	14,870
Australian Government contribution to assist with the implementation of the Great Artesian Basin Management Plan. Grants will be made to some States to assist bore rehabilitation. Supplementary incentives will also be made available for the replacement of open drains with piping.					
Agriculture - Advancing Australia - FarmBis	7,700	8,050	0	0	0
To facilitate farmer self reliance and promote a positive approach to change and a culture of continuous improvement by providing financial assistance to improve skills in business and resource management.					
Eradication of red imported fire ant	5,137	7,000	3,274	0	0
To provide funding for the eradication of infestations detected in Australia.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Agriculture, Forestry and Fishing (continued)</i>					
National action plan for salinity and water quality	128,797	91,745	0	0	0
This national action plan aims to motivate and enable regional communities to use coordinated and targeted action to: a) prevent, stabilise and reverse trends in dryland salinity affecting the sustainability of production, the conservation of biological diversity and the viability of our infrastructure; and b) improve water quality and secure reliable allocations for human uses, industry and the environment.					
Plant disease and eradication	618	730	408	0	0
This programme provides assistance under a national strategy of eradication of citrus canker, to mitigate its potential impact on Australia's citrus industry.					
Tasmanian forests package	18,000	19,000	0	0	0
To fund additional plantation establishment and productivity improvements in existing plantations and native forests, with the aim of ensuring long term supply of sawlogs and veneer logs.					
<i>Transport and Communication</i>					
Interstate road transport	50,430	53,230	56,230	59,330	62,630
Under the <i>Interstate Road Transport Act 1985</i> , the Australian Government makes payments to the States which equal total revenue received from the States from registrations made under the Federal Interstate Registration Scheme. Payment of amounts equal to penalties arising from prosecutions under the Act are also made by the Australian Government.					
* Supplementary funding to South Australian councils for local roads	13,000	13,478	14,005	14,543	15,097
Provides supplementary funding for local government in South Australia to address that State's current disadvantage in local road funding under the financial assistance grants arrangements.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

Function Payment title Description	2006-07	2007-08	2008-09	2009-10	2010-11
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Transport and Communication (continued)					
Petroleum products freight subsidy scheme	350	0	0	0	0
The States Grants (Petroleum Products) Act 1965 provides for grants to be made to most States and the Northern Territory to enable them to subsidise the cost of transporting eligible petroleum products to remote areas of Australia.					
Other Purposes					
* Financial assistance grants for local government					
<i>General purpose assistance</i>	1,168,815	1,211,735	1,259,118	1,307,470	1,357,286
Provides untied general purpose assistance for local government authorities. The grants are distributed between the States on an equal per capita basis.					
<i>Untied local roads grants</i>	518,648	537,682	558,709	580,163	602,269
Provides untied assistance for local government authorities in place of specific purpose payments formerly passed on to local government by the States for expenditure on local roads.					
Compensation - companies regulation	169,308	173,204	177,532	181,966	186,521
Under the terms of the Corporations Agreement 2002, the Australian Government compensates the six States and the Northern Territory for revenue forgone following the commencement of the national scheme for the regulation of companies and securities.					
Natural disaster relief	86,940	89,540	89,540	89,540	89,540
Reimbursement of part of the expenditure incurred by the States for personal hardship and distress payments made to persons adversely affected by natural disasters.					
Royalties	684,147	655,327	695,492	723,106	695,096
Payment to Western Australia of the monthly share of the Australian Government's North West Shelf petroleum royalty under section 129 of the <i>Petroleum (Submerged Lands) Act 1967</i> ; and reimbursement to the Northern Territory in lieu of uranium royalties equivalent to 1.25 per cent of net sales proceeds as required under the 1978 financial Memorandum of Understanding between the Australian Government and the Territory.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Other Purposes (continued)					
Australian Capital Territory (ACT) national capital influences	23,463	23,956	24,411	24,874	25,347
Funding assists the ACT Government to meet the additional municipal costs flowing from Canberra's role as the national capital. The level of funding is based upon the findings of the Commonwealth Grants Commission in its second and third reports on financing in the ACT prior to self-government of the Territory in 1989.					
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
Education					
Government schools(a)	633,725	601,552	nfp	nfp	nfp
Provides supplementary assistance to State and Territory education authorities for the provision, maintenance and upgrading of school facilities, which can include, amongst other things, land or building purchases, capital works or the provision of equipment.					
* Non-government schools(a)	205,585	269,466	nfp	nfp	nfp
Provides supplementary assistance to non-government schools and systems, as well as hostels for rural students, for the provision, maintenance and upgrading of school facilities, which can include, amongst other things, land or building purchases, capital works or the provision of equipment.					
Health					
Organ transplantation services	224	229	233	238	238
The Australian Government will contribute to certain capital costs associated with transplantation services provided in New South Wales and South Australia. Under long-standing arrangements, the Australian Government is committed to reimburse these States for 50 per cent of the agreed capital cost for certain organ and tissue transplantation-related services that are conducted by the Australian Red Cross Blood Service.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
Social Security and Welfare					
Crisis accommodation assistance(a)	41,155	41,842	nfp	nfp	nfp
To provide funds to the States and Territories under the Commonwealth State Housing Agreement (CSHA) for the acquisition of accommodation for use under the Supported Accommodation Assistance Programme.					
Indigenous housing and infrastructure(a)	0	0	nfp	nfp	nfp
Payments to the States for housing and infrastructure for indigenous people in remote areas.					
Housing and Community Amenities					
Housing assistance for Indigenous people(a)	94,439	96,019	nfp	nfp	nfp
To assist Aboriginal and Torres Strait Islander people on low to moderate incomes to have access to affordable, appropriate and secure rental housing, including public and community-owned rental housing. Funds are provided under the CSHA.					
Community housing(a)	66,409	67,519	nfp	nfp	nfp
To develop community housing which provides appropriate and affordable rental accommodation for low to moderate income earners. Funds are provided under the CHSA.					
CSHA block assistance/base funding(a)	752,633	765,224	nfp	nfp	nfp
The Australian Government, through the CSHA, provides funds to the States and Territories primarily for the provision of public rental housing for low to moderate income households. The States and Territories are required to contribute to housing assistance in amounts as set in the CSHA.					
Social Housing Subsidy Programme	1,995	1,995	1,995	1,995	1,995
Provides matched funding to New South Wales until 30 June 2016 to subsidise the recurrent costs of financing rental accommodation for low and moderate income earners.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Housing and Community Amenities (continued)</i>					
* Disaster Mitigation Package	22,447	43,600	0	0	0
Funding for a wide range of mitigation measures to help reduce the threat posed by natural disasters such as bushfires, cyclones, floods and landslides.					
* Additional First Home Owners Scheme	0	2,399	0	0	0
The Australian Government is funding an additional First Home Owners Scheme (FHOS) grant for all eligible first home owners contracting between 9 March 2001 and 30 June 2002 to buy or build a new home. The grant is \$7,000 for contracts made between 9 March and 31 December 2001 and \$3,000 for contracts made between 1 January and 30 June 2002. Although the additional FHOS has ended, grants continue to be paid to eligible applicants due to the time needed to complete construction and the period allowed to lodge an application, once construction is complete.					
* Bushfire Mitigation Programme	5,055	5,000	5,000	5,000	5,000
The Bushfire Mitigation Programme provides partnership funding to the States and Territories for the construction and maintenance of fire trails and associated accessibility measures such as the provision of access gates.					
<i>Fuel and Energy</i>					
* Photovoltaic Rebate Programme	5,965	4,350	3,450	3,650	3,650
To provide rebates to householders and community groups who install photovoltaic equipment to make electricity from sunlight for domestic use.					
Renewable remote power generation	13,795	34,000	29,000	15,460	0
To provide a rebate for the installation of renewable energy generation technologies in areas of Australia currently reliant on diesel for electricity generation. Funding is based on the relevant amount of diesel fuel excise paid in each State or Territory by public electricity generators.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
Recreation and Culture					
Sydney Cricket Ground - new grandstand	0	15,000	10,000	0	0
Funding provided to the Sydney Cricket and Sports Ground Trust to assist in the building of the new grandstand on the old Hill site at the Sydney Cricket Ground.					
Agriculture, Forestry and Fishing					
Tasmanian water infrastructure	0	1,100	0	0	0
To provide funding to Tasmania for the construction of the Warner Creek Dam and the Northern Midlands Water Project. These projects aim to provide reliable sources of irrigation water in their respective regions.					
Transport and Communication					
AusLink(i)	1,795,139	2,382,361	2,923,970	3,800,328	3,601,467
The Australian Government will contribute funding for the development, construction and maintenance of land transport projects on the national land transport network, some continuing projects off the network, 'black spot' projects and for roads in unincorporated areas.					
Federation Fund projects - NSW/VIC	0	15,000	0	0	0
The Australian Government agreed to fund \$22 million each to both Victoria and New South Wales for the replacement of three key crossings of the Murray River at Echuca, Robinvale and Corowa.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
REPAYMENTS					
Repayments of Australian Government Loans					
ACT debt repayments	4,647	4,647	4,647	4,647	1,813
Servicing of remaining notional debt held against assets transferred from the Australian Government to the ACT Government, on self-government, for public transport (land and buildings), electricity, water supply and sewerage.					
Loan Council - housing nominations(j)	19,343	20,212	21,121	22,071	23,065
Principal repayments by the six States and the Northern Territory of advances made to them under the various States (Works and Housing) Assistance Acts.					
Defence					
Housing for servicemen	1,661	1,776	1,902	2,038	2,152
Principal repayments by the States and Territories of advances to finance the construction, maintenance and upgrade of public housing for use by service personnel.					
Housing and Community Amenities					
CSHA Loans(j)	66,164	67,375	69,036	70,577	72,040
Principal repayments by the six States and the Northern Territory of advances made to them under the various Housing Agreements, Northern Territory Housing Agreement and Housing Assistance Acts.					
Other housing	8,995	9,318	9,696	10,056	10,300
Repayment of the principal of loans relating to assets transferred from the Australian Government to the Northern Territory at the time of self government in 1978 and to the Australian Capital Territory at the time of self government in 1989.					
Urban water supply and treatment	1,084	1,207	1,276	1,354	0
Repayment of principal on loans to South Australia for water quality improvement via Adelaide and Northern Towns Water Treatment and to Western Australia for salinity mitigation via the Harding River Dam project.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
REPAYMENTS					
Housing and Community Amenities (continued)					
Northern Territory - water and sewerage assistance	136	136	136	136	136
Repayment of the principal of a loan relating to assets transferred from the Australian Government to the Northern Territory at the time of self-government in 1978.					
Captains Flat (Abatement of Pollution) Agreement	11	9	5	5	0
This is a loan agreement that generates repayments of principal and interest from the New South Wales Government in relation to capital works undertaken at Captains Flat to prevent pollution of the Molonglo River.					
Sewerage	5,861	6,366	6,858	7,399	5,674
Repayment of the principal of loans provided under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> to all States and Territories to undertake programmes connected with provision of sewerage facilities with particular objectives of eliminating the backlog of sewerage works.					
Agriculture, Forestry and Fishing					
War Service Land Settlement Scheme(j)	1,067	1,070	1,109	873	620
These repayments are of advances made to veterans of WWII or the Korea/Malaya campaigns for the purpose of providing working capital funding, paying and effecting improvements and acquiring stock, plant and equipment.					
Transport and Communication					
Railway projects	575	574	570	552	511
Repayment of the principal of loans provided by the Australian Government to upgrade and standardise railways in mainland Australia.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i> Payment title Description	2006-07	2007-08	2008-09	2009-10	2010-11
REPAYMENTS					
Other Purposes					
Natural disaster relief Repayment by States and Territories of loans made by the Australian Government under the Natural Disaster Relief Arrangements (NDRA) and the repayment of overpaid monies.	3,404	3,655	13,155	13,781	14,156
ADVANCES					
Natural disaster relief Concessional interest rate loans to the States and Territories in respect of loans made by them to individuals affected by natural disasters.	80,000	5,000	5,000	5,000	5,000
INTEREST					
Interest on Australian Government Loans					
Australian Capital Territory Government debt Receipts from the Australian Capital Territory of interest on Australian Government loans and on Australian Government securities nominally outstanding on its behalf.	7,239	6,734	6,220	5,690	5,191
Housing nominations Interest received from the six States and the Northern Territory on outstanding advances made to them under the States (Works and Housing) Assistance Acts.	73,069	72,346	71,574	70,761	69,899
Defence					
Housing for servicemen Interest payments by four States on advances to finance the construction, maintenance and upgrade of public housing for use by service personnel.	4,059	3,987	3,909	3,826	3,736

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
INTEREST					
Housing and Community Amenities					
CSHA loans	100,751	97,719	94,607	91,381	88,053
Interest received from the six States and the Northern Territory on outstanding advances made to them under the various Housing Agreements, Northern Territory Housing Agreement and Housing Assistance Acts. Repayments of principal and interest are made at the end of each financial year.					
Other housing	13,277	12,867	12,440	11,997	11,537
Payment of interest on loans relating to assets transferred from the Australian Government to the Northern Territory at the time of self-government in 1978 and to the Australian Capital Territory at the time of self-government in 1989.					
Urban water supply and treatment	949	887	817	740	653
Payment of interest on loans to South Australia for water quality improvement via Adelaide and Northern Towns Water Treatment and to Western Australia for salinity mitigation via the Harding River Dam project.					
Northern Territory - water and sewerage assistance	610	603	596	589	582
Payment of interest on loans relating to assets transferred from the Australian Government to the Northern Territory at the time of self-government in 1978.					
Captains Flat (Abatement of Pollution) Agreement	3	1	0	0	0
Interest payable under the loan agreement with the New South Wales Government in relation to capital works undertaken at Captains Flat to prevent pollution of the Molonglo River.					
Sewerage	5,970	5,512	5,010	4,456	3,848
Payment of interest on loans provided under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> to two States to undertake programmes connected with provision of sewerage facilities with particular objectives of eliminating the backlog of sewerage works.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

<i>Function</i>	2006-07	2007-08	2008-09	2009-10	2010-11
Payment title					
Description					
INTEREST					
<i>Agriculture, Forestry and Fishing</i>					
War Service Land Settlement Scheme	289	234	177	116	66
Payment of interest on loans to veterans of WWII or the Korea/Malaya campaigns which were for the purpose of providing working capital funding, paying and effecting improvements and acquiring stock, plant and equipment.					
<i>Transport and Communication</i>					
Railway projects	295	263	231	201	168
Payment of interest on loans provided by the Australian Government to upgrade and standardise railways in mainland Australia.					
<i>Other Purposes</i>					
Natural disaster relief	479	2,679	2,818	2,957	3,044
Interest payable by the States and Territories in respect of loans made by the Australian Government to them under NDRA.					

Table D1: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 to 2010-11 (\$'000) (continued)

* Items so marked are classified as payments through the States.

- (a) Provision has been made for continued funding in the forward estimates. However, the extension of the relevant agreements has not been negotiated and therefore the amounts payable under the agreements cannot be specifically identified.
- (b) The Australian Government is investing \$551.8 million to 2011-12 to establish Australian Technical Colleges. Most of this funding is classified as Australian Government own purpose expenditure.
- (c) The Australian Health Care Agreements expire on 30 June 2008. Grants include funding, estimated at \$152.7 million over the five years to 2009-10, to improve care for older patients in public hospitals under the Council of Australian Governments' Health Services package.
- (d) Includes funding for the Public Health Outcome Funding Agreements with the States and Territories, currently estimated at \$814 million for the period from 2004-05 to 2008-09.
- (e) The Australian Government's funding to the States and Territories for the fifth Supported Accommodation Assistance Program Agreement over the period 2005-06 to 2009-10 includes funding for an Innovation and Investment Fund. The States and Territories also contribute to this Fund, a component of which is being administered as Commonwealth own-purpose expenditure until 2007-08 (\$0.5 million in 2006-07 and \$0.5 million in 2007-08). Innovation and Investment Fund payments to the States and Territories are estimated at \$6.7 million in 2006-07, \$10.2 million in 2007-08, \$10.9 million in 2008-09 and \$11.1 million in 2009-10.
- (f) Consistent with Part 9 of the *Native Title Act 1993*, the Australian Government has made a commitment to assist the States meet their potential compensation liabilities for the extinguishment or impairment of native title. No agreements have been concluded and as a result there are unlikely to be any payments made in the immediate future. Mechanisms are in place to enable funds to be made available as agreements are made and payments fall due.
- (g) All figures are indicative only.
- (h) The Australian Government from 2008-09 will distribute its own purpose expenditure to industry and community groups under the National Landcare Programme Community Support Component. A review of the NLP conducted in 2006 found that direct funding, rather than through the State and Territory governments, would provide simpler, more efficient programme delivery.
- (i) The Australian Government is providing an additional \$250 million for projects of strategic regional importance. The Government will announce the successful projects in the near future. An amount of \$7.5 million per annum is also being provided under the Roads to Recovery programme for work on roads in unincorporated areas of the States.
- (j) Repayments are on a cash basis and exclude non-cash flows.

Table D2: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Public Order and Safety									
Legal aid	0	0	0	13,862	13,360	5,000	3,887	3,428	39,537
Film and literature classifications	104	102	104	102	104	101	102	98	817
Improving policing in very remote areas	371	0	743	742	743	0	0	1,868	4,467
Cole Inquiry Task Force	0	600	0	0	0	0	0	0	600
Illegal foreign fishing - Indigenous rangers trial	0	0	0	282	0	0	0	0	282
CrimTrac Police Reference System	991	720	500	215	631	700	0	243	4,000
Public Order and Safety - total	1,466	1,422	1,347	15,203	14,838	5,801	3,989	5,637	49,703
Education									
Government schools	594,309	431,854	362,420	177,394	128,871	49,304	29,534	21,919	1,795,605
*Non-government schools	1,640,495	1,297,890	995,536	500,528	400,311	105,148	101,752	40,605	5,082,265
Skilling Australia's Workforce	412,348	306,969	240,145	123,978	93,231	29,011	21,200	12,894	1,239,776
Targeted programmes - government schools and joint	162,492	98,104	71,171	37,810	37,805	12,084	4,236	8,487	432,189
*Targeted programmes - non-government schools	79,920	63,035	32,650	18,246	17,812	3,549	3,191	2,593	220,996
Indigenous Education Strategic Initiatives									
Programme - government	17,352	5,837	14,731	8,605	7,171	3,040	901	13,643	71,280
Australian Technical Colleges(a)	0	5,805	0	0	0	0	0	0	5,805
Education - total	2,906,916	2,209,494	1,716,653	866,561	685,201	202,136	160,814	100,141	8,847,916
Health									
Hepatitis C Settlement Fund	2,700	0	0	190	210	75	310	130	3,615
Health programme grants	0	1,160	0	0	0	0	0	0	1,160
Health care grants(b)	2,939,625	2,135,239	1,707,207	873,526	741,830	195,514	116,051	110,483	8,819,475
Highly specialised drugs	207,292	154,667	101,664	47,098	43,668	10,706	9,343	5,586	580,024
Youth health services	840	621	439	226	205	63	58	58	2,510
National public health(c)	74,660	56,572	43,647	22,496	18,031	7,170	4,032	4,144	230,752
Essential vaccines	79,207	59,446	46,975	24,014	17,512	6,182	4,086	3,353	240,775

Table D2: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Health (continued)									
Repatriation general hospitals	770	100	0	0	1,006	150	0	0	2,026
Supporting Western Sydney - Positron Emission Tomography scanner Westmead	1,100	0	0	0	0	0	0	0	1,100
Royal Darwin Hospital - equipped, prepared and ready	0	0	0	0	0	0	0	13,184	13,184
Organ transplantation services	1,398	0	0	0	397	0	0	0	1,795
Organ and tissue donation	270	270	270	135	135	90	90	90	1,350
Health - total	3,307,862	2,408,075	1,900,202	967,685	822,994	219,950	133,970	137,028	9,897,766
Social Security and Welfare									
Aged care assessment	21,455	15,627	10,056	6,532	6,115	2,695	849	1,506	64,835
Home and community care	284,522	230,423	200,068	92,890	78,952	24,113	10,989	6,444	928,401
Disabilities services	209,223	139,612	117,588	50,017	68,442	20,754	8,686	6,470	620,792
Children's services	1,173	1,296	649	558	6,325	404	3	3	10,411
Supported accommodation assistance(d)	59,388	37,669	30,421	18,168	17,288	7,810	6,047	5,167	181,958
Unaccompanied humanitarian minors	406	878	248	0	721	0	0	0	2,253
Family Violence Partnership	0	0	0	0	0	0	0	0	0
Indigenous housing and infrastructure	0	0	0	0	0	0	0	0	0
Extension of fringe benefits	70,194	50,181	35,039	17,644	19,963	6,411	1,425	977	201,834
Native Title(e)	0	0	0	0	0	0	0	0	0
Young people with disabilities	1,331	988	783	397	302	95	254	40	4,190
National action plan to build on social cohesion, harmony and security	170	75	15	100	50	0	20	20	450
Social Security and Welfare - total	647,862	476,749	394,867	186,306	198,158	62,282	28,273	20,627	2,015,124

Table D2: Estimated specific purpose payments to and through the States, repayments of advances, repayments of advances and interest payments, 2006-07 (\$'000) (continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Housing and Community Amenities									
Assistance for water and sewerage	0	0	0	0	0	0	9,435	0	9,435
Natural Heritage Trust of Australia - Bushcare(f)	2,666	1,995	2,558	2,053	1,387	614	113	683	12,069
Natural Heritage Trust of Australia - Coastcare(f)	1,019	763	978	785	531	235	-15	262	4,558
Natural Heritage Trust of Australia - Landcare(f)	2,039	1,526	1,956	1,570	1,061	469	121	522	9,264
Natural Heritage Trust of Australia - Rivercare(f)	2,117	1,585	2,031	1,631	1,102	488	70	543	9,567
Natural Heritage Trust phase three(g)	0	0	0	0	0	0	0	0	0
National Water Initiative - Living Murray	0	12,678	0	0	5,575	0	0	0	18,253
Housing and Community Amenities - total	7,841	18,547	7,523	6,039	9,656	1,806	9,724	2,010	63,146
Recreation and Culture									
Natural Heritage Trust of Australia - Bushcare(f)	1,456	1,113	1,382	1,107	758	343	64	351	6,574
Natural Heritage Trust of Australia - Coastcare(f)	556	426	529	423	290	131	-3	134	2,486
Natural Heritage Trust of Australia - Landcare(f)	1,113	851	1,056	846	579	261	66	268	5,040
Natural Heritage Trust of Australia - Rivercare(f)	1,156	884	1,097	879	602	272	44	279	5,213
Natural Heritage Trust phase three(g)	0	0	0	0	0	0	0	0	0
Strengthening Tasmania	0	0	0	0	0	50	0	0	50
Recreation and Culture - total	4,281	3,274	4,064	3,255	2,229	1,057	171	1,032	19,363
Fuel and Energy									
Snowy Hydro Ltd - company tax compensation	2,882	1,441	0	0	0	0	0	0	4,323
Fuel and Energy - total	2,882	1,441	0	0	0	0	0	0	4,323
Agriculture, Forestry and Fishing									
Natural Heritage Trust of Australia - Bushcare(f)	5,109	3,911	4,849	3,881	2,660	1,204	227	1,226	23,067
Natural Heritage Trust of Australia - Coastcare(f)	1,953	1,495	1,853	1,484	1,017	461	-3	468	8,728
Natural Heritage Trust of Australia - Landcare(f)	3,907	2,991	3,708	2,967	2,035	921	228	938	17,695
Natural Heritage Trust of Australia - Rivercare(f)	4,057	3,106	3,850	3,081	2,112	956	153	974	18,289
Exotic Disease Preparedness Programme	78	55	55	55	34	34	34	34	379
Exceptional circumstances assistance	165,822	81,671	90,063	2,413	13,860	0	537	0	354,366

Table D2: Estimated specific purpose payments to and through the States, repayments of advances, repayments of advances and interest payments, 2006-07 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Agriculture, Forestry and Fishing (continued)</i>									
National Landcare Programme(h)	6,100	4,791	5,041	4,035	2,775	1,262	131	1,140	25,275
Improving Water Information	0	0	0	0	0	0	0	0	0
Natural Heritage Trust phase three(g)	0	0	0	0	0	0	0	0	0
Regional assistance	500	0	0	0	0	0	0	0	500
Great Artesian Basin Sustainability Initiative	4,733	0	4,727	756	0	0	0	0	10,216
Agriculture - Advancing Australia - FarmBis	0	1,623	2,300	1,097	1,880	450	0	350	7,700
Eradication of red imported fire ant	0	0	5,137	0	0	0	0	0	5,137
National action plan for salinity and water quality	37,881	22,499	10,498	41,753	13,366	1,797	503	500	128,797
Plant disease and eradication	0	0	618	0	0	0	0	0	618
Tasmanian forests package	0	0	0	0	0	18,000	0	0	18,000
<i>Agriculture, Forestry and Fishing - total</i>	230,140	122,142	132,699	61,522	39,739	25,085	1,810	5,630	618,767
<i>Transport and Communication</i>									
Interstate road transport	23,240	13,522	4,788	2,001	6,123	252	252	252	50,430
*Supplementary funding to South Australian councils for local roads	0	0	0	0	13,000	0	0	0	13,000
Petroleum products freight subsidy scheme	23	0	140	23	24	0	0	140	350
<i>Transport and Communication - total</i>	23,263	13,522	4,928	2,024	19,147	252	252	392	63,780
<i>Other Purposes</i>									
*Financial assistance grants for local government									
<i>General purpose assistance</i>									
<i>United local roads grants</i>	388,360	288,640	229,288	115,923	88,344	27,841	18,704	11,715	1,168,815
Compensation - companies regulation	150,476	106,927	97,175	79,302	28,503	27,485	16,631	12,149	518,648
Natural disaster relief	56,261	49,184	27,699	17,049	12,681	3,928	0	2,506	169,308
Royalties	19,400	520	57,000	1,000	2,000	20	0	7,000	86,940
Australian Capital Territory (ACT) national capital influences	0	0	0	679,761	0	0	0	4,386	684,147
<i>Other Purposes - total</i>	614,497	445,271	411,162	893,035	131,528	59,274	58,798	37,756	2,651,321
TOTAL CURRENT	7,747,010	5,699,937	4,573,445	3,001,630	1,923,490	577,643	397,801	310,253	24,231,209

Table D2: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
Education									
Government schools	208,462	150,280	128,583	64,354	46,843	17,202	9,985	8,016	633,725
*Non-government schools	66,906	52,677	36,108	19,518	15,217	4,112	4,488	6,559	205,585
Education - total	275,368	202,957	164,691	83,872	62,060	21,314	14,473	14,575	839,310
Health									
Organ transplantation services	174	0	0	0	50	0	0	0	224
Health - total	174	0	0	0	50	0	0	0	224
Social Security and Welfare									
Crisis accommodation assistance	13,691	10,168	8,052	4,083	3,112	980	657	412	41,155
Indigenous housing and infrastructure	0	0	0	0	0	0	0	0	0
Social Security and Welfare - total	13,691	10,168	8,052	4,083	3,112	980	657	412	41,155
Housing and Community Amenities									
Housing assistance for indigenous people	18,451	3,774	26,194	16,464	8,659	696	0	20,201	94,439
Community housing	22,092	16,407	12,993	6,588	5,022	1,582	1,061	664	66,409
CSHA block assistance/base funding	245,255	182,145	144,240	73,137	55,746	21,753	16,991	13,366	752,633
Social Housing Subsidy Programme	1,995	0	0	0	0	0	0	0	1,995
*Disaster Mitigation Package	6,559	2,043	6,755	1,970	2,100	1,256	834	930	22,447
*Additional First Home Owners Scheme	0	0	0	0	0	0	0	0	0
*Bushfire Mitigation Programme	1,384	915	965	678	505	390	102	116	5,055
Housing and Community Amenities - total	295,736	205,284	191,147	98,837	72,032	25,677	18,988	35,277	942,978
Fuel and Energy									
*Photovoltaic Rebate Programme	1,531	1,208	1,026	235	1,749	196	0	20	5,965
Renewable remote power generation	100	0	116	8,254	102	499	0	4,724	13,795
Fuel and Energy - total	1,631	1,208	1,142	8,489	1,851	695	0	4,744	19,760
Recreation and Culture									
Sydney Cricket Ground - new grandstand	0	0	0	0	0	0	0	0	0
Recreation and Culture - total	0	0	0	0	0	0	0	0	0

Table D2: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
<i>Payment title</i>									
Agriculture, Forestry and Fishing									
Tasmanian water infrastructure	0	0	0	0	0	0	0	0	0
Agriculture, Forestry and Fishing - total	0	0	0	0	0	0	0	0	0
Transport and Communication									
AusLink(i)	634,556	334,642	462,295	162,921	110,396	38,988	10,903	40,438	1,795,139
Federation Fund projects - NSW/VIC	0	0	0	0	0	0	0	0	0
Transport and Communication - total	634,556	334,642	462,295	162,921	110,396	38,988	10,903	40,438	1,795,139
TOTAL CAPITAL	1,221,156	754,259	827,327	358,202	249,501	87,654	45,021	95,446	3,638,566
REPAYMENTS									
Repayments of Australian Government Loans									
Australian Capital Territory debt repayments	0	0	0	0	0	0	4,647	0	4,647
Loan Council - housing nominations(i)	6,034	0	2,220	3,849	3,613	1,618	0	2,009	19,343
Repayments of Australian Government Loans - total	6,034	0	2,220	3,849	3,613	1,618	4,647	2,009	23,990
Defence									
Housing for servicemen	910	0	553	174	24	0	0	0	1,661
Defence - total	910	0	553	174	24	0	0	0	1,661
Housing and Community Amenities									
CSHA loans(j)	33,092	0	8,856	8,621	10,904	4,134	0	557	66,164
Other housing	0	0	0	0	0	6,561	2,434	8,995	8,995
Urban water supply and treatment	0	0	0	0	1,084	0	0	0	1,084
Northern Territory - water and sewerage assistance	0	0	0	0	0	0	0	136	136
Captains Flat (Abatement of Pollution) Agreement	11	0	0	0	0	0	0	0	11
Sewerage	4,791	0	1,070	0	0	0	0	0	5,861
Housing and Community Amenities - total	37,894	0	9,926	8,621	11,988	4,134	6,561	3,127	82,251

Table D2: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
REPAYMENTS									
<i>Agriculture, Forestry and Fishing</i>									
War Service Land Settlement Scheme(i)	497	529	0	0	27	14	0	0	1,067
Agriculture, Forestry and Fishing - total	497	529	0	0	27	14	0	0	1,067
<i>Transport and Communication</i>									
Railway projects	96	96	0	383	0	0	0	0	575
Transport and Communication - total	96	96	0	383	0	0	0	0	575
<i>Other Purposes</i>									
Natural disaster relief	1,309	0	1,766	0	0	0	0	329	3,404
Other Purposes - total	1,309	0	1,766	0	0	0	0	329	3,404
TOTAL REPAYMENTS	46,740	625	14,465	13,027	15,652	5,766	11,208	5,465	112,948
ADVANCES									
<i>Other Purposes</i>									
Natural disaster relief	5,000	0	74,500	0	0	0	0	500	80,000
Other Purposes - total	5,000	0	74,500	0	0	0	0	500	80,000
TOTAL ADVANCES	5,000	0	74,500	0	0	0	0	500	80,000
INTEREST									
<i>Interest on Australian Government Loans</i>									
Australian Capital Territory Government debt	0	0	0	0	0	0	7,239	0	7,239
Housing nominations	22,925	0	8,235	14,103	13,810	6,067	0	7,929	73,069
Interest on Australian Government Loans - total	22,925	0	8,235	14,103	13,810	6,067	7,239	7,929	80,308
<i>Defence</i>									
Housing for servicemen	2,353	0	1,334	272	100	0	0	0	4,059
Defence - total	2,353	0	1,334	272	100	0	0	0	4,059

Table D2: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Payment title</i>									
	INTEREST								
<i>Housing and Community Amenities</i>									
CSHA loans	47,192	0	13,165	12,490	19,841	6,461	0	1,602	100,751
Other housing	0	0	0	0	0	0	9,571	3,706	13,277
Urban water supply and treatment	0	0	0	0	949	0	0	0	949
Northern Territory - water and sewerage assistance	0	0	0	0	0	0	0	610	610
Captains Flat (Abatement of Pollution) Agreement	3	0	0	0	0	0	0	0	3
Sewerage	4,741	0	1,229	0	0	0	0	0	5,970
<i>Housing and Community Amenities - total</i>	47,195	0	13,165	12,490	20,790	6,461	9,571	5,918	121,560
<i>Agriculture, Forestry and Fishing</i>									
War Service Land Settlement Scheme	141	148	0	0	0	0	0	0	289
<i>Agriculture, Forestry and Fishing - total</i>	141	148	0	0	0	0	0	0	289
<i>Transport and Communication</i>									
Railway projects	24	24	0	247	0	0	0	0	295
<i>Transport and Communication - total</i>	24	24	0	247	0	0	0	0	295
<i>Other Purposes</i>									
Natural disaster relief	268	0	179	0	0	0	0	32	479
<i>Other Purposes - total</i>	268	0	179	0	0	0	0	32	479
TOTAL INTEREST	72,906	172	22,913	27,112	34,700	12,528	16,810	13,879	206,990

Table D2: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total specific purpose payments	8,968,166	6,454,196	5,400,772	3,359,832	2,172,991	665,297	442,822	405,699	27,869,775
Total to the States	6,632,535	4,640,861	4,001,269	2,623,432	1,605,450	495,320	297,120	331,012	20,626,999
Total through the States	1,796,795	1,417,768	1,073,040	541,175	450,694	114,651	110,367	50,823	5,555,313
Financial assistance grants through the States to local government	538,836	395,567	326,463	195,225	116,847	55,326	35,335	23,864	1,687,463

* Items so marked are classified as payments through the States.

- (a) The Australian Government is investing \$551.8 million to 2011-12 to establish Australian Technical Colleges. Most of this funding is classified as Australian Government own purpose expenditure.
- (b) The Australian Health Care Agreements expire on 30 June 2008. Grants include funding to the States, estimated at \$152.7 million over the five years to 2009-10, to improve care for older patients in public hospitals under the Council of Australian Governments' Health Services package.
- (c) Includes funding for the Public Health Outcome Funding Agreements with the States and Territories, currently estimated at \$814 million for the period from 2004-05 to 2008-09.
- (d) The Australian Government's funding to the States and Territories for the fifth Supported Accommodation Assistance Program Agreement over the period 2005-06 to 2009-10 includes funding for an Innovation and Investment Fund. The States and Territories also contribute to this Fund, a component of which is being administered as Commonwealth own-purpose expenditure until 2007-08 (\$0.5 million in 2006-07 and \$0.5 million in 2007-08). Innovation \$0.5 million in 2007-08). Innovation and Investment Fund payments to the States and Territories are estimated at \$6.7 million in 2006-07, \$10.2 million in 2007-08, \$10.9 million in 2008-09 and \$11.1 million in 2009-10.
- (e) Consistent with Part 9 of the *Native Title Act 1993*, the Australian Government has made a commitment to assist the States meet their potential compensation liabilities for the extinguishment or impairment of native title. No agreements have been concluded and as a result there are unlikely to be any payments made in the immediate future. Mechanisms are in place to enable funds to be made available as agreements are made and payments fall due.
- (f) All figures are indicative only.
- (g) This programme commences in 2008-09.
- (h) The Australian Government from 2008-09 will distribute its own purpose expenditure to industry and community groups under the National Landcare Programme Community Support Component. A review of the NLP conducted in 2006 found that direct funding, rather than through the State and Territory governments, would provide simpler, more efficient programme delivery.
- (i) The Australian Government is providing an additional \$250 million for projects of strategic regional importance. The Government will announce the successful projects in the near future. An amount of \$7.5 million per annum is also being provided under the Roads to Recovery programme for work on roads in unincorporated areas of the States.
- (j) Repayments are on a cash basis and exclude non-cash flows.

Table D3: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'000)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Public Order and Safety</i>									
Legal aid	0	0	0	14,624	13,737	5,141	3,997	3,529	41,028
Film and literature classifications	106	104	106	104	106	103	104	100	833
Improving policing in very remote areas	1,485	0	2,970	2,970	2,970	0	0	4,839	15,234
Cole Inquiry Task Force	0	0	0	0	0	0	0	0	0
Illegal foreign fishing - Indigenous rangers trial	0	0	0	0	0	0	0	0	0
CrimTrac Police Reference System	0	188	1,500	110	408	659	0	2,453	5,318
<i>Public Order and Safety - total</i>	1,591	292	4,576	17,808	17,221	5,903	4,101	10,921	62,413
<i>Education</i>									
Government schools	637,029	469,803	388,471	190,142	138,136	52,848	31,657	23,495	1,931,581
*Non-government schools	1,773,657	1,397,759	1,091,422	542,392	435,189	113,785	110,955	44,034	5,509,193
Skilling Australia's Workforce	417,870	311,078	243,359	125,637	94,479	29,399	21,484	13,066	1,256,372
Targeted programmes - government schools and joint	177,473	109,463	75,549	41,599	41,363	12,960	4,744	9,167	472,318
*Targeted programmes - non-government schools	89,706	71,544	38,914	23,538	19,048	3,818	3,392	2,747	252,707
Indigenous Education Strategic Initiatives									
Programme - government	28,655	5,613	23,831	18,049	6,601	2,908	657	20,240	106,554
Australian Technical Colleges(a)	0	1,734	0	0	0	0	0	0	1,734
<i>Education - total</i>	3,124,390	2,366,994	1,861,546	941,357	734,816	215,718	172,889	112,749	9,530,459
<i>Health</i>									
Hepatitis C Settlement Fund	3,262	0	0	294	408	40	145	506	4,655
Health programme grants	0	1,185	0	0	0	0	0	0	1,185
Health care grants(b)	3,087,743	2,246,263	1,805,516	926,593	770,628	204,588	119,703	117,004	9,278,038
Highly specialised drugs	235,181	166,168	111,957	49,244	47,978	10,815	9,089	7,070	637,502
Youth health services	859	635	446	233	210	64	59	59	2,565
National public health(c)	75,678	57,236	44,274	22,948	18,137	7,340	4,112	4,247	233,972
Essential vaccines	130,670	96,820	79,143	40,064	27,623	10,037	6,418	5,288	396,063

Table D3: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Health (continued)									
Repatriation general hospitals	842	100	0	0	1,023	151	0	0	2,116
Supporting Western Sydney - Positron Emission Tomography scanner Westmead	1,200	0	0	0	0	0	0	0	1,200
Royal Darwin Hospital - equipped, prepared and ready	0	0	0	0	0	0	0	13,434	13,434
Organ transplantation services	1,424	0	0	0	405	0	0	0	1,829
Organ and tissue donation	780	780	780	390	390	260	260	260	3,900
Health - total	3,537,639	2,569,187	2,042,116	1,039,766	866,802	233,295	139,786	147,868	10,576,459
Social Security and Welfare									
Aged care assessment	23,688	16,443	11,547	6,832	6,363	1,834	704	981	68,392
Home and community care	316,787	256,722	223,539	103,954	88,803	27,784	12,937	7,970	1,038,496
Disabilities services	213,517	142,983	121,197	50,984	70,390	22,397	8,854	6,594	636,916
Children's services	1,024	1,060	531	462	5,172	331	2	2	8,584
Supported accommodation assistance(d)	60,937	39,423	30,524	18,193	17,430	7,821	6,259	5,193	185,780
Unaccompanied humanitarian minors	409	885	250	0	727	0	0	0	2,271
Family Violence Partnership	666	1,415	2,995	666	1,748	0	0	832	8,322
Indigenous housing and infrastructure	0	0	0	0	0	0	0	0	0
Extension of fringe benefits	71,652	51,223	35,767	18,010	20,378	6,545	1,454	998	206,027
Native Title(e)	0	0	0	0	0	0	0	0	0
Young people with disabilities	4,663	3,457	2,739	1,390	1,056	281	541	139	14,266
National action plan to build on social cohesion, harmony and security	174	78	15	103	51	0	20	20	461
Social Security and Welfare - total	693,517	513,689	429,104	200,594	212,118	66,993	30,771	22,729	2,169,515

Table D3: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Housing and Community Amenities</i>									
Assistance for water and sewerage	0	0	0	0	0	0	9,633	0	9,633
Natural Heritage Trust of Australia - Bushcare(f)	3,642	2,708	2,896	2,282	1,570	713	157	770	14,738
Natural Heritage Trust of Australia - Coastcare(f)	1,392	1,036	1,108	873	600	273	0	294	5,576
Natural Heritage Trust of Australia - Landcare(f)	2,785	2,071	2,215	1,746	1,201	545	157	589	11,309
Natural Heritage Trust of Australia - Rivercare(f)	2,892	2,150	2,300	1,813	1,247	566	107	611	11,686
Natural Heritage Trust phase three(g)	0	0	0	0	0	0	0	0	0
National Water Initiative - Living Murray	43,463	41,652	0	0	5,433	0	0	0	90,548
<i>Housing and Community Amenities - total</i>	54,174	49,617	8,519	6,714	10,051	2,097	10,054	2,264	143,490
<i>Recreation and Culture</i>									
Natural Heritage Trust of Australia - Bushcare(f)	1,655	1,231	1,317	1,038	714	324	71	350	6,700
Natural Heritage Trust of Australia - Coastcare(f)	633	471	503	397	273	123	0	134	2,534
Natural Heritage Trust of Australia - Landcare(f)	1,266	941	1,007	793	545	248	71	268	5,139
Natural Heritage Trust of Australia - Rivercare(f)	1,316	978	1,046	824	567	257	49	277	5,314
Natural Heritage Trust phase three(g)	0	0	0	0	0	0	0	0	0
Strengthening Tasmania	0	0	0	0	0	0	0	0	0
<i>Recreation and Culture - total</i>	4,870	3,621	3,873	3,052	2,099	952	191	1,029	19,687
<i>Fuel and Energy</i>									
Snowy Hydro Ltd - company tax compensation	22,887	11,444	0	0	0	0	0	0	34,331
<i>Fuel and Energy - total</i>	22,887	11,444	0	0	0	0	0	0	34,331
<i>Agriculture, Forestry and Fishing</i>									
Natural Heritage Trust of Australia - Bushcare(f)	5,739	4,268	4,564	3,597	2,474	1,123	247	1,213	23,225
Natural Heritage Trust of Australia - Coastcare(f)	2,194	1,632	1,745	1,375	946	429	0	464	8,785
Natural Heritage Trust of Australia - Landcare(f)	4,388	3,263	3,490	2,751	1,892	859	247	927	17,817
Natural Heritage Trust of Australia - Rivercare(f)	4,557	3,389	3,625	2,857	1,965	892	169	963	18,417
Exotic Disease Preparedness Programme	79	56	56	56	35	35	35	35	387
Exceptional circumstances assistance	153,601	68,056	72,321	2,649	38,875	0	0	0	335,502

Table D3: Estimated specific purpose payments to and through the States, repayments of advances, repayments of advances and interest payments, 2007-08 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Agriculture, Forestry and Fishing (continued)</i>									
National Landcare Programme(h)	6,434	5,094	5,361	4,291	2,949	1,340	141	1,212	26,822
Improving Water Information	nfp	nfp	nfp	nfp	nfp	nfp	nfp	nfp	10,000
Natural Heritage Trust phase three(g)	0	0	0	0	0	0	0	0	0
Regional assistance	259	0	0	0	0	0	0	0	259
Great Artesian Basin Sustainability Initiative	3,311	0	4,837	0	0	0	0	0	8,148
Agriculture - Advancing Australia - FarmBis	0	1,170	2,903	1,197	1,980	450	0	350	8,050
Eradication of red imported fire ant	0	0	7,000	0	0	0	0	0	7,000
National action plan for salinity and water quality	20,692	9,668	11,662	35,936	10,843	1,642	802	500	91,745
Plant disease and eradication	0	0	730	0	0	0	0	0	730
Tasmanian forests package	0	0	0	0	0	19,000	0	0	19,000
<i>Agriculture, Forestry and Fishing - total(k)</i>	201,254	96,596	118,294	54,709	61,959	25,770	1,641	5,664	575,887
<i>Transport and Communication</i>									
Interstate road transport	24,530	14,274	5,054	2,112	6,462	266	266	266	53,230
*Supplementary funding to South Australian councils for local roads	0	0	0	0	13,478	0	0	0	13,478
Petroleum products freight subsidy scheme	0	0	0	0	0	0	0	0	0
<i>Transport and Communication - total</i>	24,530	14,274	5,054	2,112	19,940	266	266	266	66,708
<i>Other Purposes</i>									
*Financial assistance grants for local government	403,108	299,376	237,079	120,208	91,624	28,868	19,357	12,115	1,211,735
General purpose assistance	155,998	110,851	100,742	82,213	29,549	28,493	17,241	12,595	537,682
Unfunded local roads grants	57,556	50,316	28,336	17,442	12,973	4,018	0	2,563	173,204
Compensation - companies regulation	27,000	1,040	35,000	9,000	3,000	500	0	14,000	89,540
Natural disaster relief	0	0	0	650,090	0	0	0	5,237	655,327
Royalties	0	0	0	0	0	0	0	0	0
Australian Capital Territory (ACT) national capital influences	0	0	0	0	0	0	23,956	0	23,956
<i>Other Purposes - total</i>	643,662	461,583	401,157	878,953	137,146	61,879	60,554	46,510	2,691,444
TOTAL CURRENT	8,308,514	6,087,297	4,874,239	3,145,065	2,062,152	612,873	420,253	350,000	25,870,393

Table D3: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
Education									
Government schools	198,025	142,742	121,792	57,856	44,451	19,590	9,491	7,605	601,552
*Non-government schools	88,082	69,296	47,593	25,713	20,046	5,380	5,901	7,455	269,466
Education - total	286,107	212,038	169,385	83,569	64,497	24,970	15,392	15,060	871,018
Health									
Organ transplantation services	178	0	0	0	51	0	0	0	229
Health - total	178	0	0	0	51	0	0	0	229
Social Security and Welfare									
Crisis accommodation assistance	13,919	10,338	8,186	4,151	3,164	997	669	418	41,842
Indigenous housing and infrastructure	0	0	0	0	0	0	0	0	0
Social Security and Welfare - total	13,919	10,338	8,186	4,151	3,164	997	669	418	41,842
Housing and Community Amenities									
Housing assistance for indigenous people	18,759	3,838	26,637	16,740	8,804	700	0	20,541	96,019
Community housing	22,461	16,682	13,210	6,698	5,106	1,609	1,078	675	67,519
CSHA block assistance/base funding	249,415	185,232	146,686	74,376	56,692	22,075	17,221	13,527	765,224
Social Housing Subsidy Programme	1,995	0	0	0	0	0	0	0	1,995
*Disaster Mitigation Package	8,560	4,168	6,177	4,388	3,571	14,414	980	1,342	43,600
*Additional First Home Owners Scheme	0	2,304	0	39	0	56	0	0	2,399
*Bushfire Mitigation Programme	1,370	965	965	550	425	275	200	250	5,000
Housing and Community Amenities - total	302,560	213,189	193,675	102,791	74,598	39,129	19,479	36,335	981,756
Fuel and Energy									
*Photovoltaic Rebate Programme (PVRP)	1,104	873	698	420	832	205	87	131	4,350
Renewable remote power generation	300	0	0	21,364	285	2,308	0	9,743	34,000
Fuel and Energy - total	1,404	873	698	21,784	1,117	2,513	87	9,874	38,350
Recreation and Culture									
Sydney Cricket Ground - new grandstand	15,000	0	0	0	0	0	0	0	15,000
Recreation and Culture - total	15,000	0	0	0	0	0	0	0	15,000

Table D3: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
<i>Agriculture, Forestry and Fishing</i>									
Tasmanian water infrastructure	0	0	0	0	0	1,100	0	0	1,100
<i>Agriculture, Forestry and Fishing - total</i>	0	0	0	0	0	1,100	0	0	1,100
<i>Transport and Communication</i>									
AusLink(i)	762,146	324,115	731,458	272,863	145,209	59,063	30,110	57,397	2,382,361
Federation Fund projects - NSW/VIC	0	15,000	0	0	0	0	0	0	15,000
<i>Transport and Communication - total</i>	762,146	339,115	731,458	272,863	145,209	59,063	30,110	57,397	2,397,361
TOTAL CAPITAL	1,381,314	775,553	1,103,402	485,158	288,636	127,772	65,737	119,084	4,346,656
REPAYMENTS									
<i>Repayments of Australian Government Loans</i>									
Australian Capital Territory debt repayments	0	0	0	0	0	0	4,647	0	4,647
Loan Council - housing nominations(i)	6,304	0	2,320	4,022	3,776	1,691	0	2,099	20,212
<i>Repayments of Australian Government Loans - total</i>	6,304	0	2,320	4,022	3,776	1,691	4,647	2,099	24,859
<i>Defence</i>									
Housing for servicemen	975	0	591	184	26	0	0	0	1,776
<i>Defence - total</i>	975	0	591	184	26	0	0	0	1,776
<i>Housing and Community Amenities</i>									
CSHA loans(j)	33,520	0	8,881	8,697	11,384	4,311	0	582	67,375
Other housing	0	0	0	0	0	0	6,769	2,549	9,318
Urban water supply and treatment	0	0	0	0	1,207	0	0	0	1,207
Northern Territory - water and sewerage assistance	0	0	0	0	0	0	0	136	136
Captains Flat (Abatement of Pollution) Agreement	9	0	0	0	0	0	0	0	9
Sewerage	5,191	0	1,175	0	0	0	0	0	6,366
<i>Housing and Community Amenities - total</i>	38,720	0	10,056	8,697	12,591	4,311	6,769	3,267	84,411

Table D3: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
REPAYMENTS									
<i>Agriculture, Forestry and Fishing</i>									
War Service Land Settlement Scheme(i)	515	549	0	0	0	6	0	0	1,070
Agriculture, Forestry and Fishing - total	515	549	0	0	0	6	0	0	1,070
<i>Transport and Communication</i>									
Railway projects	96	96	0	382	0	0	0	0	574
Transport and Communication - total	96	96	0	382	0	0	0	0	574
<i>Other Purposes</i>									
Natural disaster relief	1,497	0	1,766	0	0	0	0	392	3,655
Other Purposes - total	1,497	0	1,766	0	0	0	0	392	3,655
TOTAL REPAYMENTS	48,107	645	14,733	13,285	16,393	6,008	11,416	5,758	116,345
ADVANCES									
<i>Other Purposes</i>									
Natural disaster relief	1,500	0	3,000	0	0	0	0	500	5,000
Other Purposes - total	1,500	0	3,000	0	0	0	0	500	5,000
TOTAL ADVANCES	1,500	0	3,000	0	0	0	0	500	5,000
INTEREST									
<i>Interest on Australian Government Loans</i>									
Australian Capital Territory Government debt	0	0	0	0	0	0	6,734	0	6,734
Housing nominations	22,702	0	8,152	13,957	13,675	6,006	0	7,854	72,346
Interest on Australian Government Loans - total	22,702	0	8,152	13,957	13,675	6,006	6,734	7,854	79,080
<i>Defence</i>									
Housing for servicemen	2,313	0	1,310	265	99	0	0	0	3,987
Defence - total	2,313	0	1,310	265	99	0	0	0	3,987

Table D3: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
INTEREST									
<i>Housing and Community Amenities</i>									
CSHA loans	45,657	0	12,759	12,089	19,359	6,275	0	1,580	97,719
Other housing	0	0	0	0	0	0	9,276	3,591	12,867
Urban water supply and treatment	0	0	0	0	887	0	0	0	887
Northern Territory - water and sewerage assistance	0	0	0	0	0	0	0	603	603
Captains Flat (Abatement of Pollution) Agreement	1	0	0	0	0	0	0	0	1
Sewerage	4,376	0	1,136	0	0	0	0	0	5,512
<i>Housing and Community Amenities - total</i>	45,658	0	12,759	12,089	20,246	6,275	9,276	5,774	117,589
<i>Agriculture, Forestry and Fishing</i>									
War Service Land Settlement Scheme	115	119	0	0	0	0	0	0	234
<i>Agriculture, Forestry and Fishing - total</i>	115	119	0	0	0	0	0	0	234
<i>Transport and Communication</i>									
Railway projects	19	19	0	225	0	0	0	0	263
<i>Transport and Communication - total</i>	19	19	0	225	0	0	0	0	263
<i>Other Purposes</i>									
Natural disaster relief	294	0	2,340	0	0	0	0	45	2,679
<i>Other Purposes - total</i>	294	0	2,340	0	0	0	0	45	2,679
TOTAL INTEREST	71,101	138	24,561	26,536	34,020	12,281	16,010	13,673	203,832
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total specific purpose payments	9,689,828	6,862,850	5,977,641	3,630,223	2,350,788	740,645	485,990	469,084	30,217,049
Total to the States(k)	7,168,243	4,905,714	4,454,051	2,830,762	1,737,026	545,351	327,877	388,415	22,367,439
Total through the States	1,962,479	1,546,909	1,185,769	597,040	492,589	137,933	121,515	55,959	6,100,193
Financial assistance grants through the States to local government	559,106	410,227	337,821	202,421	121,173	57,361	36,598	24,710	1,749,417

Table D3: Estimated specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'000) (continued)

* Items so marked are classified as payments through the States.

- (a) The Australian Government is investing \$551.8 million to 2011-12 to establish Australian Technical Colleges. Most of this funding is classified as Australian Government own purpose expenditure.
- (b) The Australian Health Care Agreements expire on 30 June 2008. Grants include funding to the States, estimated at \$152.7 million over the five years to 2009-10, to improve care for older patients in public hospitals under the Council of Australian Governments' Health Services package.
- (c) Includes funding for the Public Health Outcome Funding Agreements with the States and Territories, currently estimated at \$814 million for the period from 2004-05 to 2008-09.
- (d) The Australian Government's funding to the States and Territories for the fifth Supported Accommodation Assistance Program Agreement over the period 2005-06 to 2009-10 includes funding for an Innovation and Investment Fund. The States and Territories also contribute to this Fund, a component of which is being administered as Commonwealth own-purpose expenditure until 2007-08 (\$0.5 million in 2006-07 and \$0.5 million in 2007-08). Innovation and Investment Fund payments to the States and Territories are estimated at \$6.7 million in 2006-07, \$10.2 million in 2007-08, \$10.9 million in 2008-09 and \$11.1 million in 2009-10.
- (e) Consistent with Part 9 of the *Native Title Act 1993*, the Australian Government has made a commitment to assist the States meet their potential compensation liabilities for the extinguishment or impairment of native title. No agreements have been concluded and as a result there are unlikely to be any payments made in the immediate future. Mechanisms are in place to enable funds to be made available as agreements are made and payments fall due.
- (f) All figures are indicative only.
- (g) This programme commences in 2008-09.
- (h) The Australian Government from 2008-09 will distribute its own purpose expenditure to industry and community groups under the National Landcare Programme Community Support Component. A review of the NLP conducted in 2006 found that direct funding, rather than through the State and Territory governments, would provide simpler, more efficient programme delivery.
- (i) The Australian Government is providing an additional \$250 million for projects of strategic regional importance. The Government will announce the successful projects in the near future. An amount of \$7.5 million per annum is also being provided under the Roads to Recovery programme for work on roads in unincorporated areas of the States.
- (j) Repayments are on a cash basis and exclude non-cash flows.
- (k) Totals for each State and Territory exclude estimates for the new Improving Water Information programme because agreements with the States have not been negotiated and the amounts payable cannot be specifically identified. However, totals for all States and Territories include funding for this programme.

Table D4: Estimated specific purpose payments direct to local government authorities, 2006-07 to 2010-11 (\$'000)

Payment title Description	2006-07	2007-08	2008-09	2009-10	2010-11
DIRECT PAYMENTS - CURRENT					
Disability services Payments to local government authorities in order to provide services for people with disabilities.	1,489	1,529	1,558	1,601	1,646
Children's services Funds are provided to ensure access to affordable quality child care in programmes administered by local governments on behalf of the Australian Government.	45,676	40,630	42,106	42,781	43,451
Weipa Structural Adjustment Package This payment is to compensate for the loss of the diesel fuel rebate when responsibility for Weipa's electricity generation transfers from Comalco Ltd.	0	2,200	2,200	0	0
Regulation Reduction Incentive Fund A competitive grants programme to encourage local governments to reduce regulatory complexity and compliance requirements for home-based businesses.	19,847	500	0	0	0
Strengthening Tasmania Funding for projects to enhance infrastructure, community facilities and services in Tasmania.	1,420	7,425	0	0	0
TOTAL CURRENT	68,432	52,284	45,864	44,382	45,097

Table D4: Estimated specific purpose payments direct to local government authorities, 2006-07 to 2010-11 (\$'000)(continued)

Payment title Description	2006-07	2007-08	2008-09	2009-10	2010-11
DIRECT PAYMENTS - CAPITAL					
AusLink(a)	303,030	496,140	515,100	0	0
Funding to local councils under AusLink, the national land transport plan. In 2005-06 councils received funding equivalent to one year's Roads to Recovery allocation to be spent over the next three years. Some councils will also receive additional funding for projects of strategic regional importance.					
Blackburn Lake Sanctuary	0	1,800	0	0	0
Funding to purchase land adjacent to the Blackburn Lake Sanctuary in Melbourne. This will protect and extend the Blackburn Lake Sanctuary area and is conditional on matching funding from the Victorian Government and the City of Whitehorse, and the Victorian Government publicly releasing the valuation of the site.					
Bert Hinkler Hall of Aviation	0	1,450	0	0	0
The Australian Government will provide a \$1.5 million contribution towards the construction of the Bert Hinkler Hall of Aviation in Bundaberg, Queensland. The Hall of Aviation will be a museum showcasing memorabilia related to Australia's aviation history.					
Development of sewerage schemes for Boat Harbour Beach and Sisters Beach	200	0	0	0	0
To support the establishment of environmentally sustainable sewerage treatment facilities at Sisters Beach and Boat Harbour communities, Tasmania.					
Local community sporting infrastructure	667	900	0	0	0
Funding provided to local government for projects to enhance community sporting infrastructure and facilities.					
South Australian State Aquatic Centre	0	1,000	12,000	2,000	0
Contribution to assist in the establishment of the South Australian State Aquatic Centre in Marion, South Australia.					
Victorian road project	2,000	3,000	20,000	0	0
Funding is being contributed towards the upgrading of the Whitehorse Road and Springvale Road intersection in Melbourne's east.					
TOTAL CAPITAL	305,897	504,290	547,100	2,000	0
TOTAL DIRECT PAYMENTS	374,329	556,574	592,964	46,382	45,097
(a) These estimates exclude a \$25 million expense in 2007-08, \$100 million in 2008-09 and \$125 million in 2009-10 that would result from a provision of an additional \$250 million for the AusLink Strategic Regional Programme and which is yet to be allocated to States and Territories.					

Table D5: Estimated specific purpose payments direct to local government authorities, 2006-07 (\$'000)

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
DIRECT PAYMENTS - CURRENT									
Disability services	194	607	688	0	0	0	0	0	1,489
Children's services	13,588	14,887	5,757	2,090	1,409	2,093	0	5,852	45,676
Weipa Structural Adjustment Package	0	0	0	0	0	0	0	0	0
Regulation Reduction Incentive Fund	3,549	3,064	9,637	566	1,676	0	1,178	177	19,847
Strengthening Tasmania	0	0	0	0	0	1,420	0	0	1,420
TOTAL CURRENT	17,331	18,558	16,082	2,656	3,085	3,513	1,178	6,029	68,432
DIRECT PAYMENTS - CAPITAL									
AusLink	90,200	64,950	60,000	49,780	22,750	10,350	0	5,000	303,030
Blackburn Lake Sanctuary	0	0	0	0	0	0	0	0	0
Bert Hinkler Hall of Aviation	0	0	0	0	0	0	0	0	0
Development of sewerage schemes for Boat Harbour Beach and Sisters Beach	0	0	0	0	0	200	0	0	200
Local community sporting infrastructure	0	667	0	0	0	0	0	0	667
South Australian State Aquatic Centre	0	0	0	0	0	0	0	0	0
Victorian road project	0	2,000	0	0	0	0	0	0	2,000
TOTAL CAPITAL	90,200	67,617	60,000	49,780	22,750	10,550	0	5,000	305,897
TOTAL DIRECT PAYMENTS	107,531	86,175	76,082	52,436	25,835	14,063	1,178	11,029	374,329

Table D6: Estimated specific purpose payments direct to local government authorities, 2007-08 (\$'000)

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
DIRECT PAYMENTS - CURRENT									
Disability services	198	623	708	0	0	0	0	0	1,529
Children's services	12,215	13,445	4,992	1,869	1,222	1,813	0	5,074	40,630
Weipa Structural Adjustment Package	0	0	2,200	0	0	0	0	0	2,200
Regulation Reduction Incentive Fund	89	78	243	14	42	0	30	4	500
Strengthening Tasmania	0	0	0	0	0	7,425	0	0	7,425
TOTAL CURRENT	12,502	14,146	8,143	1,883	1,264	9,238	30	5,078	52,284
DIRECT PAYMENTS - CAPITAL									
AusLink(a)	146,500	101,384	107,750	79,327	35,436	17,264	0	8,479	496,140
Blackburn Lake Sanctuary	0	1,800	0	0	0	0	0	0	1,800
Bert Hinkler Hall of Aviation	0	0	1,450	0	0	0	0	0	1,450
Development of sewerage schemes for Boat Harbour Beach and Sisters Beach	0	0	0	0	0	0	0	0	0
Local community sporting infrastructure	900	0	0	0	0	0	0	0	900
South Australian State Aquatic Centre	0	0	0	0	1,000	0	0	0	1,000
Victorian road project	0	3,000	0	0	0	0	0	0	3,000
TOTAL CAPITAL	147,400	106,184	109,200	79,327	36,436	17,264	0	8,479	504,290
TOTAL DIRECT PAYMENTS	159,902	120,330	117,343	81,210	37,700	26,502	30	13,557	556,574

(a) These estimates exclude a \$25 million expense in 2007-08, \$100 million in 2008-09 and \$125 million in 2009-10 that would result from a provision of an additional \$250 million for the AusLink Strategic Regional Programme and which is yet to be allocated to States and Territories.

APPENDIX E: TIMETABLE FOR THE ABOLITION OF STATE TAXES

The first objective of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, signed by the Commonwealth and all States and Territories in 1999, was the achievement of a new national taxation system, including the elimination of several business taxes which were impeding economic activity.

The GST was designed to replace several inefficient indirect taxes – one Commonwealth tax and ten state taxes. The state taxes which were specified in the Intergovernmental Agreement were nominated by the States themselves as being undesirable on efficiency and equity grounds.

Implementation of the Intergovernmental Agreement has already delivered significant economic benefits as a result of a first phase of taxation reforms from as early as 1 July 2000. As part of the initial reforms:

- the Australian Government fully implemented its commitments by:
 - removing the wholesale sales tax;
 - implementing the GST; and
 - ensuring that all GST revenue is provided to the States and Territories; and
- the States and Territories partly implemented their commitments by abolishing a first tranche of state taxes by 1 July 2005:
 - accommodation tax;
 - financial institution duty;
 - quoted marketable securities duty; and
 - debits tax.

The Intergovernmental Agreement contained a provision to review the abolition of the remaining state taxes by 2005 so that the States would abolish all of the taxes listed for abolition once GST revenues proved to be sufficient to do so. This was consistent with the third objective of the agreement, which was an improvement in the financial position of all States and Territories, relative to that which would have existed if the previous financial arrangements had continued.

In 2006, the Australian Government agreed with the States and Territories on a schedule for a second tranche of state taxation reform. The schedule provides for the abolition of a further five taxes:

- non-quoted marketable securities duty;
- lease duty;
- mortgage duty;
- credit arrangement and rental duties; and
- cheque duty.

The schedule also provides for the partial abolition of the final tax listed for abolition in the Intergovernmental Agreement – stamp duty on non-residential property conveyances. The States and Territories have only agreed to the abolition of this tax in respect of non-real non-residential property.

Even though GST revenues are now sufficient so that the States and Territories would not be worse off, relative to if the previous financial arrangements had continued, they have so far refused to fulfil their commitments by nominating a timetable for abolishing this final remaining tax.

Table E1: Timetable for the abolition of state taxes^(a)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2000-01	Accommodation tax	Lease duty (26 April 01)						Accommodation tax
2001-02	Financial institutions duty, quoted marketable securities duty, debits tax (1 Jan 02)	Financial institutions duty, quoted marketable securities duty	Quoted marketable securities duty	Financial institutions duty, quoted marketable securities duty	Financial institutions duty, quoted marketable securities duty	Financial institutions duty, quoted marketable securities duty	Financial institutions duty, quoted marketable securities duty	Financial institutions duty, quoted marketable securities duty
2002-03		Non-quoted marketable securities duty				Lease duty, non-quoted marketable securities duty, rental duty		
2003-04				Non-quoted marketable securities duty (1 Jan 04), cheque duty (1 Jan 04), lease duty (1 Jan 04)	Mortgage duty for eligible first homebuyers (27 May 04)			
2004-05		Mortgage duty	Credit card duty (1 Aug 04)		Lease duty, cheque duty			
2005-06		Debits tax	Debits tax, lease duty (1 Jan 06), credit business duty (1 Jan 06)	Debits tax	Debits tax, part of mortgage duty (1 Jan 06)	Debits tax	Debits tax	Debits tax, electronic debits tax
2006-07		Rental duty (1 Jan 07)	Hire duty (1 Jan 07), non-quoted marketable securities duty (1 Jan 07)	50 per cent mortgage rental duty (1 Jan 07)	Other minor duties	50 per cent mortgage duty	Non-real non-residential conveyance duty	Non-quoted marketable securities duty, lease duty

Table E1: Timetable for the abolition of state taxes^(a) (continued)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2007-08	Rental duty, lease duty (1 Jan 08)		50 per cent mortgage duty (1 Jan 08)		33 per cent of remaining rental duty and mortgage duty	Mortgage duty	Rental duty	Rental duty
2008-09	Non-quoted marketable securities duty (1 Jan 09)		Mortgage duty (1 Jan 09)	Mortgage duty	67 per cent of remaining rental mortgage duty	Non-real non-residential conveyance duty		
2009-10	50 per cent mortgage duty (1 Jan 10)		50 per cent non-real non-residential property conveyance duty (1 Jan 10)		Rental duty, mortgage duty, 50 per cent non-real non-residential conveyance duty, 50 per cent non-quoted marketable securities duty		Lease duty	Non-real non-residential conveyance duty
2010-11	Mortgage duty (1 Jan 11)		Non-real non-residential conveyance duty (1 Jan 11)	Non-real non-residential conveyance duty	Non-real non-residential conveyance duty, non-quoted marketable securities duty		Non-quoted marketable securities duty	
2011-12								
2012-13	Non-real non-residential conveyance duty							

(a) Abolition is in full and effective on 1 July unless otherwise specified.

Table E2: State taxes abolished before 1 July 2000 or never imposed

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
Cheque duty		Accommodation tax, cheque duty, non-real non-residential conveyance duty	Accommodation tax, cheque duty, financial institutions duty	Accommodation tax	Accommodation tax	Accommodation tax, cheque duty	Accommodation tax, cheque duty, mortgage duty	Mortgage duty