

## TREASURY

### Savings in Treasury portfolio running costs

**Function: Other Economic Affairs, nec, Financial and Fiscal Affairs, Legislative and Executive Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-2.7	-2.7	-2.7	-2.8

#### Explanation

Savings in running costs will be achieved in the Treasury portfolio by requiring agencies, other than the Australian Taxation Office, the Australian Bureau of Statistics (which are covered under other specific measures) and the Australian Securities Commission, to achieve running cost savings equivalent to an additional 2 per cent efficiency dividend. The agencies in which the savings will be achieved are:

- Treasury;
- Australian Competition and Consumer Commission;
- Insurance and Superannuation Commission;
- National Competition Council;
- Companies and Securities Advisory Committee; and
- Industry Commission/Economic Planning Advisory Commission.

## TREASURY

### Additional special revenue assistance to the ACT in the form of transitional allowances for education and health

**Function: General Purpose Inter-government Transactions**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
10.0	5.0	0.0	0.0

#### Explanation

At the 1997 Premiers' Conference it was agreed that the Commonwealth would provide the ACT with additional special revenue assistance. The additional funding relates to education and health and will be the final transitional assistance payment to place the ACT on an equal footing with the other States in all areas other than policing.

## TREASURY

### Partial deferral of State fiscal contributions from the ACT and Tasmania

#### Function: General Purpose Inter-government Transactions

##### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
13.5	-13.5	0.0	0.0

##### Explanation

At the 1996 Premiers' Conference, the States agreed to make fiscal contribution payments to the Commonwealth in the three years 1996-97 to 1998-99 for the Government's deficit reduction programme. At the 1997 Premiers' Conference it was agreed that, in recognition of the difficult economic circumstances facing Tasmania and the ACT, the payment of half of their scheduled fiscal contributions would be deferred until 1998-99.

## TREASURY

### Extension of real per capita guarantee on Financial Assistance Grants to the States and Territories

#### Function: General Purpose Inter-government Transactions

##### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	0.0	202.1	207.2

##### Explanation

It was agreed at the 1997 Premiers' Conference that Financial Assistance Grants (FAGs) to the States will be maintained in real per capita terms in 1997-98 and the real per capita guarantee for FAGs will be extended to 1999-2000. The per capita component of the guarantee is conditional on States complying with their obligations under the Agreement to Implement the National Competition Policy and Related Reforms.

## TREASURY

### Australian Bureau of Statistics - Savings in statistical collections

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-5.1	-5.2	-5.3	-5.4

#### Explanation

Savings in running costs will be achieved by rationalising statistical activities in line with Australian Bureau of Statistics statistical priorities and from a reduction in administration costs.

## TREASURY

### Australian Bureau of Statistics - Increased cost recovery on the sale of products and services

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-2.0	-2.0	-2.1	-2.1

#### Explanation

The Australian Bureau of Statistics will raise extra revenue by improving the cost recovery of its sales of products and services. The money will be returned to the Budget by a reduction in running cost outlays.

## TREASURY

### Tax Law Improvement Project - Extension of administrative funding

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.1	1.9	0.0	0.0

#### Explanation

Additional funding has been allocated to the Australian Taxation Office (ATO) to enable the rewriting of the income tax law to be completed. The Tax Law Improvement Project commenced in 1994-95 with the aim of improving the structure and expression of the existing income tax law.

The anticipated long-term benefits of the Project include:

- simplified income tax legislation which is more easily understood and complied with by both the community and those professionally concerned with its administration; and
- reduced costs of complying with income tax laws for taxpayers, tax advisers and the ATO.

**TREASURY**

**Australian Taxation Office - Savings through efficiencies in corporate support**

**Function: Financial and Fiscal Affairs**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-10.0	-10.2	-10.3	-10.5

**Explanation**

The Australian Taxation Office will reduce expenditure on corporate support (including human resources, personnel and facilities management) through the implementation of best practice benchmarking and improvements in personnel systems support.

**TREASURY**

**Australian Taxation Office - Savings through rationalisation of income tax withholding arrangements**

**Function: Financial and Fiscal Affairs**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.0	-9.1	-11.4	-11.6

**Explanation**

The Australian Taxation Office (ATO) currently administers a number of tax withholding and reporting systems which impose obligations on business, including the Pay-As-You-Earn (PAYE), Prescribed Payments (PPS) and Reportable Payments (RPS) systems. Three of these systems are to be rationalised through the alignment of payment dates, earlier remittance of payment obligations by large business and a relaxation of timing for other business.

The anticipated long-term benefits of the proposal include:

- simplified withholding obligations and more transparent rules, which are more easily understood and complied with by business, and particularly small business;
- reduced cost of compliance for business due to reduced paperwork burden and fewer payment transactions; and

- improved administration of the withholding system by the ATO through the implementation of commercial business rules for liability accounting of taxation withholding arrangements and commercial best practice.

#### **Further information**

Further information has been included in the corresponding revenue measure titled: 'Withholding tax arrangements' in Part II of this Budget Paper.

#### **TREASURY**

#### **Australian Taxation Office - Savings through phasing out the Superannuation Holding Accounts Reserve**

**Function: Financial and Fiscal Affairs**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-10.0	-4.1	-5.2	-5.3

#### **Explanation**

In the 1996-97 Budget, the Government announced its commitment to allow banks, building societies, credit unions and life insurance companies to offer Retirement Savings Accounts (RSAs). These will be especially suited to those with only small amounts of superannuation as they are intended to be a simple, low cost and low risk product.

The introduction of RSAs from 1 July 1997 will obviate the ongoing need for the Government administered Superannuation Holding Accounts Reserve (SHAR), which was established on 1 July 1995 to alleviate problems associated with small superannuation accounts. The Reserve has not been able to pay out any monies in excess of contributions due to high administrative costs.

It is anticipated that the Australian Taxation Office will continue to administer the SHAR in the short-term to facilitate the transfer of funds from the Reserve to RSAs or directly to contributors where appropriate.

## TREASURY

### Australian Taxation Office - Savings through phasing out the community education campaign on superannuation

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-3.4	0.0	0.0	0.0

#### Explanation

In 1995-96 the previous Government commenced a broad based community education campaign on superannuation, to inform the public about initiatives such as the Superannuation Holding Accounts Reserve (SHAR). Changes in superannuation arrangements and, in particular, the phasing out of SHAR, remove the need for education on this initiative and funding allocated for this campaign is no longer required.

## TREASURY

### Australian Taxation Office - Savings through alternative methods of data capture and other processing efficiencies

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-5.0	-5.1	-5.2	-5.3

#### Explanation

From the 1997-98 financial year, data from taxpayers' annual income tax returns will be captured through the use of temporary staff working on a contract basis, by outsourcing this function or through a combination of other more efficient methods. These options are expected to improve efficiency and allow the Australian Taxation Office greater flexibility in dealing with the seasonality associated with processing income tax returns.

## TREASURY

### Australian Taxation Office - Savings through administrative efficiencies and further rationalisation of activities

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	0.0	-9.3	-9.5

#### Explanation

The Australian Taxation Office will achieve further efficiencies in administrative practices from 1999-2000 which will result in savings in administration costs. Efficiencies are potentially available from initiatives such as adopting the principle of contestability in service provision and the extension of electronic service delivery.

## TREASURY

### Australian Taxation Office - Opting out of the Superannuation Guarantee system

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2.4	2.1	1.3	1.3

#### Explanation

From 1 July 1998, employees receiving monthly salaries of \$450 to \$900 will, with the agreement of their employers, be able to 'opt out' of the Superannuation Guarantee system and receive wages and salary in lieu of employer contributions to the extent that Superannuation Guarantee contributions exceed relevant award obligations.

To assist employees to understand their options and to decide whether to opt out or not, the Australian Taxation Office (ATO) has been provided with additional funding to prepare and deliver an appropriate education package. The ATO will also be responsible for the ongoing administration of the opting out mechanism and monitoring employer compliance.

The commencement date of 1 July 1998 allows time for the ATO, superannuation funds and employers to prepare the necessary documentation and alter systems to allow the measure to be implemented effectively.

#### Further Information

Further information has been included in the corresponding revenue measure titled: 'Opting out of the Superannuation Guarantee System' in Part II and also in the Ministerial Statement, 'Savings: Choice and Incentive'.

## TREASURY

### Australian Taxation Office - Choice of Superannuation Fund

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2.0	4.4	3.5	2.4

#### Explanation

From 1 July 1998, employees and employers will be able to negotiate the superannuation fund or Retirement Savings Account (RSA) to which compulsory employer superannuation contributions are made.

Additional funding has been allocated to the Australian Taxation Office (ATO) to administer the choice of fund arrangements. The ATO will conduct a public education campaign and provide enquiry services to assist employees and employers.

Benefits of the proposal include:

- providing employees with greater choice and control over their superannuation savings; and
- increasing competition between superannuation product providers.

#### Further Information

Further information has been included in the corresponding revenue measure titled: 'Choice of superannuation fund' in Part II and also in the Ministerial Statement, 'Savings: Choice and Incentive'.

## TREASURY

### Taxation rebate for savings

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.0	-1079.0	-2414.0	-3980.0

#### Explanation

In the 1996-97 Budget, the Government made provision in the outlays forward estimates for the delivery of the 'LAW' tax cuts in the form of government means tested superannuation contributions, matched to 3 per cent contributions from employees. Government contributions were to have commenced from 1998-99, in respect of contributions made by employees in 1997-98.

The Government has decided not to pursue the co-contribution proposal, on the grounds of its unworkability and lack of equity, in that benefits were not provided to those who had retired, or were ineligible to contribute to superannuation, or who saved in other

forms. Instead, it will use part of the funds set aside in the forward estimates to introduce a broadly based savings rebate through the tax system.

The Australian Taxation Office (ATO) has been allocated \$1 million in each of 1997-98, 1998-99 and 1999-2000 to administer the rebate.

### **Further Information**

Further information has been included in the corresponding revenue measure titled: 'Taxation rebate for savings' in Part II and also in the Ministerial Statement, 'Savings: Choice and Incentive'.

## **TREASURY**

### **Australian Competition and Consumer Commission - New regulatory arrangements for telecommunications**

**Function: Other Economic Affairs, nec**

### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
3.4	2.1	1.9	1.9

### **Explanation**

The Australian Competition and Consumer Commission (ACCC) will be funded to implement and administer new arrangements and structures to facilitate open competition in the telecommunications market from 1 July 1997 pursuant to the Government's regulatory approach embodied in the *Trade Practices Amendment (Telecommunications) Act 1997*. The costs incurred by the ACCC each financial year will be recovered from the telecommunications industry in the following financial year. This is reflected in a revenue measure titled: 'Australian Competition and Consumer Commission - new regulatory arrangements for telecommunications' (see Part II).

The *Telecommunications (Carrier Licence Charges) Act 1997* will impose charges in relation to carrier licences under the *Telecommunications Act 1996*. Annual carrier licence fees will be levied by the ACA and will comprise the costs of resourcing the telecommunications functions and powers of the ACCC and the ACA for the immediately preceding financial year.

The anticipated long-term benefits include:

- open competition in the telecommunications market; and
- more efficient and better quality services in telecommunications.

## TREASURY

### Australian Competition and Consumer Commission - Gas regulation role

**Function:** Other Economic Affairs, nec

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.8	1.5	1.5	1.5

#### Explanation

The Australian Competition and Consumer Commission (ACCC) will perform the function of gas regulator for transmission pipelines under the gas access code that is being developed as part of the Council of Australian Governments' agreed reforms to facilitate free and fair interstate trade in gas. It is proposed that the regulatory costs incurred by the ACCC each financial year will be recovered from the gas industry in the following financial year. See the corresponding revenue measure titled: 'Australian Competition and Consumer Commission - gas regulation role' (in Part II). The precise mechanism for cost recovery has yet to be finalised.

The ACCC will establish a new branch to perform this function, the costs of which will be identifiable for the purpose of cost recovery from the industry.

The anticipated long-term benefits of the new regulatory framework include:

- a national regulatory framework underpinning competition for gas transmission; and
- more efficient and better quality services to gas users.

## TREASURY

### Enhancement of National Competition Council responsibilities

**Function:** Other Economic Affairs, nec

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.8	0.8	0.8	0.8

#### Explanation

The additional funding for the National Competition Council (NCC) is designed to ensure that it can meet the requirements of current and anticipated workloads, particularly in relation to its formal work program and legislative roles under the national access regime in Part IIIA of the *Trade Practices Act 1974*. It will mean that the NCC will be able to:

- continue to provide high quality, cost effective advice and drive the implementation of National Competition Policy Reform (NCPR);

- continue to provide high quality and timely advice for a rapidly growing number of access applications, and enhance certainty and confidence in access arrangements;
- conduct NCPR reviews as requested by governments; and
- meet Commonwealth commitments in the NCPR agreements.

### **Further Information**

The NCC was established on 6 November 1995 as a national advisory and research body on competition policy matters; in particular, the reforms recommended by the Independent Committee of Inquiry on National Competition Policy (Hilmer review).

The NCC's current activities are focused on:

- its first assessment by July 1997 on the States' progress with the agreed reforms;
- two applications for the certification of State access regimes and four applications for declarations; and
- providing comments on prospective access applications.

Over the next two years, the emphasis ofn the NCC's work is likely to shift from its assessment role to addressing issues placed on its formal work program and assessing access applications. This shift will be more a consequence of growth in the emerging areas than a decline in the assessment role.