

5 TAXATION REVENUE

Features

- Total taxation revenue is expected to be \$540.2 million for 2002-03.
- For 2003-04, estimated taxation revenue is \$533.1 million, which is \$7.1 million or 1.3 per cent below the estimated outcome for 2002-03.
- Tasmania has the second lowest tax severity of all states and territories.
- Tasmania has the most competitive payroll tax regime for small to medium sized businesses other than the Australian Capital Territory.

INTRODUCTION

Taxation revenue is a vital source of revenue, which assists the Government to provide essential services to Tasmanians, such as health, education and roads. The State is limited in the range of taxes that it is able to levy to pay for these services compared to the Commonwealth Government.

Government tax policy must, however, balance the need to raise revenue with the need to foster a competitive business environment.

The purpose of this Chapter is to provide information on the relative competitiveness of Tasmania's tax regime, historical taxation collections, estimated aggregate taxation receipts for 2002-03, and projected revenue estimates for 2003-04 for these items.

This Chapter has been prepared using the accrual Uniform Presentation Framework (UPF). Consequently, this Chapter will differ from prior years because guarantee fees from Government Business Enterprises and State-owned Companies, light motor vehicle registration fees and State Fire Commission receipts are classified as taxation revenue under the UPF. This results in taxation receipts appearing to be significantly higher than in previous years. However, whilst government departments are liable for payroll tax, under the UPF such receipts from government departments are not included in the payroll tax figures reported in this Chapter.

For each of the major tax areas, a description of the tax base and its operation is provided, including any concessions which may be available, along with an estimate of individual tax receipts for each head of tax for 2003-04. A summary of major legislative changes which occurred in 2002-03 is also included.

The charts and tables in this Chapter generally refer to actual tax collections for 2001-02, while estimates for 2003-04 are compared with Budget estimates for 2002-03. A current estimate for the projected aggregate receipt of taxes in 2002-03 is also provided.

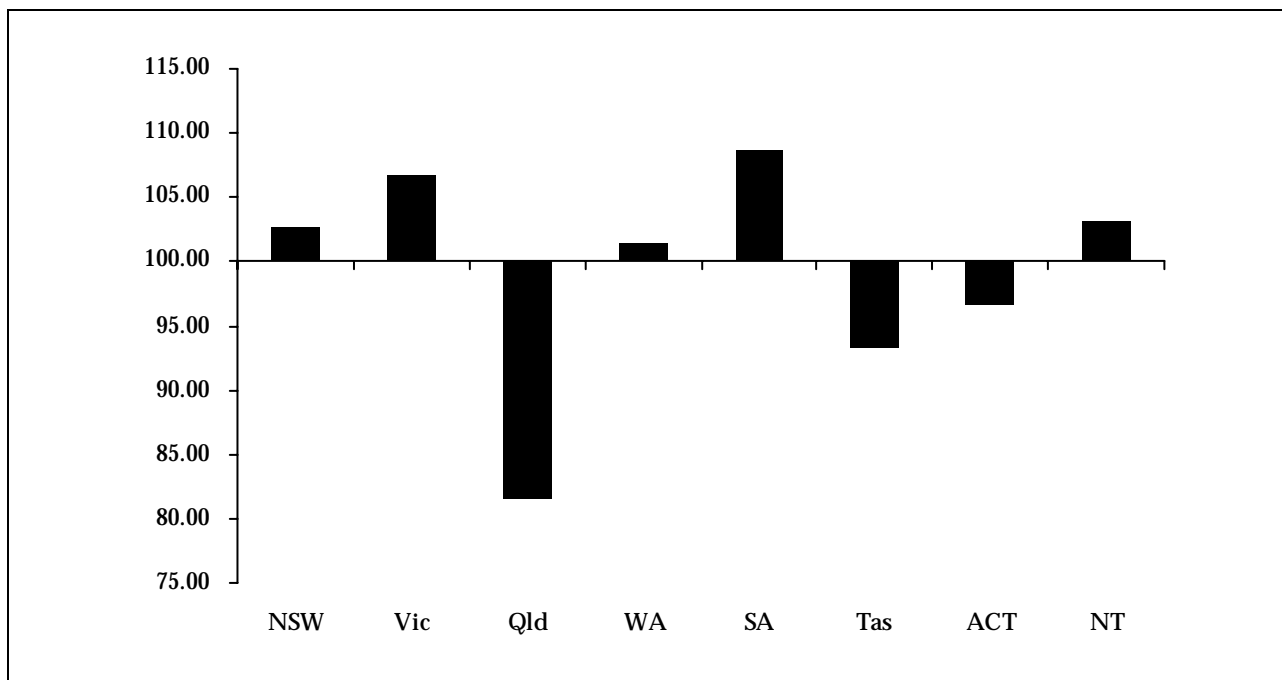
Year-on-year changes in taxation revenue are reported in nominal terms.

TAX COMPETITIVENESS

Tax competitiveness plays a key role in creating a competitive business environment. As a result of the initiatives in the 2001-02 Budget, the State has a very competitive payroll tax regime. The 2002-03 Budget initiatives further enhanced Tasmania's competitive position with changes to land tax and duties from 1 July 2002.

The independent Commonwealth Grants Commission provides a measure of taxation competitiveness across jurisdictions. The latest national comparisons, published in February 2003 (using 2001-02 data), show that Tasmania's tax severity is 6.7 per cent below the national average and is the second lowest of all jurisdictions. This comparison is shown in Chart 5.1. Table 5.1 shows the trend in tax severity from 1997-98 to 2001-02.

Chart 5.1: Taxation Severity, 2001-02



Source: *Report on State Revenue Sharing Relatives 2003 Update*, Commonwealth Grants Commission.

Table 5.1: Trend in Tax Severity

State	1997-98	1998-99	1999-00	2000-01	2001-02
NSW	104.86	107.49	107.41	104.50	102.63
Vic	106.64	102.11	103.04	104.78	106.73
Qld	81.31	81.94	79.36	80.11	81.49
WA	91.51	95.38	94.67	100.41	101.52
SA	105.70	104.65	105.21	107.68	108.65
Tas	101.50	95.04	94.46	94.70	93.30
ACT	102.24	101.58	105.05	103.58	96.60
NT	107.44	102.20	108.46	98.41	103.22

Source: *Report on State Revenue Sharing Relatives 2003 Update*, Commonwealth Grants Commission.

One of the key components of tax competitiveness from a business perspective is payroll tax. The Budget initiatives in 2001-02 reduced the marginal rate of payroll tax from 6.53 per cent to 6.30 per cent and increased the general exemption threshold from \$606 000 to \$1.0 million from 1 July 2001. The initiatives also allowed for a further payroll tax rate reduction from 6.30 per cent to 6.24 per cent, and a further increase in the general exemption threshold from \$1.0 million to \$1.01 million, to take effect from 1 July 2002. From 1 July 2003, the grossed up value of fringe benefits and eligible termination payments will be subject to payroll tax, thus bringing Tasmania in line with other jurisdictions. This will be accompanied by a reduction in the rate of payroll tax to 6.1 per cent to offset in revenue collection terms this minor broadening of the base.

As a result of these changes, Tasmania has the most competitive payroll tax regime for small to medium sized businesses (ie businesses with up to 50 employees) other than the ACT. Furthermore, the payroll tax liability faced by larger businesses in Tasmania is competitive with other jurisdictions. When comparing

payroll tax regimes across jurisdictions, the rate of tax cannot be compared in isolation. Rather, a measure which takes into account the general exemption threshold is more appropriate. Such a measure is the effective payroll tax rate, as shown in Table 5.2 for a range of employee numbers. Chart 5.2 shows the payroll tax liability in all states and territories for a firm with 50 employees.

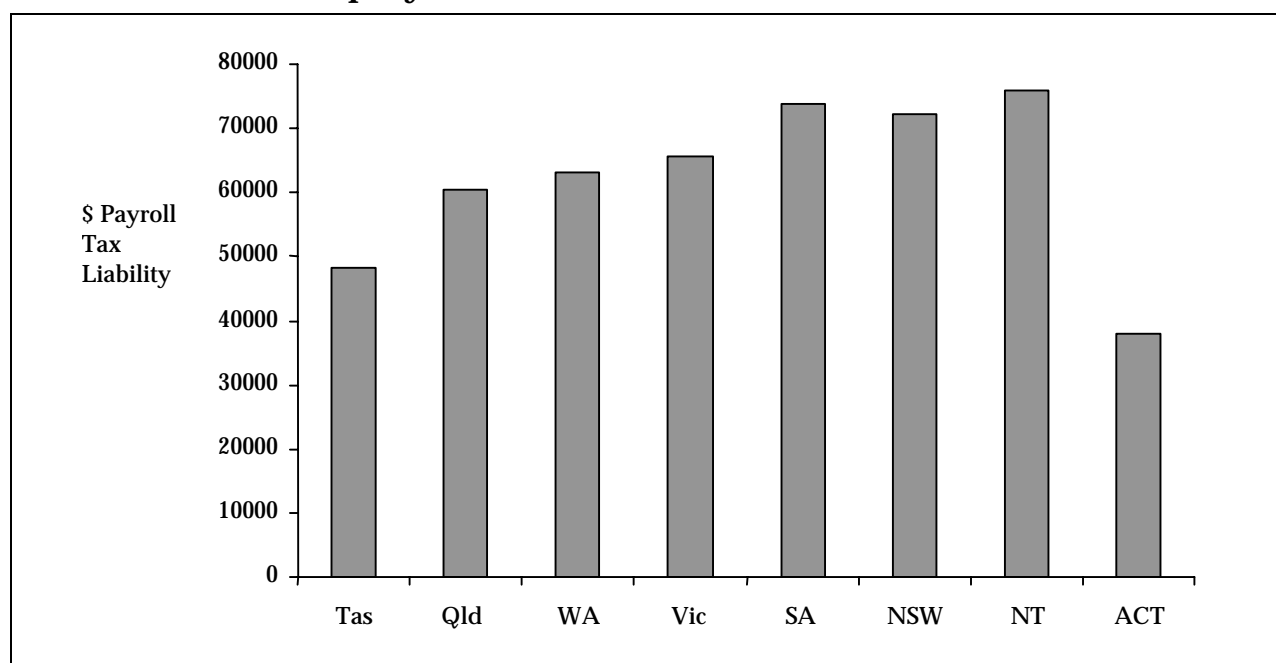
Table 5.2: Comparison of Effective Payroll Tax Rates, 2003-04¹

No of Employees	Tas	Qld	WA	Vic	SA	NSW	NT	ACT	Average
	%	%	%	%	%	%	%	%	%
50	2.68	3.35	3.50	3.65	4.09	4.00	4.20	2.10	3.45
75	3.82	4.34	4.34	4.18	4.61	4.67	4.90	3.68	4.32
100	4.39	4.75	4.75	4.45	4.88	5.00	5.25	4.48	4.74
200	5.25	4.75	5.38	4.85	5.27	5.50	5.78	5.66	5.30
300	5.53	4.75	5.58	4.98	5.41	5.67	5.95	6.06	5.49
500	5.76	4.75	5.75	5.09	5.51	5.80	6.09	6.38	5.64

Note:

1. Effective payroll tax rates are calculated using the national average weekly earnings average for the four quarters to December 2002 as published by the Australian Bureau of Statistics (ABS). Rates and thresholds used in the calculations are those that will apply in each jurisdiction from 1 July 2003 (as announced at 1 May 2003).

Chart 5.2: Actual Payroll Tax Liability for an Employer with 50 Employees, 2003-04¹



Note:

1. Payroll tax liabilities are calculated using the national average weekly earnings average for the four quarters to December 2002 as published by the Australian Bureau of Statistics (ABS). Rates and thresholds used in the calculations are those that will apply in each jurisdiction from 1 July 2003 (as announced at 1 May 2003).

ESTIMATED TAXATION REVENUE FOR 2002-03

The capacity of Tasmania and the other states and territories to raise tax revenues is constrained by the Australian Constitution and by Australia's Commonwealth-State financial arrangements. This results in the states being restricted in the range of taxes they can impose.

Chart 5.3: Total Taxation Revenue 1998-99 to 2003-04

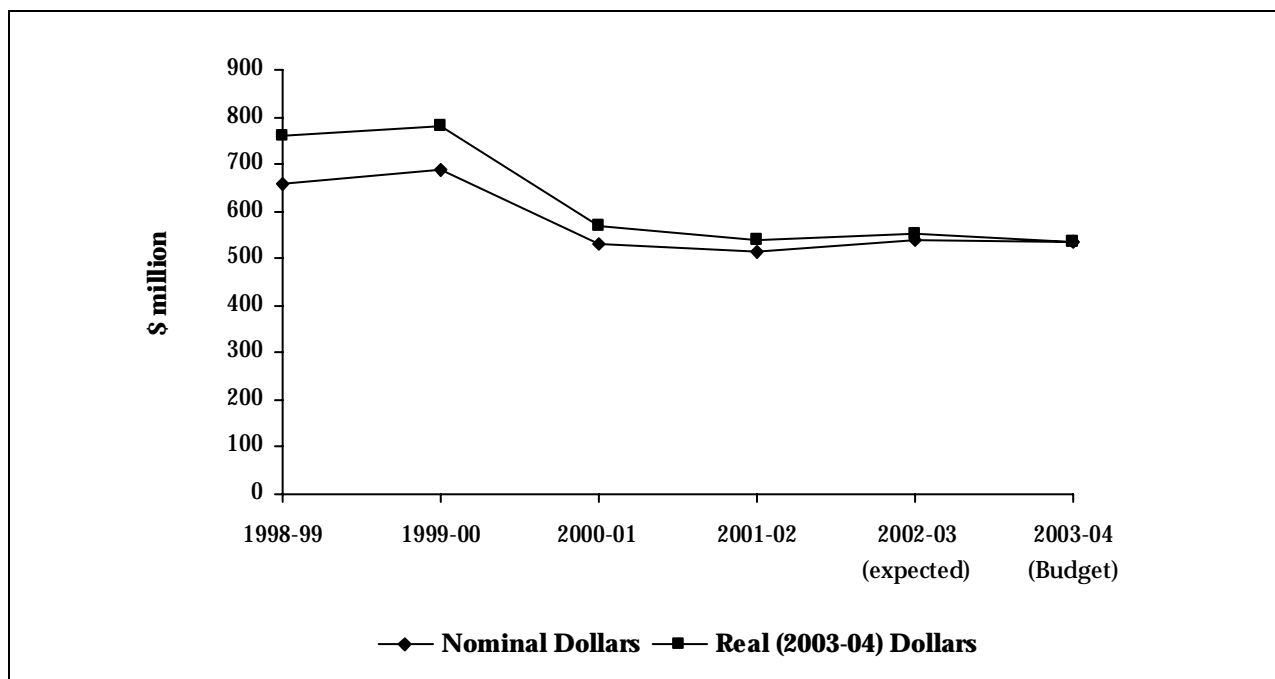


Chart 5.3 shows moderate growth in taxation revenue in nominal terms to 1999-00, with a significant decrease in 2000-01 due to the introduction of the Commonwealth's GST and the associated changes to various State taxes required under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA). The slight decrease in revenue for 2001-02 reflects further change resulting from the IGA, namely the abolition of financial institutions duty and duty on the transfer of quoted marketable securities effective from 1 July 2001. In addition, the tax reductions introduced in the 2001-02 Budget in relation to payroll tax and the electricity entities levy have also had a negative impact on tax revenue for 2001-02. Taxation revenue is expected to increase in 2002-03 in nominal terms due to growth in the tax base together with some carry over of the abnormally high level of activity in the property market experienced in the past two years in particular. This will be offset in part by the impact of the 2002-03 Budget initiatives of a reduction in land tax and the abolition of several duties. Furthermore, increases in budgeted taxation revenue will stabilise in 2003-04 due to an expectation that the abnormally high level of activity in the property market during 2002-03 may moderate in the second half of 2003-04.

The 2002-03 Budget estimate was based on the 2001-02 expected result which was lower than the 2001-02 actual outcome. Therefore, the 2002-03 Budget estimates were conservative. As a result, the 2002-03 estimated outcome is higher than the 2002-03 Budget estimate. Budget to Budget comparisons as provided in this Chapter may therefore show significant increases in receipts in some cases. Variances between the final 2002-03 outcome and 2003-04 Budget estimate are therefore unlikely to be as significant as that shown in the Budget to Budget comparisons.

Table 5.3 sets out the estimates included in the 2002-03 Budget for collections for each State tax and the Budget estimates for 2003-04. Chart 5.4 illustrates the contribution of each tax to total State taxation revenue in 2001-02.

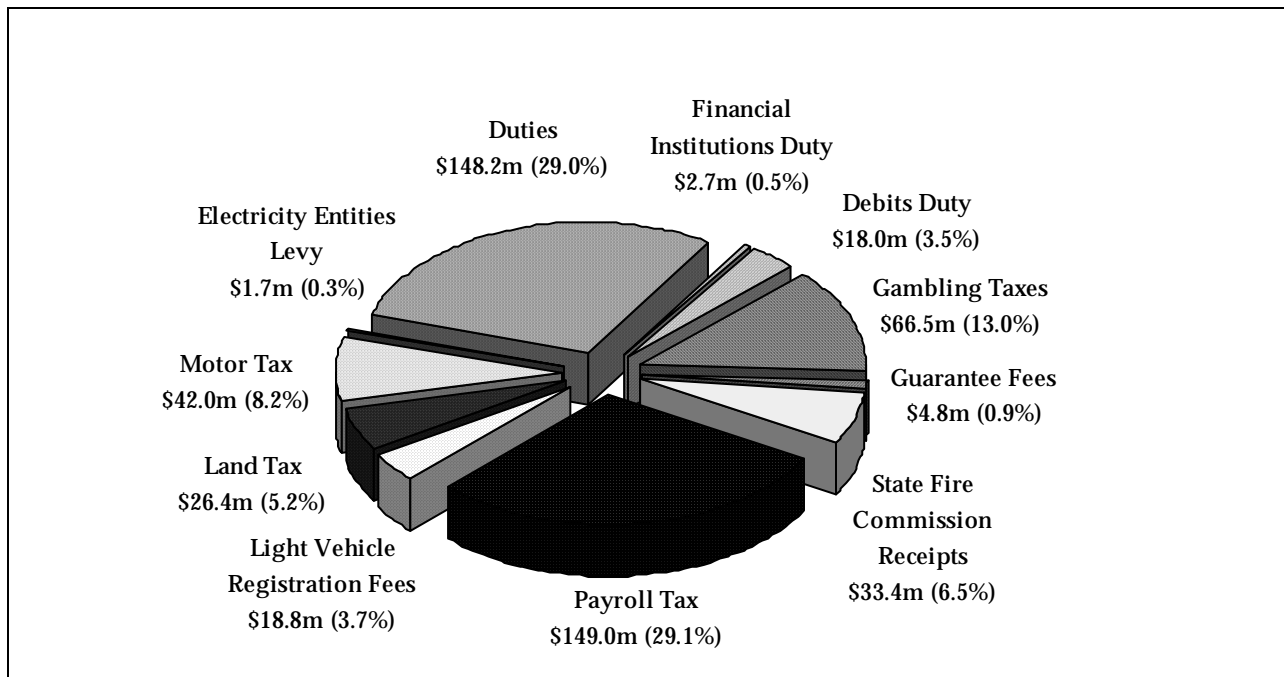
Table 5.3: Taxation Revenue Collection

	Actual			Estimated		
	1999-00	2000-01	2001-02	Budget 2002-03	Outcome 2002-03	Budget 2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payroll tax¹	144 000	165 000	149 000	146 585	156 285	162 248
Land tax	27 522	26 612	26 367	24 990	24 990	25 547
Motor tax	38 322	40 944	41 983	43 466	43 966	45 910
Light Vehicle Registration Fees	17 036	17 694	18 845	22 380	22 380	22 917
Financial Transaction Taxes						
Duties	136 279	144 444	148 233	116 245	160 545	138 409
Debits Duty	....	....	18 045	21 512	21 512	22 769
Financial Institutions Duty²	23 692	26 835	2 716	....	700	....
Franchise Fees and Levies						
Electricity Entities Levy³	14 428	14 163	1 670	....	100	....
Tobacco Franchise Licence Fees⁴	1	....	....	....	....	....
Petroleum Products Licence Fees⁴	1	....	....	....	....	....
Safety Net Revenue⁴	175 432	2 109	....	....	....	....
Gambling Taxes						
Lottery Tax	21 655	19 711	20 529	20 490	21 590	22 344
Other Gaming Taxes	7 478	791	292	438	438	279
Casino Tax and Licence Fees	47 579	38 237	45 656	47 031	48 531	50 853
Guarantee Fees⁵	4 459	4 281	4 846	4 721	6 115	5 425
State Fire Commission Receipts	29 071	30 360	33 443	33 070	33 070	36 350
TOTAL	686 955	531 181	511 625	480 928	540 222	533 051

Notes:

- Budget increase in payroll tax receipts from 2002-03 to 2003-04 is due to an expected increase in employment in the payroll tax paying sector, together with wage increases.
- FID was abolished from 1 July 2001. Receipts in 2001-02 relate to FID levied on bank accounts prior to 1 July 2001.
- The electricity entities levy was abolished from 1 July 2001. Receipts in 2002-03 relate to electricity consumed prior to 1 July 2001, but billed after that date.
- From 5 August 1997, the State's business franchise fees on tobacco, petroleum and liquor products were no longer collected. To replace the state and territory franchise fee revenue, the Commonwealth implemented a Safety Net Arrangement by increasing excises on tobacco and petroleum and wholesale sales tax on liquor and distributing the additional revenue raised to the states. The Commonwealth's Safety Net Arrangements were abolished on 1 July 2000 as part of national tax changes.
- The increase in budgeted Guarantee Fees between 2002-03 to 2003-04 reflects the introduction of the TT-Line into the Guarantee Fee framework during 2002-03.

Chart 5.4: Taxation Revenue Collections, 2001-02 - Dollar Amounts and Percentage of Total



On current estimates, taxation revenue for 2002-03 is expected to total \$540.2 million. This represents a nominal increase of \$28.6 million, or 5.6 per cent over revenue for the 2001-02 year. The expected 2002-03 estimate over the 2002-03 Budget estimate is primarily the result of higher than expected duty receipts due to increased activity in the property market, with some large unanticipated one-off transactions compounding this result. Expected duty receipts alone are \$44.3 million above Budget. Payroll tax receipts are also above the Budget estimate due to better than expected growth in the payroll tax paying sector.

ESTIMATED TAXATION REVENUE FOR 2003-04

Total taxation revenue for 2003-04 is estimated to be \$533.1 million, an increase of \$52.1 million or 10.8 per cent on the 2002-03 Budget estimate and a decrease of \$7.2 million or 1.3 per cent on the estimated outcome for 2002-03. The 2003-04 Budget estimate is primarily due to:

- an increase in payroll tax receipts as a result of the continuing improvement in employment numbers during 2003-04 in the payroll tax paying sector;
- flow on impacts on house prices as a result of the increased activity in the property market over the past two years. This will continue to impact on the conveyance duty base; and
- increased casino licence fees and higher taxation rates on video gaming machines as a result of the new Deed of Agreement with Federal Hotels.

Payroll Tax

Description

Payroll tax is imposed under the *Pay-roll Tax Act 1971* and is levied on employee wages and salaries, commissions, bonuses, fringe benefits and allowances, directors' remuneration and employer superannuation contributions. The tax also applies to contract payments (where an employer-employee relationship is deemed to exist) and to employment agencies.

Employers are required to submit returns, usually monthly, to the Commissioner of State Revenue. Frequency of lodgement may be varied where payrolls are close to the exemption level, or where seasonal employment occurs. Table 5.4 details payroll tax received in 2001-02 by tax liability range.

Table 5.4: Payroll Tax, 2001-02

Tax Liability Range	Number of Employers	Tax Paid
\$		\$'000
1 - 50 000	1 285	14 739
50 001 - 100 000	156	11 051
100 001 - 250 000	145	22 790
250 001 - 500 000	67	22 374
500 001 - 1 000 000	34	23 781
1 000 001 and over	39	54 265
TOTAL	1 727	149 000

From 1 July 2003, the grossed up value of fringe benefits and eligible termination payments will be subject to payroll tax, thus bringing Tasmania in line with other jurisdictions. However, the rate of payroll tax will be reduced from 6.24 per cent to 6.1 per cent as at 1 July 2003. The general exemption threshold remains unchanged at \$1.01 million.

The Government provides targeted payroll tax assistance, with assistance up to the full value of payroll tax liability provided to Tasmanian businesses engaged in specified Information Technology activities. Payroll tax assistance is also available in respect of increased employment levels, on a case by case basis, to selected and significant new industries and activities which exhibit all of the following characteristics:

- will make a significant contribution to the Tasmanian economy on a long-term sustainable basis;
- have substantial employment growth potential;
- are involved in either exporting or import competing activities; and
- provide services or manufactured goods which do not otherwise currently exist in Tasmania.

Estimated Receipts for 2003-04

Receipts from payroll tax in 2003-04 are estimated to be \$162.2 million, representing an increase of \$15.7 million or 10.7 per cent over the 2002-03 Budget estimate and an increase of \$6.0 million or 3.8 per cent

on the estimated outcome. The expected increase in collections is the result of anticipated growth in employment in the payroll tax paying sector. There is not expected to be any increase in receipts as a result of the change in the rate of payroll tax, which is effective from 1 July 2003.

Land Tax

Description

Land tax is imposed under the *Land Tax Act 2000*. It is levied on the basis of three land categories: general; primary production; and principal residence land. However, since 1 July 1996, the rate of tax on principal residence and primary production land has been set to zero, thereby effectively exempting such land from land tax. The land tax scales are currently fixed by the *Land Tax Rating Act 2000*.

The principal residence category applies to land on which there is a dwelling or stratum unit that is occupied as the principal residence of the owner, or a related person as defined by the Act. This category also includes retirement village units occupied as principal residences.

The primary production land category applies to land which is used substantially for the business of primary production. It also includes land that has been declared a private timber reserve under the *Forest Practices Act 1985*.

General land relates to any land, which is not principal residence or primary production land. It includes commercial and industrial land, land used for the rental of residential housing and vacant land.

Land tax is calculated on the assessed land value and is payable by the owner of the land as at 1 July each year. The assessed land value is the land value adjusted by a valuation adjustment factor, as determined by the Valuer-General as at 31 March each year, to bring all properties in the State to a common valuation date each year. The valuation adjustment factor for a given municipality is determined for each land category within that municipality and represents an estimate of the general movement in land values since the last full revaluation was undertaken for that municipality.

Certain non-profit sporting organisations and bodies controlling or promoting horse racing, dog racing, athletic sports or motor racing are eligible for a concessional rate of land tax, equal to 0.4 per cent of the assessed land value. All land owned by persons who hold a Commonwealth Pensioner Concession Card is also exempt from land tax.

Table 5.5: Land Tax Scale

Assessed Land Value		Tax Rate
\$		
below	15 000	Nil
15 000 -	100 000	\$25 plus 0.55 cents per \$1 above \$15 000
100 001 -	200 000	\$492.50 plus 1.25 cents per \$1 above \$100 000
200 001 -	500 000	\$1 742.50 plus 2.25 cents per \$1 above \$200 000
500 001	and above	\$8 492.50 plus 2.5 cents per \$1 above \$500 000

A rebate is available to home owners in transitional circumstances who incur a land tax liability when they are moving from one residence to another. The rebate is paid to those home owners who have paid the land

tax liability and have sold their former residence, provided no income is earned from the property during the transitional period.

Table 5.6 provides details of the number of properties and the land tax assessed for each category of land in 2002-03. Assessed land tax differs from tax collected, as shown in Table 5.3, due to the timing of receipts.

Table 5.6: Land Tax Assessed, 2002-03

Property Value	Principal Residence		Rural		General	
	Number of Properties	Tax Payable	Number of Properties	Tax Payable	Number of Properties	Tax Payable
\$		\$		\$		\$
1 - 1 000	541	....	0	....	1 049	0
1 001 - 15 000	13 038	....	95	....	11 588	0
15 001 - 20 000	10 927	....	72	....	6 859	259 888
20 001 - 25 000	11 548	....	107	....	5 533	354 564
25 001 - 35 000	19 854	....	307	....	9 023	912 545
35 001 - 40 000	5 818	....	220	....	2 892	421 813
40 001 - 50 000	8 974	....	501	....	4 357	810 176
50 001 - 65 000	8 428	....	761	....	4 215	1 052 013
65 001 - 68 750	1 540	....	224	....	830	255 390
68 751 - 100 000	4 306	....	1 351	....	3 377	1 331 659
100 001 - 125 000	1 254	....	790	....	1 353	846 857
125 001 - 170 000	1 003	....	990	....	1 253	1 298 100
170 001 - 210 000	367	....	655	....	631	1 006 622
210 001 - 250 000	161	....	478	....	386	913 937
250 001 - 500 000	256	....	1 519	....	838	4 057 942
500 001 - 1 000 000	30	....	651	....	255	3 193 750
1 000 001 and over	1	....	219	....	179	9 000 899
TOTAL	88 046	....	8 940	....	54 618	25 716 155

Estimated Receipts for 2003-04

It is expected that land tax collections in 2003-04 will be \$25.5 million, which is \$600 000 or 2.2 per cent higher than the 2002-03 Budget estimate and the estimated 2002-03 outcome.

Motor Tax

Description

Motor tax is imposed under the *Vehicle and Traffic Act 1999* on the owners of motor vehicles or trailers, at the time of initial registration or annual renewal. Depending on the type of vehicle, the tax is determined by the number of cylinders and/or weight, seating capacity, or the number of axles and mass of each vehicle. The legislation specifies six classes of vehicles, each attracting its own scale of rates. A rebate of 40 per cent is available in certain cases to eligible pensioners owning commercial goods vehicles, provided they are not

engaged in any trade or business, and commercial vehicles used predominantly for farming or horticultural purposes.

Estimated Receipts for 2003-04

Motor tax collections are estimated to be \$45.9 million in 2003-04, an increase of \$2.4 million or 5.6 per cent over the 2002-03 Budget estimate and \$1.9 million or 4.4 per cent higher than the estimated outcome for 2002-03. Motor tax rates, including those that apply to heavy vehicles, which is determined by the National Road Transport Commission, are indexed annually.

Light Vehicle Registration Fees

Description

Light vehicle registration fees, payable in accordance with the *Vehicle and Traffic Act 1999*, refer to the revenue collected for the registration and the transfer of vehicle ownership.

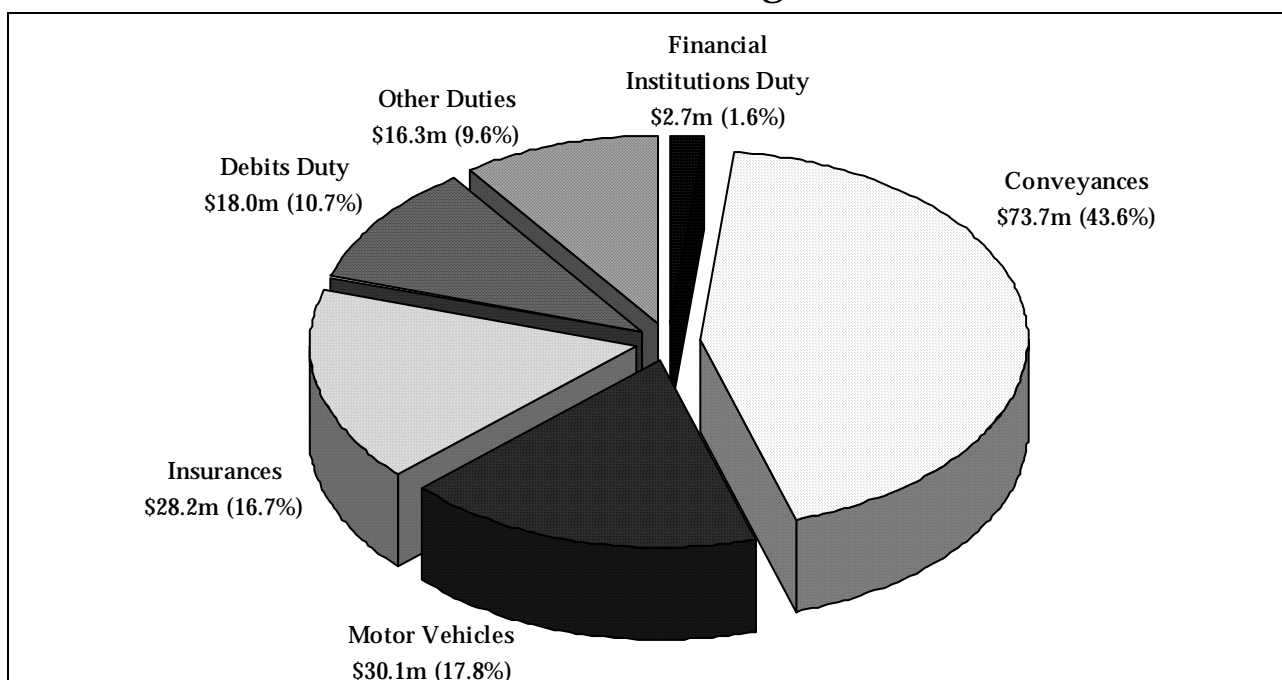
Estimated Receipts for 2003-04

Light vehicle registration fees receipts are estimated to be \$22.9 million in 2003-04, representing an increase of \$500 000 or 2.4 per cent over the 2002-03 Budget estimate and the estimated outcome for 2002-03.

Financial Transaction Taxes

Taxes classed as financial transaction taxes are duties (including debits duty) and Financial Institutions Duty. Financial Institutions Duty was abolished effective from 1 July 2001 and, as a result, no revenue will be received in 2003-04. Chart 5.5 shows the actual collections of financial transaction taxes for 2001-02.

**Chart 5.5: Financial Transaction Taxes, Actual Collections 2001-02
Dollar Amounts and Percentage of Total**



Duties

Description

Duties (previously referred to as Stamp Duties) are imposed under the *Duties Act 2001*. The Act imposes duty on a range of instruments, transactions and arrangements, which are generally of a commercial character. The Duties Act was the result of an inter-jurisdictional rewrite of stamp duties legislation, which significantly reduced inter-jurisdictional differences in principles, definitions and structure of the legislation, which resulted in decreased compliance costs for business.

The Commissioner of State Revenue collects all duties except for duties on motor vehicle registrations and transfers, and third party insurance. The Department of Infrastructure, Energy and Resources collects these on behalf of the Commissioner.

The Duties Act provides for payments from the Consolidated Fund to eligible first home buyers to meet the cost of duty on the purchase of their first home. The payments are in the form of an interest-free loan, repayable over two years. Since 1995-96, the scheme has been available to first home buyers purchasing properties to a maximum value of \$120 000.

The 2003-04 Budget estimates for duty receipts are reported by category in Table 5.7.

Table 5.7: Duties

	Actual			Estimated ⁶		
	1999-00	2000-01	2001-02	Budget 2002-03	Outcome 2002-03	Budget 2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Conveyances ¹	47 318	56 031	73 670	49 929	88 229	63 988
Motor Vehicles	27 541	27 736	30 082	28 760	31 260	31 651
Insurances	22 312	25 008	28 175	29 726	30 826	33 593
Debits Duty ²	19 129	19 845	....	....	....	....
Hire of Goods ^{3,5}	3 531	3 554	3 601	341	341	....
Mortgages ¹	5 993	7 260	9 519	6 357	8 757	8 152
Sundry Legal Documents ¹	5 571	1 776	1 914	1 070	1 070	1 025
Lucky Envelopes ⁴	546	321	....	....	....	....
Marketable Securities ⁵	3 297	1 903	465	16	16	....
Hire Purchase and Related Agreements ²	542	538	....	....	....	....
Leases ⁵	499	472	806	46	46	....
TOTAL	136 279	144 444	148 233	116 245	160 545	138 409

Notes:

1. Prior to 2000-01, sundry legal documents included bank returns which also included some conveyance and mortgage duty. From 2000-01, new systems have allowed disaggregation of these receipts. The expected decline in duty on sundry legal documents for 2003-04 is the result of the tax initiatives in this Budget.
2. From 1999-00, figures for debits duty includes duty on credit card transactions. From 2002-03, debits duty is no longer reported as being included with other duties.
3. From 2001-02, duty on hire purchase and related agreements are included in hire of goods duty.
4. Lucky envelope receipts were included in minor gaming tax from 2001-02.
5. Expected receipts for lease duty, marketable securities duty and hire of goods duty for 2003-04 relate to transactions made prior to 1 July 2002 (the date of abolition for these duties), but not receipted until after this date.

6. The estimated 2002-03 outcome is based on the trend in receipts as at 30 April 2003. There may be some variance between the estimated outcome and the actual outcome depending on receipts in the final four months of the financial year.

Estimated Receipts for 2003-04

Duty receipts for 2003-04 are estimated to be \$138.4 million, an increase of \$22.2 million or 19.1 per cent over the Budget estimate for 2002-03 and \$22.1 million or 13.8 per cent below the estimated outcome for 2002-03. The increase from the 2002-03 Budget estimate to the 2003-04 Budget estimate is primarily a carry over into 2003-04 of the unexpected continuing high level of activity in the property market during 2002-03, combined with a notable increase in property prices generally.

Debits Duty

Description

Debits duty is imposed on taxable debits to taxable accounts kept in Tasmania. Debits duty also includes credit card duty, which applies to the number of debits made to an account kept with a credit card provider during the billing period of the preceding month. The rate of duty is 15 cents per taxable debit, except in the case of accounts with cheque access where a sliding scale also applies according to the amount of the taxable debit. Holders of a Commonwealth Pensioner Concession or Health Care Card are eligible for exemptions from debits duty. Only accounts to which at least a portion of the Commonwealth payment is credited can be exempted.

Estimated Receipts for 2003-04

Debits duty receipts for 2003-04 are estimated to be \$22.8 million, an increase of \$1.3 million or 5.8 per cent over the Budget estimate for 2002-03.

Gambling Taxes

Sources of gambling revenue in Tasmania include lotteries, casinos, keno and video gaming machines in hotels and clubs, TOTE Tasmania, bookmakers, sports betting and minor gaming activities.

The Tasmanian Gaming Commission, with the resources of the Revenue, Gaming and Licensing Division of the Department of Treasury and Finance, is responsible for the supervision of gambling activities at Tasmanian casinos, gambling on board *Spirit of Tasmania I* and *II*, Keno and gaming machine operations in hotels and clubs, and minor gaming activities such as raffles and bingo. Regulation of racing is the responsibility of the Director of Racing.

The *Gaming Control Act 1993* provides the legislative framework within which Tasmanian casinos operate. It also covers the operation of keno and video gaming machines, and the regulation of fixed odds wagering, sports betting, major lotteries, Internet gaming and other gaming activities, which may be prescribed. The *TT-Line Gaming Act 1993* governs gaming operations aboard *Spirit of Tasmania I* and *II*.

Casino and gaming machine tax rates were reduced from 1 July 2001 in accordance with the requirements of the IGA. The reduced tax rates replaced the tax credit system, which operated under an interim arrangement from 1 July 2000. This system provided a refund to casino operators for GST paid on casino gaming and gaming machine gross profits. Other adjustments were made to lottery taxes and racing taxes for the impact of the GST. The reduction in tax was to 'make room' for the Commonwealth's GST on gambling operator margins. The estimated loss of taxation revenue as a result of these changes is expected to be \$24.5 million in 2002-03 and \$25.4 million in 2003-04 (although the State is compensated for this

through higher general purpose payments from the Commonwealth during the IGA guaranteed minimum amount arrangements – see Chapter 10 of this Budget Paper). Table 5.8 disaggregates these figures into the individual gambling activities.

Table 5.8: Gambling Tax Revenue Foregone

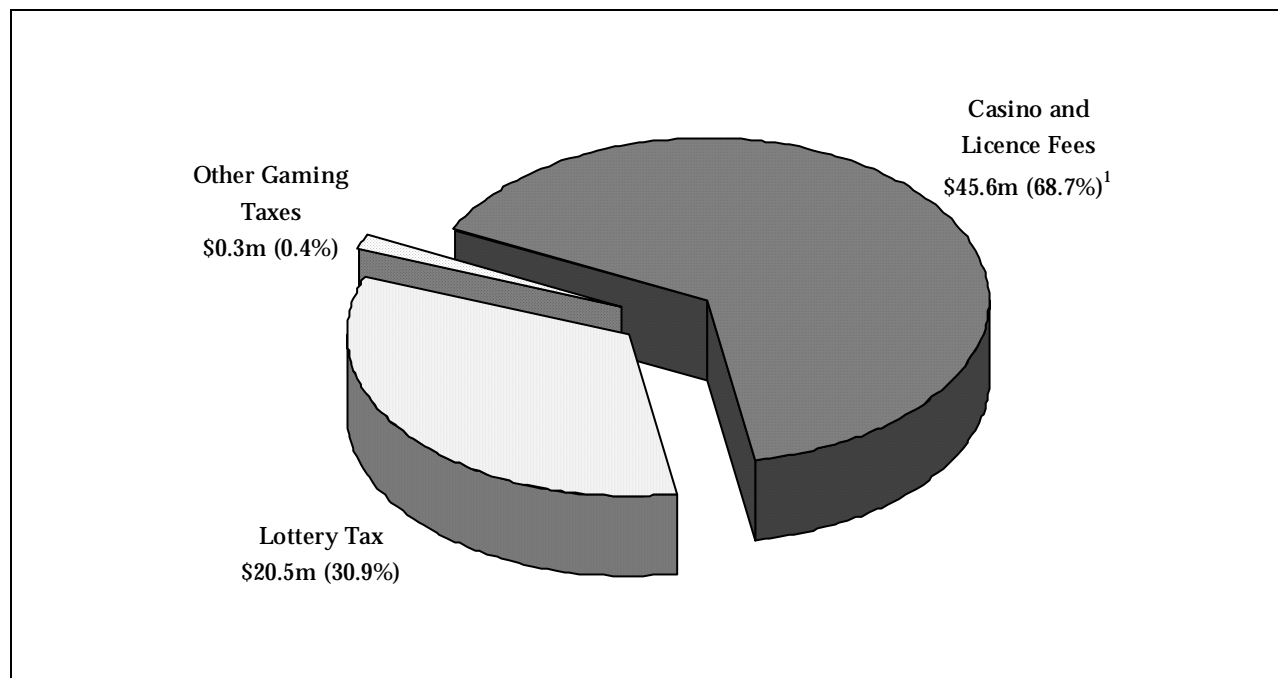
	2002-03	
	Estimated Outcome ¹	2003-04 Budget ¹
	\$m	\$m
Casino Tax	18.7	19.5
Lotteries	2.4	2.5
Lucky Envelopes	0.2	0.2
Racing	3.2	3.2
TOTAL	24.5	25.4

Note:

1. Estimates calculated as at February 2003 are shown.

Chart 5.6 provides details of actual gambling receipts for 2001-02.

Chart 5.6: Gambling Tax Revenue, 2001-02 - Dollar Amounts and Percentage of Total



Note:

1. Casino and licence fees includes receipts from gaming machines in hotels and clubs.

Lottery Tax

Description

Since 1960, there have been in place successive agreements between the Governments of Tasmania and Victoria regarding the sale of lottery tickets in Tasmania and the sharing of duty attributable to Tasmanian subscriptions. The arrangements under the agreement between Victoria and Tasmania have been varied from time to time. The current agreement was renewed in September 2001 to conform to the requirements of the *Public Lotteries Act 2000* (Victoria). The new agreement retains the same terms and conditions as the previous agreement.

Under the agreement, Victoria remits to Tasmania 100 per cent of the duty paid on all Tattersall's products sold in Tasmania, together with a proportionate share of unclaimed prizes. The agreement is not time limited although under the Gaming Control Act, Tattersall's is authorised to sell lottery tickets in Tasmania until 30 June 2010. All lottery tax is collected by the Victorian Government, which remits the required payment to Tasmania each month.

Tattersall's also has permission to sell tickets to a soccer football pools and an Australian Rules Football tipping competition. Tattersall's exclusive arrangements to sell lottery tickets in Tasmania ended on 31 January 2002.

Tattersall's remains the sole agent of lottery products in Tasmania. Tattersall's also has a major interest in Footy Consortium Pty Ltd, which sells Tipstar products under the Tattersall's banner at all Tattersall's outlets. Tipstar is a footy tipping competition, which is classified as a lottery under the Gaming Control Act. Tipstar began operating in Tasmania at the start of the 2001 AFL season.

Estimated Receipts for 2003-04

It is estimated that revenue in relation to Tasmanian lottery and soccer pools subscriptions will be \$22.3 million in 2003-04, representing an increase of \$1.9 million or 9.1 per cent on the Budget estimate for 2002-03 and \$800 000 or 3.5 per cent on the estimated outcome for 2002-03.

Other Gaming Tax

Description

Other Gaming Tax consists of minor gaming activities, bookmakers tax and Internet gaming activities conducted by Tattersall's separate from its lottery activities. In January 2003, Tattersall's ceased its Internet gaming operations. The Authorisations to conduct minor gaming activities are issued under the provisions of the *Gaming Control Act 1993*. Minor gaming activities include:

- bingo;
- lucky envelopes;
- raffles;
- calcutta sweepstakes; and
- gratuitous gaming.

Estimated Receipts for 2003-04

The estimated revenue from minor gaming activities for 2003-04 is \$300 000.

Casino Tax

Description

The *Gaming Control Act 1993* provides for the payment of licence fees by Tasmania's two casinos and a tax on the gross profit from casino operations. For 2002-03 the tax rate for keno and table gaming was 5.88 per cent and, for gaming machines, a sliding scale as follows:

- 15.88 per cent of annual gross profits that do not exceed \$30 million;
- 20.88 per cent of annual gross profits that exceed \$30 million but do not exceed \$35 million; and
- 25.88 per cent of annual gross profits that exceed \$35 million.

The licence fee payable by the casino operator in respect of each casino is indexed by movements in the Consumer Price Index. In 2001-02, the fees paid by the two casinos totalled \$1.7 million.

The Act also provides for the payment of a community support levy. It is estimated that the levy will raise \$3.8 million in 2002-03, which is available as follows:

- 25 per cent for the benefit of sport and recreation clubs;
- 25 per cent for the benefit of charitable organisations; and
- 50 per cent for the provision of:
 - research into gambling;
 - services for the prevention of compulsive gambling;
 - the treatment or rehabilitation of compulsive gamblers;
 - community education concerning gambling; and
 - other health services.

The Government announced on 15 April 2003 changes to the Deed of Agreement between the State and Federal Hotels.

Amendments to the Gaming Control Act will be introduced in the Budget Session of Parliament to facilitate the issue of a new exclusive licence to Federal Hotels for the operation of its two casinos, gaming machines and Keno in Tasmania. This licence will operate on a 15 year fixed period, after which it will convert to a five year rolling licence, renewable annually at the discretion of the Minister.

As part of these new arrangements, a legislated state-wide cap on gaming machine numbers will be set at 3 680, exclusive of the number of machines on the TT-Line vessels, about 290 more than the current number of machines. In addition to the statewide cap, there will also be a cap on the maximum machines in licensed hotels and clubs set at 2 500. Venue limits will be legislated at their current levels of 30 for licensed hotels and 40 for licensed clubs.

Other amendments to the Gaming Control Act will include:

- increasing the current casino licence fees payable by Federal Hotels by \$1.0 million per annum (indexed by CPI);
- removing the first tier of the current three-tier tax scale applying to gaming machines, whereby the gambling tax rate for the first \$35.0 million of gross profit per annum will be 20.88 per cent, and 25.88 per cent for gross profit in excess of \$35.0 million per annum;
- providing that from 1 July 2013, a single flat tax rate of 25.88 per cent applies to all gross profit on gaming machines;
- reducing the gambling tax rates applying to casino table games from 5.88 per cent to 0.88 per cent of gross profit to improve the viability of this form of gaming; and
- doubling the contribution rate to the Community Support Levy by the gaming operator, Federal Hotels, from two to four per cent of gross profits from licensed clubs.

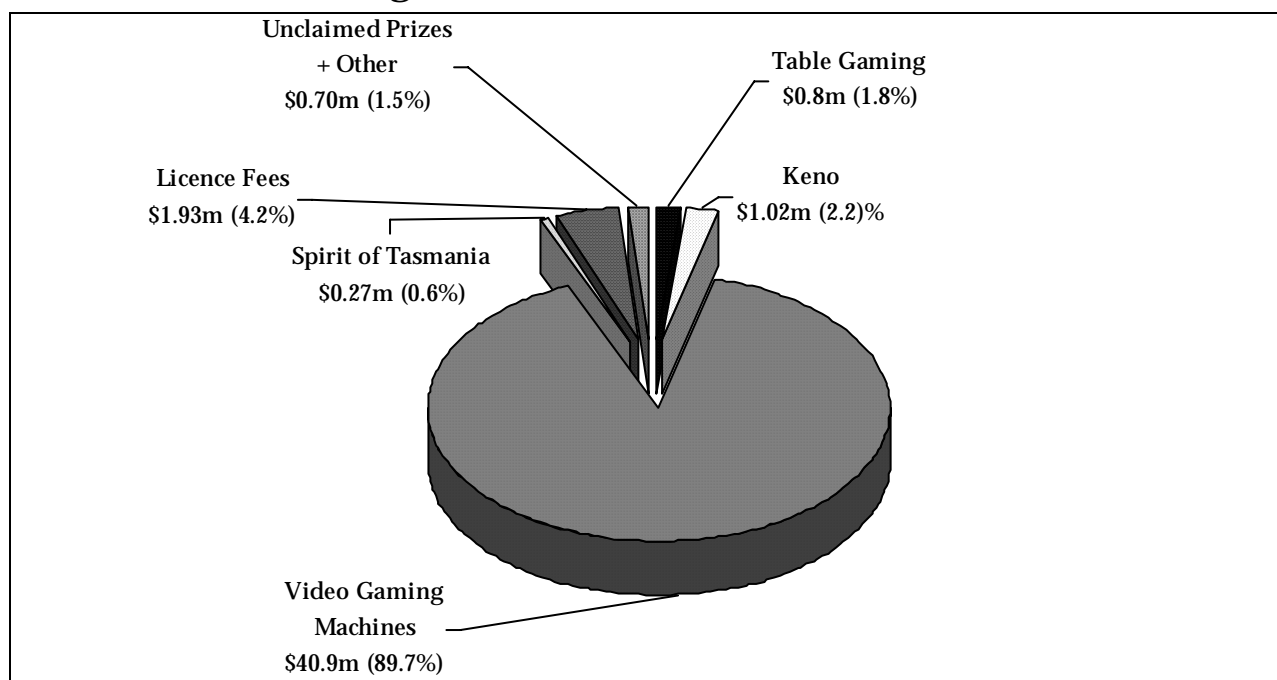
Under the Gaming Control Act, the Tasmanian Gaming Commission can issue Tasmanian Gaming Licences (TGLs) for approved gaming activities conducted via any electronic means such as the Internet or telephone.

Two TGLs were grandfathered under pre-existing arrangements to existing operators, with an additional four licences issued to new operators. However, because of the Commonwealth Government's 12 month moratorium on simulated gaming which ended on 18 May 2001, and the subsequent *Interactive Gambling Act 2001*, a number of TGL holders did not commence operations in Tasmania. Only one operator has actively used its TGL, although it ceased operations in January 2003.

The *TT-Line Gaming Act 1993* provides for the payment of licence fees and tax on gross profits from gaming operations on board *Spirit of Tasmania I* and *II*. The Act also provides for the Treasurer to enter into an agreement for revenue sharing arrangements in respect of the tax on gaming operations aboard *Spirit of Tasmania I* and *II*. Under the agreement, 25 per cent of the tax received is paid to the Victorian Government in recognition of gaming operations which occur when the ship is in Victorian waters.

Chart 5.7 details the components of total casino revenue for 2001-02.

Chart 5.7: Casino Tax Revenue, 2001-02 - Dollar Amounts and Percentage of Total



Estimated Receipts for 2003-04

Taxation revenue from casino operations for 2003-04 is estimated to be \$50.9 million, representing an increase of \$3.8 million or 8.1 per cent above the 2002-03 Budget estimate and \$2.3 million or 4.8 per cent higher than the estimated outcome for 2002-03. The expected increase in casino tax receipts is primarily due to increased receipts from licence fees and video gaming machines as a result of the licence fees and tax rates to apply under the new Deed of Agreement.

Guarantee Fees

Description

Guarantee fees are applied to Government Business Enterprises (GBEs) and State-owned Companies (SOCs) to compensate for the lower borrowing rates that GBEs and SOC's often receive due to their Government ownership. Guarantee fees effectively increase the borrowing rate that GBEs and SOC's receive up to the market borrowing rate. In line with the principle of competitive neutrality required under National Competition Policy, guarantee fees remove any competitive advantage that a GBE or SOC may receive in terms of reduced debt costs through Government ownership.

Estimated Receipts for 2003-04

It is expected that revenue from guarantee fees will be \$5.4 million in 2003-04, representing an increase of \$700 000 or 14.9 per cent on the Budget estimate for 2002-03. This reflects inclusion of the TT-Line as part of these arrangements during 2002-03.

State Fire Commission Revenue

Description

Revenue for meeting operational costs and for capital of the State Fire Commission is provided in accordance with the *Fire Service Act 1979*. It is provided from a number of sources as follows: a fire service contribution on property (relating to assessed annual values) and collected by councils; a motor vehicle fire levy on all vehicle registration (excluding motor cycles); a fire levy on prescribed classes of insurance; and from a contribution from the State Government. However, only revenue from outside the Consolidated Fund is estimated.

Estimated Receipts for 2003-04

It is expected that revenue generated outside of the Consolidated Fund will be \$36.4 million in 2003-04, representing an increase of \$3.3 million or 9.9 per cent on the Budget estimate for 2002-03 and the estimated outcome for 2002-03.

Petroleum and Liquor Subsidies

Description

For 2002-03, the following subsidies were provided:

- 15 per cent of the pre-tax wholesale value of Tasmanian wine cellar door sales;
- 15 per cent of the pre-tax wholesale value of Tasmanian produced cider with an alcoholic content not exceeding 6.5 per cent;
- 1.95 cents per litre (cpl) for petrol; and
- 1.99 cpl for on-road diesel.

The aggregate cost of providing these subsidies in 2003-04 is estimated to be \$14.2 million.

MAJOR LEGISLATIVE AND OTHER CHANGES

A summary of legislative and other changes made during 2002-03 are provided in this section.

Taxation Legislation (Miscellaneous Amendments and Repeal) Act 2002

The *Taxation Legislation (Miscellaneous Amendments and Repeal) Act 2002* amends the *Duties Act 2001*, the *Taxation Administration Act 1997*, the *Pay-roll Tax Act 1971* and the *Land Tax Act 2000*. It also repeals the *Taxation (Reciprocal Powers) Act 1993*. The amendments are generally of an administrative nature, designed to facilitate the expansion of taxation self-assessment; align provisions with those of other jurisdictions; remove redundancies; ensure the effective operation of a number of concessions; enhance the effectiveness of debt recovery and efficiency in tax collection; and clarify certain provisions.

The Act aligns the definition of wages in the Pay-roll Tax Act with that of other jurisdictions by including eligible termination payments and using the grossed-up value of fringe benefits. These changes are accompanied by a reduction in the payroll tax rate from 6.24 per cent to 6.1 per cent to ensure that no additional revenue is raised from the measures. The Act also transfers the provisions of the Taxation (Reciprocal Powers) Act to the Taxation Administration Act and repeals the Taxation (Reciprocal Powers) Act. These powers allow other jurisdictions to conduct tax investigation in Tasmania and vice versa.