TERRITORY OWN-SOURCE REVENUE

Northern Territory own-source revenue comprises taxes, fees, charges, miscellaneous receipts, capital receipts including the sale of land, property income and interest received. Full details of revenue collected from Territory sources are detailed in Chapter 4 of *Budget Paper No. 2*.

This chapter sets out the key revenue measures announced in this Budget which include a reduction in the pay-roll tax rate to 6.5%, changes to pay-roll tax grouping, a number of stamp duty anti-avoidance measures, and amendments to enhance the efficiency and effectiveness of the Territory's taxes.

This chapter also analyses the Territory's overall revenue raising capacity and effort and compares the rates of taxes and charges in a number of the more important revenue raising areas in the Territory and the other jurisdictions.

This analysis and the comparison of the rates of taxes and charges confirms that the Territory's per capita revenue raising capacity, and the rates of taxes and charges applied in the Territory, are similar albeit slightly lower than other jurisdictions. This is consistent with the third element of the Territory's fiscal strategy that the Territory's own-source revenue effort will be broadly comparable to the States.

KEY REVENUE MEASURES IN THIS BUDGET

A number of key revenue measures have been announced in the 2001 Budget. The measures comprise a further reduction to the pay-roll tax rate, enhancements to the equity and efficiency of Territory taxes and a number of integrity and anti-avoidance measures. The Treasurer has also announced that a tax consultative group will be formed to provide advice on 'simple but fair' tax arrangements.

These revenue measures are estimated to decrease revenue collections by $1.5 million in a full year.

PAY-ROLL TAX

The pay-roll tax rate has again been reduced from 6.6% to 6.5% which follows rate reductions in 1999-00 from 7% to 6.75% and down to 6.6% in 2000-01. A comparison of interstate pay-roll tax rates can be found at Figure 13.4.

The requirement for persons to be grouped for pay-roll tax where they hold equal 50% interests in a business has been relaxed to only apply where a person holds a greater than 50% interest in a business.

The measures also promote efficiency by easing compliance and administration of pay-roll tax by allowing the Commissioner of Taxes to approve the payment of pay-roll tax without the requirement to lodge a monthly return. Furthermore, the Budget measures will allow a part-year apportionment of interstate wages where an employer ceases paying wages in the Territory.

The pay-roll tax regime has also been enhanced by several minor clarifications in the legislation that improve and simplify administration and compliance.

STAMP DUTY

The stamp duty revenue measures bolster the integrity of the Territory's stamp duty regime and counter a range of stamp duty avoidance schemes. These measures include:

- countering schemes that use vestings and distributions to non-family members from discretionary trusts to avoid stamp duty on the transfer of dutiable property;
- ensuring that distributions *in specie* upon the liquidation of a company are not used to avoid stamp duty on the transfer of dutiable property;
- ensuring that mining tenements (including mining information related to the tenement) held outside of the Territory are taken into account for the purposes of the stamp duty 'land rich' provisions;
- ensuring that transfers of Territory statutory business licences are subject to duty whether or not they are issued in connection with a business undertaking carried on in the Territory; and
- clarifying that the existing provisions prohibiting the registration of an unstamped transfer instrument apply to an application for the transfer of a fishing licence.

The Budget also includes measures that enhance the simplicity, equity and efficiency of the Territory's stamp duty regime. These include:

- the provision of a statutory method for apportioning the stamp duty on conveyance of industrial and intellectual dutiable property (for example, goodwill) situated in the Territory and elsewhere;
- requiring Australian insurers to register for stamp duty where a policy is effected outside of the Territory on a risk situated in the Territory, and removing the requirement for the insurer to complete an 'information return';
- removing marketable securities duty on corporate debt securities to align the Territory tax base with other jurisdictions;
- increasing the liability threshold for stamp duty on hiring arrangements from $12 000 to $36 000 to bring it in line with other Australian jurisdictions;
- providing an exemption for hiring arrangements between related parties where the lender does not hire equipment to the public;
- providing an exemption for motor trader bailment arrangements for demonstration vehicles and trading stock; and
- removing stamp duty exemptions provided to Government Business Divisions on conveyances, leases, insurance and motor vehicles in order to place these entities on the same cost footing as the private sector.

Other measures include:

- an increase to the maximum stamp duty limit that applies to receipts arising from a hiring arrangement from $7 500 to $9 000 per hiring arrangement;
- standardising the required period for retaining tax records for all Territory taxes to five years;
- requiring stamp duty to be payable within 60 days of the date a dutiable instrument is executed;
- allowing stamp duty notices of assessment to be sent to post office box addresses; and
- allowing the Commissioner to waive stamp duty liabilities that are less than $5.

OTHER CHANGES

The proposals also include the establishment of a tax consultative forum to provide a closer working relationship between taxpayers and the Commissioner of Taxes on tax-related policy and administrative matters.

In addition, the revenue measures include a review of the administration provisions of the respective Territory taxation legislation.

NATIONAL TAX REFORM ISSUES

As part of the national tax reform package, the intergovernmental financial arrangements have changed significantly. States and Territories have given up some own-source revenues. Tourism Marketing Duty was abolished from 1 July 2000 and the following State and Territory taxes are to be abolished from 1 July 2001:

- Financial Institutions Duty; and
- stamp duty on the transfer of quoted marketable securities.

In addition, subject to review by the Ministerial Council, debits tax may be abolished by July 2005. The Ministerial Council will also review the need to retain a range of business stamp duties by 2005.

CHANGES TO THE TAX EQUIVALENTS REGIME

As part of the Territory's Government Business Division framework, and consistent with National Competition Policy, tax equivalent regimes apply to the Territory's government business enterprises.

This regime is currently set out in the Territory's Tax Equivalents Regime (TER) Manual. The manual is currently being amended to take account of national tax reform.

The abolition of wholesale sales tax from 1 July 2000 means the cessation of the sales tax equivalent regimes that applied to the Power and Water Authority (PAWA), Darwin Port Corporation and the Territory Insurance Office (TIO). Sales tax equivalent payments have been made during 2000-01 in respect of liabilities accruing from the previous year.

Secondly, the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (Intergovernmental Agreement) signalled the intention of all governments to introduce a National Tax Equivalents Regime for Income Tax (the NTER) in relation to its business enterprises. This will replace individual State and Territory schemes. The NTER is scheduled to commence from 1 July 2001. The NTER is to be administered by the Australian Taxation Office, however, NTER payments will be retained by the respective State and Territory governments. States and Territories will pay the Australian Taxation Office for their costs in administering the NTER.

The Territory entities initially identified for the NTER are:

- TIO;
- Darwin Port Corporation; and
- PAWA (and its wholly-owned subsidiaries, Darnor Pty Ltd and Gasgo Ltd).

Finally, the Territory's TER Manual will also be modified to apply local government rate equivalents to PAWA and Darwin Port Corporation from 1 July 2001. Both organisations have been exempt from paying rates. This measure is not an element of the Intergovernmental Agreement changes but is aimed at enhancing competitive neutrality.

COMPARISONS OF TERRITORY AND STATE TAXES AND MINING REVENUE

REVENUE EFFORT AND CAPACITY

The ability of the States and Territories to generate revenue from their own-sources is a result of the size of each jurisdiction's revenue base and the tax rates the government applies.

The relative magnitude of each jurisdiction's revenue base is determined by economic activity and natural resource endowments. Revenue capacity represents potential revenue levels if national average tax rates are applied

to each jurisdiction's revenue base. This is usually expressed as a ratio of the national average revenue capacity.

Revenue capacity is calculated as the ratio of:

- the Commonwealth Grants Commission-assessed per capita revenue that a State could raise by applying the average rate (standardised revenue per capita); to
- the Australian average per capita revenue actually raised (standard revenue per capita).

Revenue effort compares actual revenue collections with revenue capacity. Thus revenue effort introduces a policy element to the analysis given the linkage to the actual tax rates and base set by each jurisdiction.

Revenue effort is calculated as the ratio of:

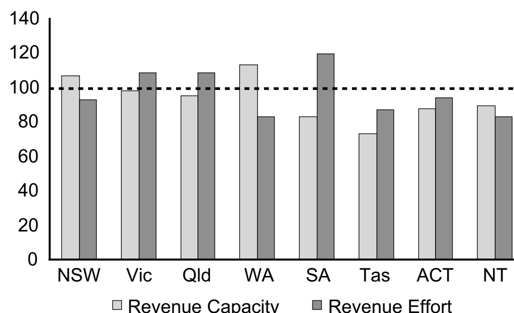
- the actual per capita revenue raised by each State; to
- the Commonwealth Grants Commission-assessed per capita revenue that a State could raise by applying the average rate (standardised revenue per capita).

The Commonwealth Grants Commission assesses revenue capacity in its analysis of the relative fiscal needs of the States and Territories for Commonwealth financial assistance.

Figure 13.1 provides a comparison of the Commission's assessment of total revenue raising capacity and effort in 1999-00 for the States and Territories. This includes taxes, mineral royalties, interest earnings and contributions from trading enterprises.

Figure 13.1

1999-00 REVENUE CAPACITY AND EFFORT BY JURISDICTION – TOTAL STATE OWN-SOURCE REVENUE

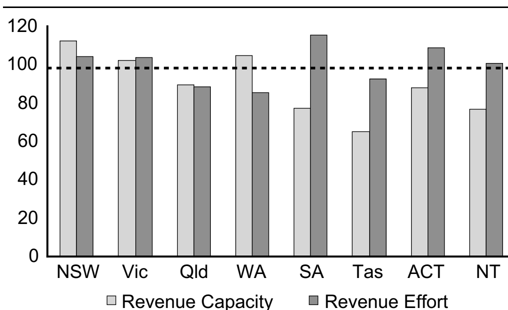


Source: Commonwealth Grants Commission 2001 Update Report

Figure 13.1 highlights both the relative sizes of the revenue base and the revenue effort for all jurisdictions post 1 July 2001 tax reform changes as assessed by the Commonwealth Grants Commission. Although 1999-00 is before the tax reforms commenced, the Commission has backcast the 1 July 2001 arrangements as if they were applying in 1999-00. This assessment of total own-source revenue shows that the Territory's revenue capacity is about 11% below the Australian average, but its overall revenue effort is 83% of the Australian average. The difference between the Territory's capacity and effort has increased in 1999-00 and is due to changes in the Commission's assessment and, to a lesser extent, tax reform changes.

To further understand the Territory position, a more detailed analysis of the components is necessary. Figure 13.2 provides a comparison of the Commission's assessment of the taxation component for capacity and effort in 1999-00 for the States and Territories.

Figure 13.2
1999-00 REVENUE CAPACITY AND EFFORT BY JURISDICTION – TOTAL TAXATION



Source: Commonwealth Grants Commission 2001 Update Report

Figure 13.2 demonstrates that the Territory's tax effort is just above 100% and that the increased gap between the Territory's revenue capacity and effort in 1999-00 (shown in Figure 13.1) is due to changes in revenue sources other than taxes. The Commission's assessment of revenue sources other than taxes, includes:

- interest earnings;
- mining royalty revenue; and
- contributions by trading enterprises.

Interest earnings revenue capacity is measured by the Commission on an equal per capita basis, hence revenue capacity for all jurisdictions in 1999-00 remained constant at 100%. In contrast, the Commission's assessment of the Territory's revenue effort with regard to interest earnings decreased significantly. However, since interest earnings are a very small component of Territory revenue, any change to interest earnings will have a negligible effect overall. Conversely, the Commission's assessment of Territory revenue capacity and effort from contributions by trading enterprises changed very little in 1999-00. As such, this revenue source was also unlikely to explain the changes in the Territory's overall revenue capacity and effort.

There were significant changes to the Commission's assessment of Territory mining revenue capacity and effort in 1999-00. These changes (detailed later in the chapter) were specific to the Territory and led to a significant increase in the Territory's mining revenue capacity and subsequent decrease in its mining revenue effort. Mining revenue is a significant source of revenue for the Territory. Therefore the increased revenue capacity and decreased revenue effort assessed for this revenue source in 1999-00 impact the Territory's overall revenue capacity and effort, as is illustrated by Figure 13.1.

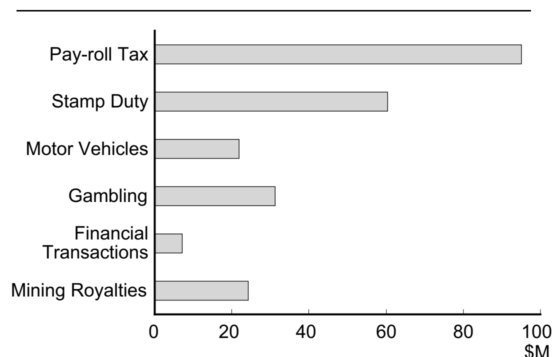
Figure 13.2 highlights revenue capacity and revenue effort for all jurisdictions at 1 July 2001, incorporating changes from tax reform. It illustrates that while the Territory's taxation revenue capacity at 77% is significantly less than the national average, its revenue effort is comparable to the national average.

Although the Territory's taxation revenue effort is comparable to the national average, it is nevertheless different to the national average assessed by the Commission. For example, there are various taxes assessed by the Commission where the Territory's rate of tax varies from the Australian average rate or where the Territory does not impose tax at all, such as land tax (discussed in detail later in this chapter).

ANALYSIS OF TERRITORY REVENUE

Figure 13.3 provides on overview of the Territory's major own-source revenues.

Figure 13.3
MAIN OWN-SOURCE REVENUE CATEGORIES



Source : Northern Territory Treasury

Total own-source revenue from the above sources totals $240 million. As indicated in Figure 13.3, the most significant portion is derived from pay-roll tax, which comprises $95 million or 40%.

So far the discussion has focused on aggregate revenue capacities and collections. The following section provides an inter-jurisdictional comparison by selected revenue source for both revenue capacity and revenue effort.

PAY-ROLL TAX

Revenue from pay-roll tax is estimated to be $95 million in 2001-02 (excluding that raised from the General Government sector) and continues to be the Territory's single most significant own-source revenue.

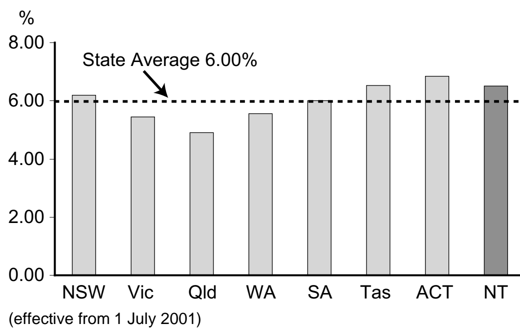
As shown in Figure 13.4, the pay-roll tax rate reduction to 6.5% announced in this Budget aligns the Territory more closely with the States' average pay-roll tax rate.

Figure 13.4

PAY-ROLL TAX - MAXIMUM RATES

Source: State Legislation Acts and Budget Papers

Note: Reflects reduced rates for Victoria and Northern Territory (effective from 1 July 2001)



The threshold where tax commences in the Territory is equal to, or higher than, that in four other jurisdictions, as shown in Figure 13.5.

Figure 13.5

PAY-ROLL TAX - TAX FREE THRESHOLD

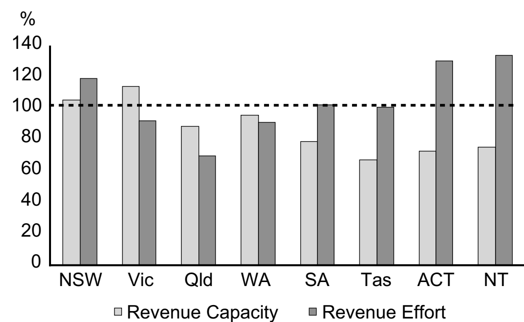
Source: State Legislation and Budget Papers

Figure 13.6 compares the revenue capacity and effort for pay-roll tax between jurisdictions as assessed by the Commonwealth Grants Commission. This is a complex assessment and is subject to data limitations. The assessment requires an estimate of the number and size of payrolls that are above and below the general exemption threshold. The Commission uses the aggregate value of payrolls subject to tax as a proxy measure of State and Territory pay-roll tax capacity.

Australian Bureau of Statistics (ABS) wages and salaries data is used as the basis of the assessment. Given the Territory's small size, there are concerns that the data published by the ABS for the Territory may not be as robust as that published for larger jurisdictions.

Figure 13.6

1999-00 REVENUE CAPACITY AND EFFORT – PAY-ROLL TAX



Source: Commonwealth Grants Commission 2001 Update Report

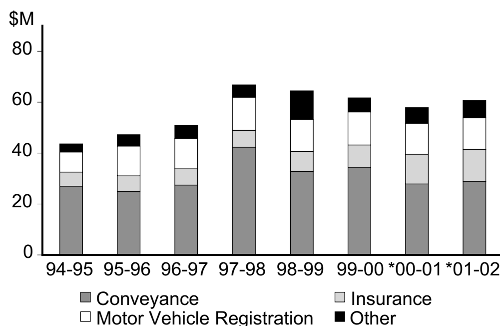
Along with the Australian Capital Territory, the Northern Territory's effort in raising pay-roll tax is the highest of all the jurisdictions. The extent of this difference in revenue effort is at odds with the other comparisons of pay-roll tax rates and is probably due to data deficiencies.

Additionally, the reduction in the pay-roll tax rate announced as part of the 2000-01 Budget has not yet flowed through to Commission assessments. A more realistic assessment of pay-roll tax effort is expected as data improves.

STAMP DUTY

Total revenue from the Territory's stamp duties is estimated to be $60 million in 2001-02. The main components of stamp duty are conveyance, insurance and motor vehicle transfer of registration duties, and these are shown in Figure 13.7.

Figure 13.7
STAMP DUTY



Source: Northern Territory Treasury
Note: 2000-01 and 2001-02 are estimate figures

The 1997-98 and 1998-99 stamp duty receipts shown in Figure 13.7 are abnormally high due to large 'one-off' transactions in each year. If those transactions are discounted, then the 2000-01 and 2001-02 estimates reflect the trend established in the other years. Estimated receipts for 2000-01 are lower than 1999-00, particularly for conveyance duty, which reflects a 'softer' property market.

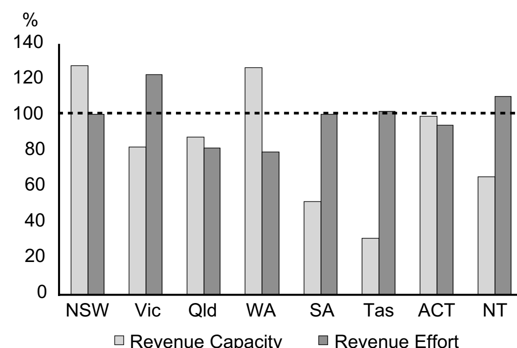
CONVEYANCE DUTY

Conveyance duty remains the most significant component of stamp duty in all jurisdictions. The Territory's conveyance duty is derived from conveyances of dutiable property in the Territory. Such property mainly comprises real estate and transfers of businesses.

The Commonwealth Grants Commission measures revenue capacity and effort for conveyance duty with reference to the value of transactions that attract conveyancing duty in each jurisdiction, adjusted for the value distribution of transactions. The Commission applies a value distribution adjustment because most State and Territory stamp duty rates are levied progressively.

Figure 13.8 illustrates that in 1999-00, the Territory's stamp duty on conveyances capacity was 30% below the national average. This is primarily because the majority of transactions in the Territory were at the lower end of the value range. Accordingly, the Territory's assessed capacity falls below the national average once the value distribution of transactions is taken into account.

Figure 13.8
1999-00 REVENUE CAPACITY AND EFFORT – CONVEYANCE DUTY



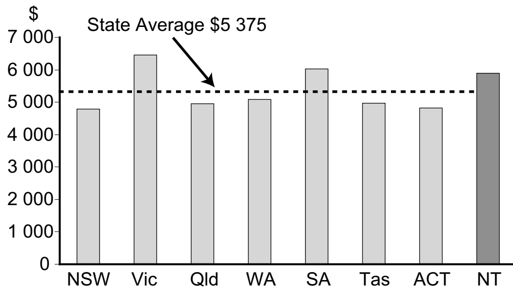
Source: Commonwealth Grants Commission 2001 Update Report

Conveyance duty rates are comparatively high because land tax and stamp duty on mortgage securities are not imposed in the Territory. Thus, as shown in Figure 13.8, the Territory's revenue-raising effort in this category is slightly above the national average.

As a further example of the Territory's comparative effort, Figure 13.9 indicates the

effect of the Territory's above average stamp duty rate as applied to the purchase of a $180 000 house.

Figure 13.9
2000-01 STAMP DUTY PAYABLE ON PURCHASE OF A HOUSE VALUED AT $180 000

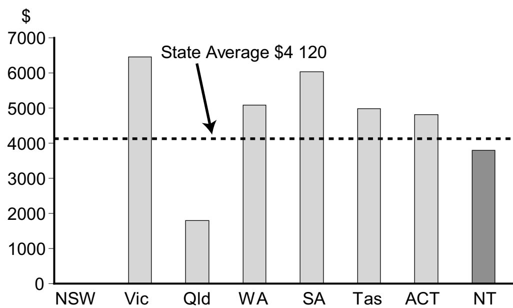


Source: State Legislation and Budget Papers

While the Territory's conveyance duty appears high in comparison to the national average, in other jurisdictions, buyers would also be required to pay stamp duty on any mortgage security and investors would also pay land tax annually. However, the Territory provides relief for first homebuyers on the first $80 000 of their purchase.

Figure 13.10 provides an interjurisdictional comparison of the stamp duty levied for a first home owner on the purchase of a home worth $180 000. As indicated below, the stamp duty payable in the Territory is well below the national average.

Figure 13.10
2000-01 REDUCED STAMP DUTY PAYABLE ON PURCHASE OF FIRST HOME VALUED AT $180 000



Source: State Legislation and Budget Papers

INSURANCE DUTY

Insurance duty is imposed on general and life insurance policies, with general insurance comprising the majority of the revenue collected from this stamp duty.

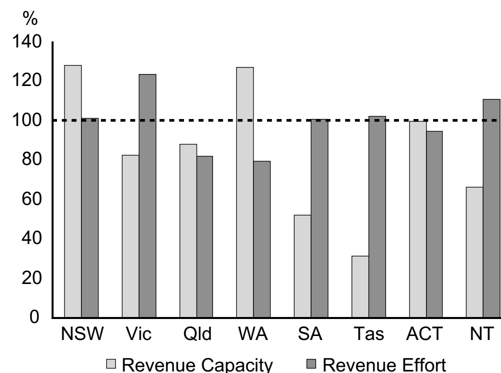
Figure 13.11 provides an interjurisdictional comparison of the stamp duty rates that apply to policies of general insurance.

Figure 13.11
INSURANCE DUTY RATES

Source: State Legislation and Budget Papers

Figure 13.12 illustrates that the Territory's assessed capacity to derive revenue from insurance transactions is considerably below the Australian average. The Commission uses the value of insurance premiums subject to duty as a measure of insurance duty capacity. The value of insurance premiums in the Territory is low relative to the larger States and therefore the Territory's assessed insurance duty capacity is also comparatively low.

Figure 13.12
1999-00 REVENUE CAPACITY AND EFFORT – INSURANCE DUTY



Source: Commonwealth Grants Commission 2001 Update Report

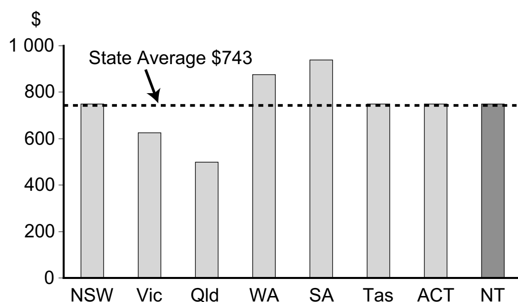
Motor Vehicle Registration Duty

Stamp duty is levied on the transfer and initial registration of motor vehicles. Generally, the duty is levied on the purchase price of the vehicle.

The Territory rate of duty, as shown in Figure 13.13, is in line with the Australian Capital Territory, New South Wales and Tasmania for a vehicle valued at $25 000. Unlike some jurisdictions, the Territory does not impose a higher rate for luxury cars. Revenue from this source in 2001-02 is estimated to be $12 million.

Figure 13.13

MOTOR VEHICLE REGISTRATION DUTY ON A NEW VEHICLE VALUED AT $25 000

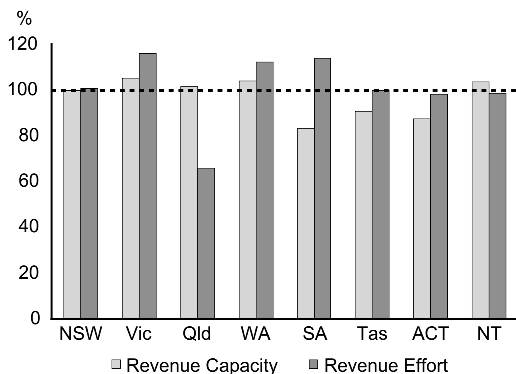


Source: State Legislation and Budget Papers

Figure 13.14 shows the relative capacity from stamp duty on new registrations and transfers of all motor vehicles. The assessed capacity for the Territory is slightly above the national average.

Figure 13.14

1999-00 REVENUE CAPACITY AND EFFORT – MOTOR VEHICLE REGISTRATION DUTY



Source: Commonwealth Grants Commission 2001 Update Report

Figure 13.14 also shows that the Territory's revenue-raising effort from this category is around average, which confirms the stamp duty rate on vehicle transfers applied in the Territory is comparable to other jurisdictions.

FINANCIAL TAXES

Until 1 July 2001, financial taxes comprise Financial Institutions Duty (FID), debits tax and stamp duty on leases, mortgages, hiring arrangements and electronic debits.

Under the national tax reform measures, FID is being abolished from 1 July 2001. FID was levied on the receipts of financial institutions at a rate of 0.06%, with a maximum duty of $1 500 per receipt.

Debits tax is imposed on debits to cheque accounts or accounts with cheque facilities. The rates vary according to the amount of the debit.

Debits tax rates and thresholds are the same in all jurisdictions except Tasmania, where the rates that apply per threshold are half of the other States and Territories. Full details of the debits tax rates and thresholds are appended to this chapter.

Subject to review by the Ministerial Council, debits tax may be abolished by July 2005.

In 2001-02, it is anticipated that financial taxes will raise approximately $7 million after taking into account the abolition of FID.

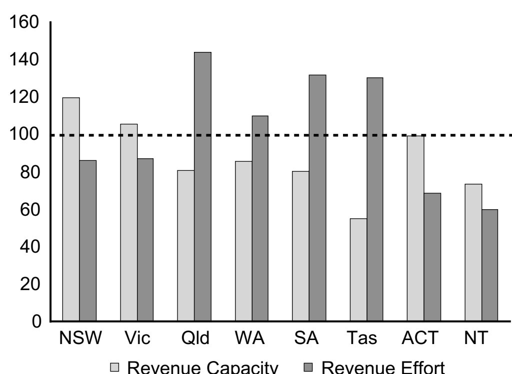
The financial transaction tax base is continually placed under pressure with development of new products outside the present scope of the tax base and through greater globalisation. Developments in electronic technology, particularly those enabling replacement payment mechanisms for cheques, and dutiable banking being centralised in larger States or offshore, lead to base erosion of these taxes. Because of the effect of such influences on the revenue base, in the 1999 Review the Commission adopted a

proxy measure using capital transaction data to assess the revenue base.

Figure 13.15 shows the Commonwealth Grants Commission's assessment of revenue capacity and effort associated with collections from stamp duties and taxes on financial transactions. The Commission's financial taxes assessment incorporates a variety of taxes, which previously included FID. However, the abolition of FID from 1 July 2001 has led to its exclusion from the assessment of financial taxes in 1999-00.

Figure 13.15

1999-00 REVENUE CAPACITY AND EFFORT – FINANCIAL TAXES



Source: Commonwealth Grants Commission 2001 Update Report

Figure 13.15 illustrates that in 1999-00 the Territory's revenue capacity exceeded its revenue effort in relation to financial taxes. With the exclusion of FID from the Commission's assessment of financial taxes, debits tax now comprises approximately 55% of the assessment and stamp duty on mortgages comprises 30%. Therefore, the Territory's low revenue effort is explained by the fact that the Territory does not charge stamp duty on mortgages (as discussed in conveyance duty).

The removal of FID from the financial taxes assessment means that the Commission may need to reconsider its proxy measure for the revenue base.

GAMBLING TAXATION

Gambling taxation comprises revenues from the licensing and taxing of the activities of gambling operators. Gambling taxes constitute a significant proportion of State and Territory revenues. Revenue from the Territory's gambling taxes is estimated to be $31.2 million in 2001-02.

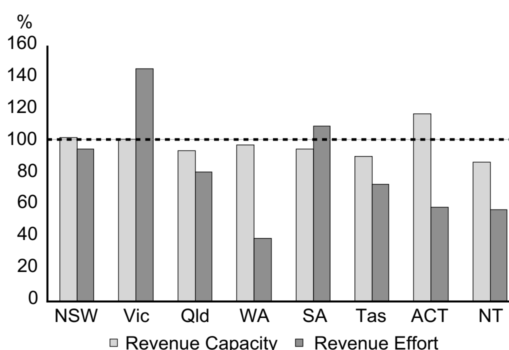
The Territory raises gambling revenues from taxes levied on the value of bets placed with bookmakers, taxes levied on the value of investments in lotteries, taxes levied on the turnover of gaming machines in clubs and hotels, and taxes levied on player losses of casinos. Similar taxes are raised in all other jurisdictions.

The Territory has a below average gambling revenue capacity due to the high prevalence of small gambling operations, which results in higher operating costs and lower net profits, and also necessitates the Territory entering into revenue-sharing arrangements with other States.

Additionally, relatively large proportions of the Territory's population reside in remote areas and do not have access to the full range of gambling services, hence the below average capacity indicated in Figure 13.16.

Figure 13.16

1999-00 REVENUE CAPACITY AND EFFORT – GAMBLING TAXATION



Source: Commonwealth Grants Commission 2001 Update Report

Figure 13.16 also shows relative gambling tax efforts. The Territory's relatively low effort reflects, among other things, restrictions imposed on the distribution of poker machines in the Territory and a comparatively high proportion of gambling taxes passed on in the form of racing industry assistance.

MINING REVENUE

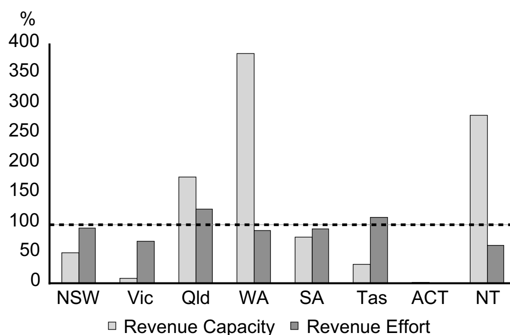
Mining revenue includes collections of royalties or rent equivalents levied on mining activity. Mining revenue is estimated to be $24 million in 2001-02.

The Territory's mining royalty revenues are based on both profits-based and *ad valorem* regimes whereas *ad valorem* regimes predominate in other jurisdictions.

The more extensive natural mineral resources of Queensland, Western Australia and the Territory are reflected in their assessed mining revenue capacities (see Figure 13.17).

Figure 13.17

1999-00 REVENUE CAPACITY AND EFFORT – MINING REVENUE



Source: Commonwealth Grants Commission 2001 Update Report

The mining revenue assessment has presented difficulties for the Commission's assessment over a number of review periods.

In 1999-00, the Commission identified a significant error in its assessment of mining revenue that the Territory could raise by applying the national average rate. The error was found to have existed for some time and involved the total capital expenditure of all the States being attributed to the Territory. Capital expenditure is an important component of the mining assessment as it is deducted from the mining value-added measure to determine the tax base. This error resulted in the Territory receiving a much larger deduction for capital expenditure. Correction of the error in 1999-00 resulted in both a significant increase in the Territory's assessed mining revenue capacity and a decrease in its mining revenue effort.

However, after this correction, the Territory's mining revenue capacity now appears to be too high. Overestimation of the Territory's mining revenue capacity may have resulted from:

- inconsistent treatment of mining revenue, for example, the Territory's mining revenue regime is very different to the regimes in other jurisdictions, therefore the Commission's current method may not adequately calculate the Territory's share of the revenue base;
- underestimated exploration costs; in the Territory there is a significant level of off-lease mining exploration, however, the current assessment method only deducts on-lease exploration costs; and
- the Territory's profit-based royalty regime encourages the establishment of mines that would not otherwise be commercially viable under *ad valorem* regimes. As such, these mines are unlikely to provide significant royalties to the Territory, yet they may inflate the Territory's assessed revenue base and thus revenue capacity.

LAND REVENUE

This category includes taxes on the ownership of land, where the taxes are based on the assessed value of the land. It also includes any metropolitan land planning and development levies that are included in the land tax base of some States.

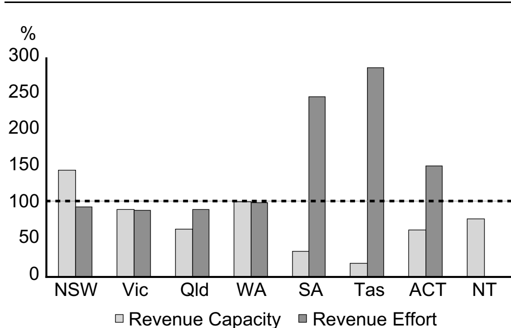
The Territory alone does not levy land taxes. However, the Commonwealth Grants Commission assesses the Territory's land tax capacity because it is average State policy to do so.

To determine the land tax base, the Commission utilises the site value of commercial and industrial land, adjusted for differences between jurisdictions in the value distribution of relevant properties.

The Commission's assessment methodology necessarily excludes all publicly-owned land, and land vested in Aboriginal authorities and Aboriginal councils. Consequently, the Territory's low population density and relatively lower proportion of land available for commercial and industrial purposes is reflected in its below average capacity to generate land revenue (see Figure 13.18).

Figure 13.18

1999-00 REVENUE CAPACITY AND EFFORT – LAND REVENUE



Source: Commonwealth Grants Commission 2001 Update Report

As discussed, the Territory imposes no taxes on the ownership of land. Consequently, the Territory's assessed land revenue effort is zero as Figure 13.18 shows.

FULL COMPARISON OF TAXES, DUTIES AND FEES BETWEEN THE TERRITORY AND THE STATES

A table comparing the Territory taxation rates, duties and fees with those imposed by the States and the Australian Capital Territory follows as an Appendix to this chapter.

COMPARISON OF SELECTED STATE AND TERRITORY CHARGES

As is the case for all jurisdictions, the Territory raises charges on various items. These include water, sewerage, electricity and motor vehicle registration charges. The following section provides comparative data on the main charges levied in the Territory.

There is no change in the 2001-02 Budget to Territory charges.

ELECTRICITY CHARGES

Commercial customers who use more than 2 GWh per year are able to choose their electricity supplier. This threshold will be further lowered to 750MWh per year from 1 April 2002. Figure 13.19 provides an interstate comparison of the State and Territory thresholds that allow a choice of supplier.

Figure 13.19

THRESHOLD FOR CHOICE OF SUPPLIER

NSW (from 1 January 2001)	100 MWh
Vic (from 1 January 2001)	40 MWh
Qld (from July 1999)	200 MWh
WA (from 1 January 2000)	8.76 GWh
SA (from January 2000)	160 MWh
ACT (from June 1998)	160 MWh
NT (from April 2001)	2 GWh

Source: NCP Third Tranche Assessment Framework (5 February 2001), and State and Territory Treasuries

Note: Tasmania is yet to announce a timetable for choice of supplier for customers

Further discussion on reform of the Territory's electricity supply is provided in Chapter 10.

Tariffs for commercial customers in the contestable market are commercial in confidence.

The commercial standard tariff for customers who use less than 2 GWh comprises a fixed charge of 43.14 cents per day and a usage charge of 16.3 cents per kWh. The GST component of the charge is a deductable expense.

Another option is the commercial time-of-use tariff. It comprises a fixed charge of 43.14 cents per day, and usage charges of 20.87 cents per kWh for consumption between 6am and 6pm, and 11.74 cents per kWh for consumption between 6pm and 6am.

Standard demand tariffs are also offered for customers who use more than 160 MWh per annum. Figure 13.20 provides further details of the standard demand tariff regime.

Figure 13.20

STANDARD DEMAND TARIFF FOR GREATER THAN 160 MWH CONSUMPTION

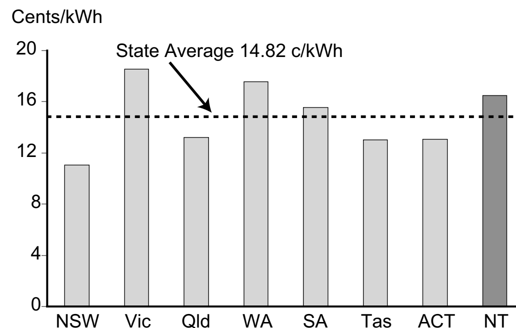
Monthly Usage kWh	Peak cents/kWh	Off peak cents/kWh
First 10 000	10.8	9.86
Next 20 000	10.7	9.75
Next 50 000	10.6	9.64
Next 100 000	10.49	9.54
Next 200 000	10.38	9.43
Next 200 000	10.28	9.33
Balance	10.17	9.22
Plus		
Monthly Demand kVa	**Peak $/kVa**	**Off peak $/kVa**
First 50	24.13	3.18
Next 100	22.03	2.91
Next 300	19.93	2.65
Next 500	17.84	2.38
Next 1000	15.74	2.23
Balance	14.68	2.12
Plus		
System charge	$3.48 per day	

Source: Power and Water Authority

Figure 3.21 provides an interstate comparison of average per kWh rates for commercial customers.

Figure 13.21

COMMERCIAL AVERAGE CENTS/KWH CHARGES FOR 7 000 KWH PER MONTH



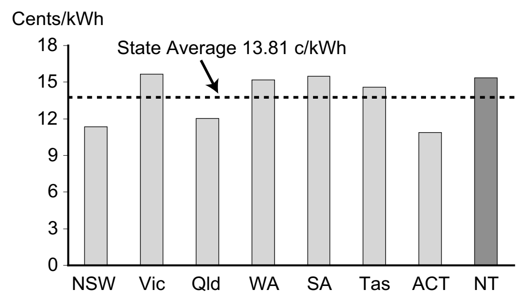
Source: Power and Water Authority

Note: The above comparison is based on the simple average rate that applies to the consumption of 7 000 kWh per month

Domestic electricity charges in the Territory comprise a fixed daily charge of 27.62 cents and usage charge of 14.02 cents per kWh for a standard meter. Figure 13.22 provides an interstate comparison of average domestic per kWh rates.

Figure 13.22

DOMESTIC AVERAGE CENTS/KWH CHARGES FOR 1 900 KWH PER QUARTER



Source: Power and Water Authority

Note: The above comparison is based on the simple average rate that applies to the consumption of 1 900 kWh per quarter

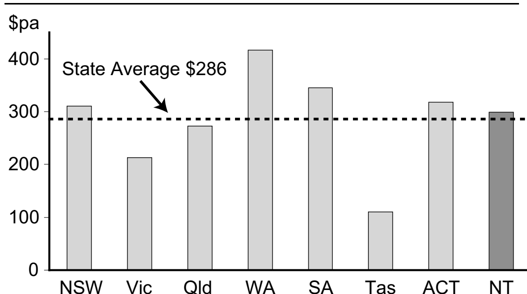
Figures 13.21 and 13.22 indicate that electricity charges in the Territory are comparable with three other jurisdictions but higher than the other jurisdictions. The higher costs in the Territory reflect the absence of cheaper fuel sources and the lack of economies of scale. The bulk of fuel costs in the Territory are fixed costs associated with financing the Amadeus Basin to Darwin gas pipeline.

SEWERAGE CHARGES

Figure 13.23 shows the Territory's domestic sewerage charge to be marginally above the average of the States. The domestic charge in the Territory is $299 per annum.

Figure 13.23

SEWERAGE CHARGES FOR AN AVERAGE HOME



Source: Power and Water Authority

Note: Tasmania's charges are comparatively low due to a heavy cross-subsidy by commercial customers

WATER CHARGES

Territory water charges (Figure 13.24) are lower than the average for Australia.

Territory water charges comprise a per kilolitre charge of 63 cents and a daily fixed charge based on the following meter sizes.

Up to 25mm	26.25c
26 to 40mm	67.20c
41 to 50mm	$1.05
51 to 100mm	$4.20
101 to 150mm	$9.45
151 to 200mm	$16.80

The charge is proportional to the meter size for meters greater than 200mm.

In most instances, meters up to 25mm are used for domestic customers.

Figure 13.24

DOMESTIC WATER CHARGES BASED ON ANNUAL CONSUMPTION OF 500 KL

Source: Power and Water Authority

Note: *Based on 550 kl consumption per annum

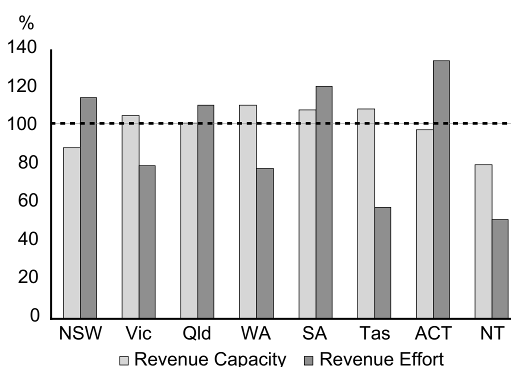
VEHICLE REGISTRATION FEES

Vehicle registration fees and taxes comprise revenue collections from motor vehicle number plate and registration fees and surcharges on all vehicles other than heavy vehicles.

The revenue base is taken to be the number of privately registered passenger vehicles, caravans, trailers, motorcycles, light trucks and commercial vehicles. The Territory records relatively fewer registered privately-owned vehicles (on a per capita basis) than any other jurisdiction. Consequently, the Territory's assessed capacity is the lowest in Australia as Figure 13.25 illustrates.

Figure 13.25

1999-00 REVENUE CAPACITY – VEHICLE REGISTRATION FEES



Source: Commonwealth Grants Commission 2001 Update Report

The assessed capacity for the Territory is below the national average, and notably, it is significantly lower than the assessed capacity for stamp duty on motor vehicle registrations (see Figure 13.14).

This apparent anomaly can be explained by the scope of the Commonwealth Grants Commission's assessments. Publicly-owned and heavy vehicles are excluded from the registration fees assessment, but included along with all vehicles in the stamp duty assessment. The Territory has a relatively high proportion of government-owned and heavy vehicles, which accounts for the difference.

Figure 13.25 also shows relative effort for vehicle registration fees. The Territory's relatively lower effort is a function of its lower registration fees. Vehicle registration fees in the Territory and Western Australia are the lowest in Australia.

The revenue effort of New South Wales, Queensland and the Australian Capital Territory serve to keep the national average high compared to the other jurisdictions.

CONCLUSION

The Territory has substantially the same revenue raising powers as the States. However, constitutional and other arrangements limit the revenue raising base that is available to the States and Territories.

Thus, while the Territory, like the States, has limited discretion on the range of taxes and charges that can be applied, it has discretion over the rates of taxes and charges.

National tax reform has given the States and Territories access to a more robust and growing revenue base, but it has also further reduced the range of taxes directly available to the States and Territories. This has meant that States and Territories are paying greater attention to the efficiency and comparability of their remaining taxes and has restricted tax competition to fewer taxes.

The analysis of the Territory's overall revenue raising capacity and effort, and the comparison of the rates of taxes and charges confirms that the Territory's per capita revenue raising capacity, and the rates of taxes and charges applied in the Territory, are similar albeit slightly lower than other jurisdictions. This is consistent with the third element of the Territory's fiscal strategy that the Territory's own-source revenue effort will be broadly comparable to the States.