

**Senate Economics Legislation Committee****ANSWERS TO QUESTIONS ON NOTICE****Treasury Portfolio**

Budget Estimates, 1 to 4 June 2004

**Question: Bud 50****Topic: GST – Future Defferal Costs****Hansard Page: E89**

Senator Wong asked:

In Budget Paper No. 2 there is a reference to negotiations with the states about future compensation. Why is there a need for ongoing compensation?

**Mr McCullough**—Just on a clarification point, is that in relation to this measure still?

**Senator WONG**—Yes. I will tell you when I move off this measure.

**Mr Tilley**—Just reading from the measure, it says, ‘Compensation in 2004-05 will cost \$330 million.’ The next sentence reads, ‘Future compensation will be subject to further negotiation with the States, and provisions have been made in the Contingency Reserve.’ There is a deferral effect in the first year, which is the initial deferral of the \$330 million.

**Senator WONG**—There is a timing effect.

**Mr Tilley**—That is right. As the GST base grows, you will get a small deferral in each of the out years as a result of the growth in that base. So it is basically just a one-off deferral in the first year, but the growth in the GST causes a small deferral in future years as well.

**Senator WONG**—And what is the costing on that?

**Mr Tilley**—I do not have the costing on that. It is not very significant, but it is—

**Senator WONG**—But presumably you have done it. You must have done it.

**Mr Tilley**—Yes. It has been allowed for in the contingency reserve, as it says here.

**Senator WONG**—So can you provide those future deferral costs for me?

**Mr Tilley**—I can take that question on notice. We have got it somewhere. It is there. It has been provided in the contingency reserve. This is not the part we are involved in, but our Commonwealth-state relations division would have arranged for the discussions, and I understand the Treasurer has written to the states on this matter.

Answer:

The revenue impact of the GST annual payments measure can be found on page 39 of Budget Paper No.3 of the 2004-05 Budget.