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Governments can only do so much; this Government has consistently pursued the course of making way for expansion of the private sector.

It is now up to the private sector to play its part in furthering the progress we have made towards establishing, and building upon, the pre-conditions for economic recovery.

OUTLAYS

I turn now to outlays.

In 1977-78 total expenditures are estimated at $26 656 million, an increase of 10.5 per cent or virtually the same increase as in 1976-77.

I mention some of the larger provisions in the Budget; details of these and other provisions are set out in Statement No. 3 and other accompanying Budget documents and in Ministerial statements.

SOCIAL SECURITY AND WELFARE

Outlays for social security and welfare purposes are estimated to total about $7250 million in 1977-78, an increase of about 13 per cent on last year.

These outlays now account for 27 cents in every $1 spent from the Budget, or 56 cents in every $1 raised in personal income tax.

Pensions

Social service pensions and benefits are adjusted six-monthly in line with movements in the Consumer Price Index.

Accordingly, the standard or single rate of social service pensions and benefits will be increased by $2.20 to $49.30 a week from the first payday in November.

The combined married rate will rise by $3.70 to $82.20 per week.

There will be a further increase from the first payday in May 1978 in line with the movement in the Consumer Price Index in the second half of 1977.

These increases are estimated to cost $182 million in 1977-78 and $490 million in a full year.

Repatriation Benefits

Repatriation disability and service pensions also will be increased in November 1977 and May 1978 in line with increases in the Consumer Price Index.

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In so doing we shall again demonstrate that we meant what we said about restoring fiscal responsibility and restraining the previous runaway growth in government spending.

RECEIPTS

I come now to receipts.

Our revenue measures embody two principal considerations.

First, we see an over-riding need to reduce the burden of income tax so as to restore incentive for personal effort.

Secondly, we have focused upon the pressing need to conserve and develop our crude oil and other energy resources.

Again, as in 1976-77, there are no proposals in this Budget to increase duties on beer, or on spirits, or on cigarettes and tobacco.

Personal Income Tax

As I said at the outset, this Government is unremitting in its determination to rein back the growth in the public sector for a number of reasons, not the least of which is its fundamental belief that Australians should be able to determine to a greater extent how they spend their incomes.

The more successful governments are in the exercise of economy in their expenditures, the more scope they have for reducing the burden of taxation on their citizens.

Our success since taking office in reducing the rate of growth in expenditure by the Government has made it possible for us to reduce the excessive level of personal taxation.

Our first step towards reform of the personal income tax system was to introduce last year full automatic indexation to prevent effective rates of personal income tax from increasing purely because of inflation.

We thus accomplished, in our first year of office, a reform that was initially set down for introduction over a three year period.

As a result of tax indexation the Government has forgone revenues in 1977-78 of about $965 million on top of the $990 million forgone last year.

But the inescapable fact is that, irrespective of the positive benefits of tax indexation, present rates of personal income tax are too high.

The present tax scale is not only inequitable, it is having devastating effects on incentive and on the will to work.

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Given our conviction that decisive measures are required, we now intend to give effect to our own tax philosophy and, once and for all, to repudiate the high tax policies pursued by our political opponents.

Accordingly, we are introducing a much improved and simplified tax system that will provide very substantial benefits to taxpayers at all income levels.

The new measures represent the most revolutionary change yet made to Australia's system of income tax.

The essence of the new system lies in the establishment of one tax rate as the basic rate of taxation for the vast majority of taxpayers.

The essential points of the new tax system are:

- The so-called 'general concessional rebate'—which gave the misleading impression that taxpayers were receiving a benefit which did not in reality exist—will have no further relevance in the new system.
- The tax threshold will be raised to \$3751 (from the rebate equivalent of \$3154) and no individual with an income below that level will pay tax.
- Dependant rebates are, however, being retained, so that the effective tax threshold for a taxpayer with a dependent spouse will be \$5485.
- A standard flat rate of tax of 32 per cent will be established on all taxable incomes over \$3750; this rate becomes the basic tax rate of the system.
- A surcharge of 14 per cent will be imposed on that part of taxable income between \$16 000 and \$32 000.
- A surcharge of 28 per cent will be imposed on that part of taxable income above \$32 000.
- Instead of the present seven-step scale this will establish a three-step scale incorporating effective marginal rates of 32, 46 and 60 per cent.

Let me briefly summarize some of the main benefits of this new and vastly simplified tax system.

The most important benefit is that there are tax reductions at all levels of taxable income.

Furthermore, the biggest proportional gainers are those on lower incomes at the bottom of the tax scale.

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In fact, the incomes of about 225 000 taxpayers, including many pensioners with small private incomes, will be made non-taxable.

Some 90 per cent of taxpayers will pay tax at no more than the standard marginal rate of 32 per cent.

As a result, the new system goes a long way to restoring the monetary incentive for individuals to work and to work harder, to take on added responsibility, to work overtime, and so on.

I now give some examples of how this system will affect selected income groups:

- a taxpayer on a taxable income of $4000 per annum or $77 per week with no dependent spouse will have his tax liability reduced by $2.86 per week, nearly two-thirds of his present tax liability;
- a taxpayer on $10 000 per annum or $192 per week, about average earnings, will save $2.83 per week, and his marginal rate of tax will be reduced from 35 cents to 32 cents in the dollar;
- a taxpayer on $15 000 per annum or $288 per week will save $10.46 per week and his marginal rate will drop sharply from 45 cents to 32 cents in the dollar.

These reductions will be in addition to those already effected from 1 July last through the tax indexation mechanism.

The new system will apply from 1 February 1978 for both pay-as-you-earn and, notionally, for assessment purposes.

As from 1 February next, therefore, the total savings in tax from the new scale and the tax indexation mechanism combined will amount, in the three examples I have just quoted, to $4.46 per week, $5.38 per week and $15.38 per week, respectively.

These examples—which could of course be multiplied—indicate the substantial benefits flowing to all taxpayers from our program of tax reform and tax reduction to date.

I now briefly touch on some further aspects of the new system.

The general rebate of $676 previously allowable to all taxpayers regardless of their expenditures on concessional items would have meant in 1977-78, effectively, a rebate of 40 per cent for any such expenditures over $1690.

With a 32 per cent standard rate being introduced, it has been decided that eligible expenditure above the ceiling will attract a rebate at that rate;

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the resultant revenue saving will be applied to reduce the ceiling from $1690 to $1590, thus making such rebates available to more taxpayers.

Several consequential amendments in respect of such matters as trust income and the threshold of the health insurance levy will be necessary; details are given in Statement No. 4 attached.

PAYE deductions from salaries and wages will be reduced as from 1 February 1978, based on the new scale.

The rate scale and other features applicable for the final assessment of tax liabilities on 1977-78 incomes will in practice be a composite, equivalent to seven-twelfths of the present system and five-twelfths of the new one.

Again, details are spelled out in Statement No. 4.

As basic provisional tax for 1977-78 is assessed on 1976-77 income, 1976-77 rates of tax will be applied in calculation thereof.

The substantial benefits of the new scales will add, from early 1978, to the benefits flowing from the latest round of indexation on 1 July 1977.

These new benefits will begin flowing to taxpayers five months before the next indexation adjustment.

Full automatic indexation to prevent effective rates of personal income tax from increasing purely because of inflation will be maintained in respect of the new system in future years.

However, transitional arrangements will apply with respect to the indexation adjustment due on 1 July 1978.

Dependant rebates, which will have operated unchanged throughout the year, will be indexed at that time by the full factor given by the annual indexation rules.

The new rate scale, which will have been operating only during the second half of the financial year, will be indexed at that time by half the factor given by the annual indexation rules.

The cost of the measure on this basis is estimated at $406 million in 1977-78 and $973 million in 1978-79.

Incentives for the Arts

Continuing its active support for the arts and as a way of eliciting greater co-operation from the private sector, the Government will liberalise the conditions under which income tax deductions are allowable for gifts of works of art and comparable property to public art galleries, museums and libraries.

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Details are contained in Statement No. 4.

The cost to revenue is estimated to approach $1 million in 1977-78 and $2.5 million in a full year.

Company Tax

As I mentioned earlier, there is a clear need this year to finance the essential personal tax reform I have just announced.

That has meant, for one thing, the most rigid control of the Commonwealth's own expenditures.

Beyond that, however, we have also had to look elsewhere for increased sources of revenue.

Since coming to office the Government has eased the burden of tax on business income in several ways, notably by the investment allowance and the trading stock valuation adjustment.

These measures will produce a very substantial saving in the tax payable by corporate business in 1977-78, of the order of $600 million at current tax rates.

As I said early on in my speech tonight there is a need for fair sharing of the burdens.

Against the background of the very substantial concessions given to companies last year, and of the recent and prospective increases in corporate profitability, it has been decided to increase the rates of company tax to apply in respect of 1976-77 income.

The increase will be 3½ per cent bringing the general rate to 46 per cent.

The same 3½ per cent increase in rate will also apply to 1977-78 income of superannuation funds which do not observe the 30/20 rule, bringing their rate to 46 per cent.

This rate increase is estimated to yield $203 million in 1977-78 and $224 million in a full year.

Even so, company tax in total is estimated to increase by only $174 million, or 6 per cent, in 1977-78, compared with $302 million, or 12 per cent, in 1976-77.

Small Business Taxation

The Government attaches particular importance to the fundamental role of small business in our free enterprise system.

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during the first six months after the date of the event which gives rise to eligibility (e.g., the birth of a child or separation). The main groups of mothers assisted are deserted wives, deserting wives, wives of prisoners and unmarried mothers. After the first six months, these groups of mothers may qualify for either a Class A widow's pension or a supporting mother's benefit.

Expenditure is estimated to rise from $13.3 million in 1976-77 to $15.5 million in 1977-78 due to a small expected increase in numbers and the full year effect of rate increases during 1976-77.

Assistance to Families

Family Allowances

Family allowances are payable to people with children under 16 years of age or 16 years but under 25 years of age and receiving full-time education at a school, college or university and not in employment. There is no income test. Allowances are usually paid to the mother. Special conditions apply if the person does not intend to reside permanently in Australia.

The rates of family allowances are:

	$ a week
First child	3.50
Second child	5.00
Third child	6.00
Fourth child	6.00
Fifth and later children	7.00
Child in an institution	5.00

At 30 June 1977, there were 4 302 000 children (including student children and children in institutions) covered by the allowances and the number is estimated to increase to 4 310 000 by 30 June 1978.

Outlays are estimated to increase from $1027.2 million in 1976-77 to $1049 million in 1977-78 due to an expected increase in the numbers becoming eligible and altered payment procedures.

Maternity Allowance

Maternity allowance is payable, as a lump sum, to mothers on the birth of children. There is no income test.

A woman is entitled to the allowance if she resides, or intends to reside, in Australia permanently and gives birth to a child here or on board a ship travelling to Australia.

The rates of allowance are as follows:

	$
No other children under 16	30.0
1 or 2 other children under 16	32.0
3 or more other children under 16	35.0
Multiple births—additional payment for each additional child	10.0

During 1977-78 the number of grants is estimated at 219 000 compared to 220 000 in 1976-77. Expenditure is estimated to remain steady at $6.9 million.

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Changes to Personal Income Tax System

A new personal income tax system will apply as from 1 February 1978. It will form the basis for:

- PAYE instalment deductions from 1 February 1978;
- notionally, assessment of tax on incomes derived after 1 February (the system used for assessment of *total* taxable income earned in 1977-78 will be a composite one obtained from the present system, with a weight of 7/12, and the new system, with a weight of 5/12); and
- indexation to determine tax on 1978-79 incomes.

The elements of the new system are as follows:

Rate Scale

The new simplified scale will have a zero rate on that part of taxable income up to $3750. A standard rate of 32 cents will apply to all parts of taxable income above $3750. Two levels of surcharge will, however, set the effective marginal rates at 46 cents on taxable income from $16 001 to $32 000, and at 60 cents on taxable income above $32 000.

The present and proposed scales of tax rates are:

PRESENT RATES OF INCOME TAX(*a*)

Total Taxable Income		
Not less than	Not more than	Tax at General Rates on Total Taxable Income
$	$	$ $
1	2 506	Nil + 20c for each $1
2 506	6 266	501.20 + 27c for each $1 in excess of 2 506
6 266	12 532	1 516.40 + 35c for each $1 in excess of 6 266
12 532	18 798	3 709.50 + 45c for each $1 in excess of 12 532
18 798	25 063	6 529.20 + 55c for each $1 in excess of 18 798
25 063	31 329	9 974.95 + 60c for each $1 in excess of 25 063
31 329	and over	13 734.55 + 65c for each $1 in excess of 31 329

(*a*) Allowance of the $676 general rebate means that there is a zero effective rate up to income of $3 153.

PROPOSED RATES OF INCOME TAX

Total Taxable Income		
Not less than	Not more than	Tax on Total Taxable Income
$	$	$ $
1	3 750	Nil
3 750	16 000	Nil + 32c for each $1 in excess of 3 750
16 000	32 000	3 920 00 + 46c for each $1 in excess of 16 000
32 000	and over	11 280.00 + 60c for each $1 in excess of 32 000

The minimum taxable income subject to tax, at present effectively $3154, will be $3751 under the new system. For a taxpayer with a wholly dependent spouse the spouse rebate of $555 will result in a minimum taxable income of $5485.

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Rebates

The general concessional rebate ($676 at present) will be discontinued, and replaced by a zero rate step in the rate scale. Either method accomplishes the result of freeing an initial slice of income from tax.

Rebates for dependants and the sole parent rebate remain at levels applying since 1 July 1977:

	$
Dependent spouse, daughter-housekeeper	555
Housekeeper	555
Parent or parent-in-law	501
Invalid relative	251
Sole parent	388

Zone allowance rebates also remain at levels applying since 1 July 1977:

Zone A: $216 plus 25 per cent of rebates for dependants (including notional rebates for dependent children and students);

Zone B: $36 plus 4 per cent of rebates for dependants.

Rebate Declarations

Under the present system, if an employee does not lodge a declaration claiming the $676 general rebate, tax is deducted at the minimum rate of 35 cents in the dollar. An employee may have only one declaration in force at any one time and a person with two or more jobs would usually lodge a declaration with his or her main employer. It is proposed that equivalent declaration arrangements be continued under the new system.

People who have 'second' jobs will, usually, have income from their main job in excess of $3750 a year. Any additional income from 'second job' earnings will thus generally attract PAYE deductions at or above the 32 per cent rate.

Non-residents

Concessional allowances have been granted only to resident taxpayers. With adoption of a zero-rate on the first slice of taxable income, non-residents too will be zero-rated on the first slice of their assessed Australian taxable income.

Trusts

The following basic rules for the taxation of trustees are proposed:

- for accumulating trust income to which no beneficiary is presently entitled and that is assessed under *section 99* to the trustee of a trust other than a deceased estate that is in course of administration (maximum 2 years), there will be no tax if the income is $416 or less, there will be no zero-rating and, subject to shading-in provisions for income marginally in excess of $416, the standard rate and surcharges will apply.
- for trust income of a trust other than a deceased estate, to which a child under 16 years of age at the end of the year of income is presently entitled and that is assessed under *section 98*, the same tax rules as above are to apply, but with a figure of $1040 instead of $416.
- for other trust income to which a beneficiary who is under a legal disability is presently entitled that is assessed under *section 98*, and for income assessed under *section 99* of a deceased estate that is in course of administration (maximum 2 years), the first $3750 of taxable income will be zero-rated with the standard rate and surcharges applying to the balance.

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Where a beneficiary is taxed on trust income that has also been taxed to the trustee under *section 98*, the tax paid by the trustee is credited against any tax charged to the beneficiary, but no refund is made.

Averaging for Primary Producers

Under the present system, the tax payable by a primary producer is in part calculated by applying to the first $16 000 of taxable income a rate fixed by reference to 'average income' of the current and four previous years. The general rebate of $676 and other concessional rebates are allowed. Under the new system, with the role of the general rebate now to be performed by the zero rate on the scale, the tax under the averaging provisions applicable to taxable income between $3751 and $16 000 will be calculated at the standard rate of 32 per cent, and the first $3750 of taxable income will attract the zero rate. Concessional rebates will again reduce the tax payable.

Health Insurance Levy

The present basis for determining the minimum taxable income subject to levy for health insurance levy purposes, by deducting unused entitlements to the general rebate against liability to levy, will no longer be applicable after absorption of the rebate into the rate scale. However, the present relationship between the income tax threshold and the health insurance levy threshold will be continued. The shading-in rate will be 34.5 per cent (equal to the levy rate of 2.5 per cent plus the standard rate of income tax of 32 per cent) with a levy threshold of $3479. Any unused concessional rebate (e.g. the rebate for a spouse) will, as at present, be allowable against the levy. For a taxpayer with a fully dependent spouse the minimum taxable income subject to levy will be $5087.

Effects of the New System

Some of the principal effects of the new simplified system are:

- Taxpayers at all income levels will gain under the new system. Examples of the gains are:

	Tax liability at current rates of tax		Tax liability at proposed rates of tax		Reductions			
Taxable income	Dependent spouse	No dependants	Dependent spouse	No dependants	Dependent spouse		No dependants	
$	$	$	$	$	$	per cent	$	per cent
4 000	Nil	228.58	Nil	80.00	—	—	148.58	65.0
5 000	Nil	498.58	Nil	400.00	—	—	98.58	19.8
6 000	213.58	768.58	165.00	720.00	48.58	22.7	48.58	6.3
7 000	542.30	1 097.30	485.00	1 040.00	57.30	10.6	57.30	5.2
8 000	892.30	1 447.30	805.00	1 360.00	87.30	9.8	87.30	6.0
9 000	1 242.30	1 797.30	1 125.00	1 680.00	117.30	9.4	117.30	6.5
10 000	1 592.30	2 147.30	1 445.00	2 000.00	147.30	9.3	147.30	6.9
11 000	1 942.30	2 497.30	1 765.00	2 320.00	177.30	9.1	177.30	7.1
12 000	2 292.30	2 847.30	2 085.00	2 640.00	207.30	9.0	207.30	7.3
13 000	2 689.10	3 244.10	2 405.00	2 960.00	284.10	10.6	284.10	8.8
14 000	3 139.10	3 694.10	2 725.00	3 280.00	414.10	13.2	414.10	11.2
15 000	3 589.10	4 144.10	3 045.00	3 600.00	544.10	15.2	544.10	13.1
20 000	5 959.30	6 514.30	5 205.00	5 760.00	754.30	12.7	754.30	11.6
25 000	8 709.30	9 264.30	7 505.00	8 060.00	1 204.30	13.8	1 204.30	13.0
30 000	11 706.15	12 261.15	9 805.00	10 360.00	1 901.15	16.2	1 901.15	15.5

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- The flat standard marginal rate of 32 cents will apply, without surcharges, over the wide band of income from $3751 to $16 000. Nearly 90 per cent of taxpayers have taxable incomes falling within that band. The standard rate is well below the present marginal rate at the upper end of that band (45 cents) and almost 80 per cent of taxpayers having taxable incomes within that band will have their marginal rate of tax reduced.
- The maximum marginal rate, on incomes above $32 000, is reduced from 65 to 60 cents, and the point at which the 60 cent rate commences to apply is increased from $25 064 to $32 001.

The new system will be indexed as from 1 July 1978. The indexation factor to be applied to the rate scale in 1978-79 will be half that given by the annual indexation rules but the full adjustment will be applied to dependant rebates. The cost to revenue in 1978-79 of the new system on this basis is estimated to be $973 million.

Arrangements for 1977-78

As noted earlier, the personal tax system to apply for 1977-78 will be a composite one based on the present system (with a weight of 7/12) and the new system (with a weight of 5/12).

This means that, in practice, the effective rate scale to apply for 1977-78 after absorption of the general rebate will be—

PROPOSED EFFECTIVE RATES OF INCOME TAX—1977-78
INDIVIDUALS

Total Taxable Income: Not less than	Total Taxable Income: Not more than	Tax on Total Taxable Income
$	$	$ ... $
1	3 402	Nil
3 402	3 750	Nil + 27.000c for each $1 in excess of 3 402
3 750	6 266	93.96000 + 29.085c for each $1 in excess of 3 750
6 266	12 532	825.73860 + 33.749c for each $1 in excess of 6 266
12 532	16 000	2 940.45094 + 39.579c for each $1 in excess of 12 532
16 000	18 798	4 313.05066 + 45.417c for each $1 in excess of 16 000
18 798	25 063	5 583.81832 + 51.247c for each $1 in excess of 18 798
25 063	31 329	8 794.44287 + 54.162c for each $1 in excess of 25 063
31 329	32 000	12 188.23379 + 57.077c for each $1 in excess of 31 329
32 000	—	12 571.22046 + 62.915c for each $1 in excess of 32 000

Particular features of 1977-78 arrangements are as follows:

- The minimum taxable income subject to tax will be $3403 ($5336 for a taxpayer with a fully dependent spouse).
- PAYE deductions as from 1 February 1978 will be on the basis of the new system outlined earlier.
- Provisional tax for 1977-78 levied on assessment on the basis of 1976-77 income will be calculated at 1976-77 tax rates. Where a taxpayer 'self-assesses' his or her 1977-78 provisional tax on the basis of estimated 1977-78 taxable income, 1977-78 rates of tax will be applied in the calculation of that provisional tax.
- The tax on non-residents, on trustees assessed under *section 98* or *section 99* and on primary producers to whom the averaging provisions apply, will be basically 7/12 of the tax under the present system plus 5/12 of the tax under the new system.

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- The minimum taxable income subject to the health insurance levy will be $3114 ($4913 for a taxpayer with a fully dependent spouse), with the levy above $3113 being shaded-in at the rate of 29.5 per cent.

Rebates for Concessional Expenditure

Rebates will be allowed in 1977-78 for concessional expenditure in excess of $1590 at a rate of 32 per cent, i.e., a rate matching the new standard tax rate of 32 per cent. Under present law such expenditures in excess of $1690 attract a rebate (additional to the general rebate of $676) at the rate of 40 per cent.

Lowering of the ceiling above which rebates are allowed for concessional expenditure from $1690 to $1590 brings those rebates (albeit at a reduced rate) within the reach of more taxpayers.

The new ceiling of $1590 will not be subject to indexation adjustments.

Incentives for the Arts

At present, a person who donates a work of art or similar property to a public art gallery, museum or library may be eligible for an income tax deduction in respect of his gift only if he purchased the item within the 12-month period preceding the date of the gift. The amount allowable is restricted to the lesser of purchase price or market value at the time of making the gift.

As from 1 January 1978, the 12-month test will be abandoned for a trial period of three years in respect of gifts of works of art and comparable material made to a public art gallery, museum or library.

As well, the basis of determining the amount to be allowed as a deduction will be changed. From 1 January 1978, it will generally be market value or, where equity requires it in some particular circumstances, the cost to the donor.

Other Measures

Changes to Company Income Tax

The rate of tax on taxable income of companies is being increased by 3.5 percentage points. The general rate applicable to income year 1976-77 will therefore be 46 per cent in lieu of the previously applicable 42.5 per cent. The rate of tax payable by a friendly society dispensary will move from 37.5 per cent to 41 per cent.

Correspondingly, a superannuation fund that does not comply with the '30/20' ratio of investment in public securities, will have the rate of tax on its 1977-78 investment income increased from 42.5 to 46 per cent.

Foreign Film Distributors

From 17 August 1977, film and video tape royalties paid overseas will bear tax of 10 per cent of the gross payment. This basis will replace the present provisions introduced in 1942 to overcome problems of determining the true profit element of film royalties derived from Australian sources through foreign-controlled film businesses. Under those provisions most such royalties are taxed as if their profit content were 10 per cent, giving an Australian tax yield of no more than 4.6 per cent of the gross royalties (at the rate of tax now applicable to 1976-77 incomes of companies).

Coal Export Duty

The rates of duty on coking coal will be reduced from $4.50 to $3.50 per tonne for coal subject to the higher rate, and from $1.50 to $1.00 per tonne for that subject to the lower rate.

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Excise Duty on Crude Oil

The rate of duty has been increased from $2.00 to $3.00 per barrel on crude oil; LPG from currently producing fields will continue to attract duty at the rate of $2.00 per barrel.

The duty will not be applied to condensate marketed separately from a crude oil stream or to LPG from fields yet to come into production.

Duty on Petroleum Products

The duty on refined petroleum products will be increased by 0.25 cents per litre. The new rates are shown in the consolidated rate table included later in this Statement.

THE ESTIMATES

The following table compares estimated receipts in 1977-78 with actual receipts in each of the two preceding years.

	1975–76 Actual	1976–77 Actual	1977–78 Estimate	+Increase –Decrease on 1976–77
	$ million	$ million	$ million	$ million
General Taxation Revenue—				
Customs Duty—				
Imports	932.1	1 152.2	1 315.0	+ 162.8
Coal Exports	111.6	121.3	93.0	– 28.3
Excise Duty	2 331.9	2 485.8	2 792.5	+ 306.7
Sales Tax	1 408.3	1 650.3	1 865.0	+ 214.7
Income Tax—				
Individuals(*a*)—				
Gross PAYE	8 362.4	9 811.3	10 635.0	+ 823.7
Less Refunds	*1 342.7*	*1 282.4*	*640.0*	– *642.4*
Net PAYE	7 019.7	8 528.9	9 995.0	+1 466.1
Other	2 199.7	2 524.8	2 889.0	+ 364.2
Companies	2 522.8	2 824.5	2 998.0	+ 173.5
Withholding Tax—				
Dividends	62.7	72.0	73.0	+ 1.0
Interest	32.3	24.4	30.0	+ 5.6
Payroll Tax	19.7	21.3	23.5	+ 2.2
Estate Duty	76.4	76.2	80.2	+ 4.0
Gift Duty	10.5	11.5	13.0	+ 1.5
Stamp Duty (A.C.T. and N.T.)	4.5	4.9	5.5	+ 0.6
Other Taxes, Fees and Fines	119.1	152.2	159.0	+ 6.8
Less Remissions	*8.2*	*8.5*	*8.6*	+ *0.1*
Total General Taxation Revenue	16 843.0	19 641.7	22 323.1	+2 681.4
Interest, Rent and Dividends	1 405.5	1 627.5	1 814.0	+ 186.5
Net Receipts from Government Enterprise Transactions	– 4.2	84.8	228.0	+ 143.1
Sale of Existing Assets	30.1	30.1	74.2	+ 44.1
TOTAL RECEIPTS	18 274.5	21 384.1	24 439.3	+3 055.2

(*a*) For administrative reasons the health insurance levy, an offset to outlays on Medibank, is collected by the Commissioner of Taxation and is included in the figures for income tax on individuals in this table.

TAXATION REVENUE

After taking account of the measures described above, total taxation revenue in 1977-78 is estimated to increase by 13.7 per cent to $22 323 million. The main components are described below.

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Customs Duty—Imports

The Customs authorities estimate that duty on imports will total $1315 million in 1977-78, an increase of $163 million or 14.1 per cent compared with 23.6 per cent in 1976-77. In 1976-77 the value of dutiable imports grew by 28.5 per cent, in part in consequence of the effect on import values of the devaluation of the Australian dollar in November 1976. Although dutiable imports are expected to grow very much less rapidly in 1977-78 than in 1976-77, the estimate assumes a partial offset through an anticipated increase in the ratio of duty to dutiable imports.

Customs Duty—Coal Exports

On the basis of existing rates of duty, revenue from the levy on coal exports is estimated at about $117 million in 1977-78.

This further step in the phasing out of this duty is estimated to reduce collections in 1977-78 by $24 million to a total of $93 million.

Excise Duty

As outlined earlier, the duties on crude oil and petroleum products have been increased. After taking account of these changes, and of the effects of the crude oil pricing decisions (see below), collections of excise duty are estimated by the collecting authorities to be $2792 million in 1977-78, an increase of $307 million or 12 per cent on collections in 1976-77. Excluding the estimated effects on revenues of the changes in duties, collections are estimated to increase by 5 per cent. In 1976-77 collections increased by 6.6 per cent, reflecting in part the full year effect of rate increases introduced in 1975-76.

The major components of the 1977-78 estimate, together with changes on 1976-77 figures, are as follows:

	1976–77	1977–78 Estimate	Increase	
	$ million	$ million	$ million	per cent
Beer	740	764	25	3
Potable spirits	71	76	5	7
Tobacco products	555	572	17	3
Petroleum products	772	850	78	10
Crude oil and LPG	340	521	181	53
Other	8	9	1	12
Total	2 486	2 792	307	12

In estimating the revenue from petroleum products, allowance has been made for the likely effects on usage of overall increases in prices of petroleum products arising from the various policy measures announced in the Budget. Clearances for consumption of the two main components—motor spirit and diesel fuel—are projected to increase at slower rates than in 1976-77 while aviation fuels, clearances of which declined in 1976-77, are expected to increase moderately.

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Rates of duty for the main items subject to excise are shown in the following table, which incorporates the changes announced in the Budget Speech.

RATES OF EXCISE DUTY 16 August 1977	$
Potable spirits—per litre of alcohol—	
Brandy	10.21
Gin	10.29
Whisky	10.21
Rum	10.29
Vodka and other liquors	10.25
Beer—per litre	0.394
Tobacco products—per kilo—	
Cigarettes	19.36
Cigars	16.56
Manufactured tobacco	9.88
Petroleum products—per litre—	
Aviation gasoline	0.04555
Motor spirit	0.05155
Aviation turbine fuel	0.0419
Diesel fuel	0.05155
Crude oil—per barrel	3.00
LPG from existing fields and separate condensate—per barrel	2.00

Sales Tax

Sales tax revenue is estimated to increase by 13.0 per cent in 1977-78 to $1865 million; in 1976-77 sales tax receipts increased by 17.2 per cent. Sales tax revenue is dependent on the price and volume of taxable goods sold, and the 1977-78 revenue estimates are consistent with slower volume growth for the year as a whole and somewhat smaller price increases. Estimated collections by rate class are shown in the following table:

Rate Class	1976–77	1977–78 Estimate	Increase	
	$ million	$ million	$ million	per cent
2½ per cent	54	61	7	13
15 per cent	827	937	110	13
27½ per cent	770	867	98	13
Total	1 650	1 865	215	13

Income Tax—Individuals

It is estimated that *net* collections of income tax from individuals in 1977-78 will increase by 16.6 per cent to $12 884 million.

(*a*) *Pay-as-you-earn Instalment Deductions*

For the purpose of calculating gross PAYE instalment deductions average weekly earnings are assumed to increase by 10.5 per cent in 1977-78 and the average level of wage and salary earner employment for the year as a whole to increase by 0.75 per cent (both expressed in terms of male units). In 1976-77 average earnings are estimated to have increased by 13.0 per cent and employment to have remained unchanged. An amount of $327 million has been included in the estimate for collections of the health insurance levy in 1977-78 in respect of *all* individual taxpayers.

New PAYE instalment schedules came into operation on 1 July 1977 incorporating the 10.9 per cent indexation adjustment to the personal income tax rate scale. The cost to revenue, in 1977-78, of this adjustment, for *all* individual taxpayers, is estimated to be $825 million. The overall cost of

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indexation to 1977-78 revenue is estimated at $965 million; an amount of $140 million in revenue forgone from the 1976-77 adjustment has not arisen until 1977-78.

The 1977-78 estimate of $10 635 million in gross PAYE receipts represents an increase of 8.4 per cent over 1976-77 compared with an increase of 17.3 per cent in 1976-77. Adjusting for the loss to revenue of the new scales the 1977-78 increase would be 12.4 per cent. Collections in 1976-77 included for the first time the proceeds of the health insurance levy and were also boosted by the additional revenue arising from the abolition of child rebates. Adjusted for these factors, 1976-77 collections increased by 10.3 per cent.

Refunds of tax in 1977-78 are estimated at $640 million, compared with $1282 million in 1976-77. The estimated further decline in refunds in 1977-78 is a result of the system of tax rebates (allowable in calculating instalment deductions) introduced in the 1975-76 Budget, which replaced most concessional deductions and which, together with the shape of the tax scales, reduces the extent of over-withholding through PAYE.

(*b*) *Other Individuals*

Collections on assessments of individuals are estimated to increase by 14.4 per cent to $2889 million. These tax payments are based on incomes received in 1976-77. Primary producers' incomes are estimated to have increased only slightly in 1976-77 while other business and property incomes grew more strongly.

The estimated revenue in 1977-78 has taken into account the effects on *other individuals*' income tax assessed of the investment allowance ($150 million) and the trading stock valuation adjustment ($35 million).

Income Tax—Companies

Company tax collections are expected to increase by $174 million or 6.1 per cent to $2998 million in 1977-78 compared with an increase of $302 million or 12.0 per cent in 1976-77. *Taxable* company incomes in 1976-77 (subject to tax in 1977-78) have been significantly lowered by the measures introduced during 1976. In respect of company tax, the investment allowance is estimated to reduce 1977-78 revenue by $325 million. The cost to company tax revenue of the trading stock valuation adjustment in 1977-78 is estimated at $281 million. On the other hand the increase in the rate of company tax announced in this Budget is estimated to increase 1977-78 revenues by $203 million; but for that change, company income tax revenues would have fallen by about $30 million this year.

Other Taxes, Fees and Fines

The major items in other taxes, fees and fines are indicated in the following table:

	1975–76 Actual	1976–77 Actual	1977–78 Estimate	+Increase −Decrease on 1976–77
	$ million	$ million	$ million	$ million
Broadcasting and TV station licence fees .	4.2	7.2	10.5	+ 3.3
Radio-communication licence fees . .	2.8	3.9	5.0	+ 1.1
Unfunded employees retirement contributions	39.9	51.7	56.9	+ 5.2
Stevedoring industry charge . . .	39.7	51.9	33.5	−18.4
Mainland territories	21.7	24.2	37.2	+13.0
Tax on liquid petroleum gas used in road vehicles	0.5	0.5	0.5	..
Other	10.2	12.9	15.5	+ 2.6
TOTAL OTHER TAXES, FEES AND FINES	119.1	152.2	159.0	+ 6.8