



A U S T R A L I A N
L O C A L
G O V E R N M E N T
A S S O C I A T I O N



A U S T R A L I A N L O C A L G O V E R N M E N T A S S O C I A T I O N A L G A

2009 LGMA NATIONAL CONGRESS

“Financial Stability – the Henry Tax Review”

Adrian Beresford-Wylie
Chief Executive
Australian Local Government Association



A U S T R A L I A N L O C A L G O V E R N M E N T A S S O C I A T I O N

A L G A

Who and What is ALGA

- A federation of Australia's state and territory local government associations (whose own members are councils). The ACT Government is also a member of ALGA
- ALGA has existed since 1947. Its key purpose is to be the voice of local government nationally
- It is a voting member of COAG
- ALGA's roles include:
 - Providing submissions to Federal Parliamentary Inquiries and Australian Government reviews



The Henry Tax Review

- The 'Australia's Future Tax System' review, to be chaired by Dr Ken Henry AC, was announced by the Australian Government in the 2008-09 Budget
- The announcement followed calls from a wide range of stakeholders (including ALGA) for such a review
- The Henry Tax Review Terms of Reference have the objective of creating a tax-transfer structure to position Australia for the demographic, social, economic and environmental challenges of future decades
- The Review was described by the Australian Government as 'the most comprehensive review of Australia's tax-transfer system since World War 2'

The Review Process

- In August 2008, Australian Government Treasury released a paper on Australia's Tax Architecture (first round submissions)
- In December 2008, the Tax Review Panel released its consultation paper (second round submissions)
- The Tax Review Panel is undertaking public consultations (January to June 2009)



What did ALGA say?

Round One

- ALGA lodged a 'first round' submission, which canvassed 10 key points, including:
 - The 'place' of local government in Australia's federal system;
 - The nature of local government's taxation base (there is only one - rates);
 - The importance of this taxation revenue;
 - The constraints and restrictions that compromise the base;
 - Alternative sources of own-source revenue;
 - Financial sustainability of the sector;
 - Importance of intergovernmental grants, especially general purpose payments (Financial Assistance Grants, or 'FAGs') from the Commonwealth;
 - Insufficiency of current FAGs quantum and outdated methodology.
- The submission was assisted by separate work commissioned by ALGA from Dr Peter Abelson of Applied Economics.



What were ALGA's main conclusions?

- Rates based on property meet all the criteria for good tax design: fairness, efficiency, simplicity, transparency and adequacy/sustainability
- Local government is maximising its potential to raise own-source revenue, **but** Commonwealth funding is required for general purposes and to assist with infrastructure renewals
- FAGs are insufficient and need to be reformed



What was the outcome of Round One?

- The Review Panel consultation paper (December 2008) drew on 500 formal submissions, to ask further questions about the tax-transfer system (due 1 May 2008)
- Said Terms of Reference did not include 'matters relating to the roles of different levels of government, the quantum of intergovernmental grants and horizontal equalisation'
- However, seems to 'approve' local government taxation (rates) from tax design principles perspective



What did ALGA say? Round Two

- ALGA lodged a second round submission highlighting its interpretation of the Terms of Reference
- ALGA will attend the Tax Conference convened by the Review Panel in June 2009
- ALGA will continue advocating for reforms, including at the National General Assembly (June 2009)

Thank you



AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

ALGA