

RESPONSE TO QUESTIONS TAKEN ON NOTICE – PAEC 2018-19 BUDGET ESTIMATES HEARING

Hon Tim Pallas MP

TREASURY PORTFOLIO

1. In relation to the *Victorian Major Stadia Funding Program* output initiative, when was the agreement between the Government and the AFL signed?

(Asked by Mr O'Brien, page 9 of the Treasury portfolio transcript)

The agreement between the Government and the AFL, as part of the Victorian Major Stadia Funding Program, was signed on 13 April 2018.

2. With regards to the *Community sports infrastructure loans* output initiative, what is the interest rate for these loans?

(Asked by Mr O'Brien, page 13 of the Treasury portfolio transcript)

Loans through the scheme will be benchmarked to the Treasury Corporation of Victoria's (TCV) borrowing rate at the date of contract execution. As of 1 June 2018, the interest rate for a 10 year loan from TCV was 3.20% (inclusive of administrative costs). The TCV borrowing rates are subject to market fluctuations.

In addition to accessing a low interest rate loan from the Treasury Corporation of Victoria, the Victorian Government will make interest payment subsidies that will further reduce the effective interest rate paid by borrowers. The budget and forward estimates provide \$5 million in funding for interest subsidies. It's anticipated that this subsidy will reduce the interest rate paid by approximately 50 per cent.

3. With regards to the revenue from the 'Electronic gaming machines' and the first instalment of the poker machine licence payments for 2022 to 2042 (which was payable on 28 February 2018):
- Indicate if this first instalment is included in the revenue item 'Electronic gaming machines' in Budget Paper No.3, p.142
 - If not, indicate where this payment is located in the budget papers.

(Asked by Ms Patten, pages 15-16 of the Treasury portfolio transcript)

The Government is currently in the process of allocating EGMs for the post 2022 term through an administrative process. Deposits amounting to approximately \$56 million or about 5 per cent of the total estimated premium amount were received in February 2018. These deposits are currently not reflected in the 2018-19 Budget Papers. Deposits collected from unsuccessful applicants will be refunded.

4. Where are the payments regarding the 10-year licence extension provided to the Tattersall's lottery and Tabcorp's \$120 million payment for that located in the budget papers?

(Asked by Ms Patten, page 17 of the Treasury portfolio transcript)

The \$120 million payable for the public lotteries licence post 2018 will be received on 1 July 2018. The revenue has been amortised over the 10 year licence period (\$12 million per year) and is reflected in the public lotteries gambling revenue line in Budget Paper 5, Table 4.2, page 142.

5. Please provide details of the academy for special projects.

(Asked by Ms Patten, page 17 of the Treasury portfolio transcript)

The Victorian Government has committed \$1.6 million through the 2018-19 State Budget to build capability and support delivery of Victoria's major infrastructure projects through the establishment of a major projects leadership program (working title - the *Victorian Major Projects Leadership Academy*).

The development of a program focused on the leadership of major projects recognises the important and increasingly complex nature of public infrastructure delivery roles.

Office of Projects Victoria is leading the development and procurement of the program which will be delivered in partnership with a provider of executive education.

The program will target *current and emerging project delivery leaders* working on major infrastructure projects or programs across all Victorian infrastructure delivery agencies (including those delivering transport, social, sporting and cultural infrastructure).

The program supports the Government's Public Sector Reform Strategy to build the capabilities required of a modern public service. It also recognises the unprecedented level of project delivery underway in Victoria at present.

Key outcomes and objectives of the program include:

- Ensure fundamental project procurement and delivery experience, skills and capabilities are clearly articulated, understood and available to service Victoria's major projects pipeline;
- Enable and foster cross-departmental, cross-jurisdictional and cross-generational collaboration, knowledge-transfer and capability-building to support the consistent, successful delivery of major projects into the future;
- Support the transference of lessons learnt from strengths and weaknesses identified in past project processes and outcomes, and to set benchmarks for baseline best practice for Victoria's major projects;
- Help develop the next generation of senior executive project leaders, and ensure they are equipped to deal with an increasingly complex portfolio of major projects in a complex, dynamic global environment; and
- Build the depth and diversity of the senior executive project leadership pool within government to ensure project processes and outcomes that are relevant to the Victorian community.

OPV is currently completing a competitive tender for a provider to deliver the program.

It is expected that two cohorts of 25 project leaders will take part in an initial two-year pilot program with a formal evaluation to monitor the impact of the program.

6. How will the reduction of the payroll tax rate for regional employers to 2.425 per cent lead to further investment in job creation?

(Asked by Ms Shing, page 19 of the Treasury portfolio transcript)

The reduction in the payroll tax rate from 1 July 2018 will lower the payroll tax burden for regional employers, allowing them to invest and expand in other parts of their business. This may lead to more employment opportunities for Victorians, such as through the creation of new positions or through additional hours offered to existing staff.

7. How much will the 'spousal stamp duty' raise in 2018-19 and across the forward estimates period?

(Asked by Mr Smith, page 20 of the Treasury portfolio transcript)

The land transfer duty exemption on transfers between spouses of properties that are not principal places of residences, and that are not the result of a relationship or marriage breakdown, was removed from 1 July 2017. The measure was forecast in the *2017-18 Budget*, which indicated the measure is expected to raise \$20 million per year across the forward estimates.

8. How much will the vacant residential property tax raise in 2018-19 and across the forward estimates period?

(Asked by Mr Smith, page 20 of the Treasury portfolio transcript)

The vacant residential land tax (VRLT) was introduced in the 2017-18 Budget and commenced from 1 January 2018. As stated in the 2017-18 Budget Paper No. 3, Chapter 1, the estimated revenue from the vacant residential land tax is as follows:

	2017-18	2018-19	2019-20	2020-21
Introduce a Vacant Residential Property Tax	10.0	20.0	25.0	25.0

9. In relation to the vacant residential property tax and the 'spousal stamp duty', can the Department please provide:
- a breakdown of the number of individual taxpayers who have paid these taxes
 - the location of the taxpayers by suburb or postcode
 - the proportion of these taxpayers who are Australian citizens.

(Asked by Mr Smith, page 22 of the Treasury portfolio transcript)

Vacant residential land tax (Vacant residential property tax):

a. a breakdown of the number of individual taxpayers who have paid these taxes

In June 2018, the SRO commenced issuing assessment notices for the 2018 land tax year. To date, around 340 assessments have been issued, with further assessments pending.

b. the location of the taxpayers by suburb or postcode

The breakdown of taxable properties being assessed by Local Government Area as at 20 June 2018 is as follows (some assessments are still pending to be issued):

Municipalities	Number of Taxable VRLT Properties (as at 20 June 2018)
MELBOURNE	121
STONNINGTON	86
GLEN EIRA	36
BOROONDARA	35
PORT PHILLIP	28
MARIBYRNONG	28

YARRA	21
MONASH	14
MOONEE VALLEY	14
HOBSONS BAY	13
WHITEHORSE	13
BAYSIDE	12
DAREBIN	11
MANNINGHAM	10
MORELAND	9
BANYULE	8
Total	459

- c. *the proportion of these taxpayers who are Australian citizens.*

The SRO does not collect information in relation to taxpayers' citizenship status as it is not relevant for the administration of the tax.

Spousal stamp duty:

- a. *a breakdown of the number of individual taxpayers who have paid these taxes*

Based on SRO information there have been 129 transactions where duty has been assessed on spousal transfers for the period of 1 July 2017 to 31 May 2018.

- b. *the location of the taxpayers by suburb or postcode*

The 129 transactions where duty has been assessed on spousal transfers for the period of 1 July 2017 to 31 May 2018 are spread across more than 53 municipalities. Due to sensitivity of the data, location by suburb or postcode is unable to be provided.

- c. *the proportion of these taxpayers who are Australian citizens.*

Based on SRO data, there was only one spousal transfer where duty has been assessed for the period 1 July 2017 to 31 May 2018 where foreign purchaser additional duty was also assessed. This indicates the remaining spousal transfers were undertaken by non-foreign purchasers.

10. How can the Government increasing the tax-free threshold and cutting payroll tax for regional employees; wages expected to rise modestly; employment expected to fall slightly be reconciled with the Government expecting payroll tax receipts to grow by an average of 5.3 per cent per year?

(Asked by Ms Pennicuik, page 23 of the Treasury portfolio transcript)

As outlined on page 150 of Budget Paper 5, the forecast for payroll tax revenue growth is underpinned by an expected continuation of strong labour market conditions, continued above trend employment growth and an acceleration of growth in Victorian wages across the outlook. The forecast accounts for new policy changes to payroll tax (such as the increase to the tax-free threshold and reduction in the regional payroll tax rate) that take affect from 2018-19.

11. In relation to the payments received from the National Health Reform Agreement:

- a. Provide the exact amounts, within 'Other grants for specific purposes', for 2018-19 and across the forward estimates period

Payments received under the NHRA are forecast to be \$5 323 million for 2018-19. This amount is included within 'Other grants for specific purposes' in Table 4.3 in the *2018-19 Budget*. For 2018-19, 'Other grants for specific purposes' is forecast to total \$11 847 million, with the balance largely comprised of Commonwealth funding for public schools, infrastructure projects and social services.

Payments for 'Other grants for specific purposes' over the forward estimates represent an estimate of aggregate funding to be received under a large number of Commonwealth funding agreements, many of which are subject to renegotiation over the forecast and projection period. Assumptions used to inform these estimates are therefore generally consistent with the approach adopted in the most recent Commonwealth Budget publication.

- b. For the out years (that is, the forward estimates period), please explain how these amounts have been calculated and what these assumptions are with respect to the National Health Reform Agreement

The Commonwealth contribution to hospital services under the NHRA is estimated based on the anticipated growth in State investment and resultant growth in hospital activity.

- c. Are the assumptions in the out years based on the existing health agreement, the health agreement that is being proposed by the Commonwealth or some other formula?

The assumptions used to estimate Commonwealth contributions to funding for hospital services under the NHRA are consistent with the approach adopted in the 2017-18 Commonwealth Mid-Year Economic and Fiscal Outlook, maintained in the 2018-19 Commonwealth Budget.

(Asked by Mr O'Brien, page 26 of the Treasury portfolio transcript)

12. What long-term modelling (beyond 4 years) does DTF undertake? What does this modelling show, particularly in the area of health?

(Asked by Ms Patten, page 28 of the Treasury portfolio transcript)

(Asked by Mr O'Brien page 11 of the Resources portfolio transcript)

DTF undertakes long-term modelling as required in providing advice to Government on a range of policy matters, with input from relevant portfolio agencies. This includes assessing the medium-term economic and fiscal impact of Government policies and proposals, and assessing underlying long-term cost drivers in particular service delivery areas as necessary, including in the area of health.

This analysis is conducted from time to time in the provision of policy advice to Government, and helps to inform medium term projections and forward planning of the State's operating and asset position.