

## **EXPLANATORY STATEMENT**

### **Select Legislative Instrument 2006 No. 258**

Issued by the Authority of the Treasurer

*A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*

*A New Tax System (Commonwealth-State Financial Arrangements) Amendment Regulations 2006 (No. 1)*

Section 23 of the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999* (the Act) provides that the Governor-General may make regulations prescribing matters required or permitted by the Act to be prescribed, or necessary or convenient to be prescribed, for carrying out or giving effect to the Act.

Section 4 of the Act provides that ‘transitional GST year’ means a GST year commencing on or before 1 July 2002 or a later prescribed GST year.

Under clause 10 of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA), the Australian Government guarantees that, in each of the transitional years following the introduction of the GST, the budgetary position of each individual State or Territory will be no worse than it would have been had the reforms of the IGA not been implemented. Where required, transitional assistance, also known as Budget Balancing Assistance, is paid to ensure the States and Territories are no worse off due to tax reform.

The transitional years were originally defined under the Act to cover the period from 1 July 2000 to 30 June 2003. A regulation was made at the end of this period to extend the transitional arrangements to 30 June 2006.

The amending Regulations extend the transitional period under the Act to include the years 2006-07, 2007-08 and 2008-09. This extension gives effect to the Australian Government’s commitment to the States and Territories to extend the transitional period as part of the agreement to abolish the next tranche of IGA-listed taxes. Given current estimates, it is not anticipated that Budget Balancing Assistance will be required.

The Regulations commenced on the day after they were registered.