

THE BUDGET

The budget is the government's annual statement of income and expenditure.

Section 81 in the Constitution says that all monies collected by the Commonwealth must be paid into the Consolidated Revenue Fund. Section 83 of the Constitution says that money in this fund can only be spent with the agreement of the Parliament. While the executive government collects and spends the money, the Parliament has ultimate responsibility for government finances, and collection and expenditure only occurs with the agreement of the Parliament.

The budget is a collection of financial documents. The main documents detail:

- the government's assessment of the national economy
- the government's priorities and policies for the coming year
- how the government intends to raise money (taxes)
- how much money is expected to be raised
- how the government intends to spend this money, and
- the specific allocation of funds to departments and programs.

The budget documents are prepared and presented to the Parliament by the Treasurer and the department of Treasury. They begin the process early each year. The Treasurer works with the other Cabinet members to develop the spending policies, priorities and amounts for each department of the government. The Cabinet finally approves the budget which is then introduced into the House of Representatives by the Treasurer in May each year. The budget bills are called Appropriation Bills (No 1) and (No 2). There are other bills as well.

Members and senators debate, scrutinise and eventually pass the bills. The Senate also scrutinises the budget later in estimates committees. Senate estimates committees scrutinise the ministers and senior public servants in each department to investigate how government funds have been collected and spent. This happens twice each year, usually in June and December.

The figures overleaf show some of the sources of government income and a few of the many ways in which the government spends its money. These figures are for 2003-2004.

...continued overleaf

Government revenues

Direct taxes

- \$142 billion (includes personal income tax \$98.7 billion, company tax \$36.3 billion)

Indirect taxes

- \$27.6 billion (includes customs duties \$5.6 billion, fuel excise \$13.5 billion)

Total income \$187.6 billion

Government expenses

The government spends money on many things but the major expenses are for a few departments with big programs. These include:

- Twice a year, the Parliament scrutinises how the government has spent these funds.
- Defence \$12.9 billion
- Education \$13.3 billion
- Health \$31.7 billion
- Social Security \$80.1 billion

Total expenses \$181 billion

The government also collects \$34.1 billion of GST funds which are handed over directly to the States and territories in the following amounts:

ACT	\$0.6 billion
NSW	\$9.6 billion
NT	\$1.6 billion
QLD	\$6.5 billion
SA	\$3.1 billion
TAS	\$1.3 billion
VIC	\$6.9 billion
WA	\$3.1 billion

The states and territories receive a major part of their income from the Australian Government. For example, in 2004-2005 the New South Wales government planned to receive \$15.7 billion or about half its total income of \$38.5 billion from the Commonwealth. \$9.7 billion of this grant came from the GST which is collected by the Commonwealth on behalf of all the states and territories.