

# **Explanatory Statement**

## **FINANCIAL INTEGRITY AND REVENUE LEGISLATION AMENDMENT BILL 2021**

### **SERIAL NO. 23** **LEGISLATIVE ASSEMBLY OF THE** **NORTHERN TERRITORY**

**TREASURER**

#### **GENERAL OUTLINE**

The Bill amends the *Financial Management Act 1995*, the *Fiscal Integrity and Transparency Act 2001*, and the *Racing and Betting Act 1993*. The purpose of the Bill is to strengthen agency budget management and accountability, introduce a debt ceiling, and reform gambling taxation arrangements for licensed bookmakers and betting exchange operators.

#### **NOTES ON CLAUSES**

##### **PART 1 – PRELIMINARY MATTERS**

###### **Clause 1. Short Title**

This is a formal clause, which provides for the citation of the Bill. The Bill when passed will be cited as the *Financial Integrity and Revenue Legislation Amendment Act 2021*.

###### **Clause 2. Commencement**

The Act commences on 1 July 2021.

##### **PART 2 – AMENDMENT OF THE *FINANCIAL MANAGEMENT ACT 1995***

###### **Clause 3. Act amended**

This Part amends the *Financial Management Act 1995*.

###### **Clause 4. Section 9 amended (Treasurer's annual financial statement)**

This clause amends section 9 of the *Financial Management Act 1995* to make minor amendments to the public release and tabling requirements for the Treasurer's Annual Report, to align them with the requirements in the *Fiscal Integrity and Transparency Act 2001*.

Subclause (1) replaces the existing section 9(1).

The new section 9(1) provides that the Treasurer must publicly release and table in the Legislative Assembly an annual financial statement for each financial year, in the form the Treasurer considers appropriate, within 4 months after the end of the financial year.

The new section 9(1A) provides that if the Legislative Assembly is not sitting when an annual financial statement is publicly released, the statement must be tabled in the Legislative assembly when it next sits.

Subclause (2) removes section 9(5), meaning that the Administrator will no longer have the power to determine another period for the financial year.

**Clause 5. Section 10 amended (Annual financial statements of Government Business Divisions)**

This clause amends section 10 of the *Financial Management Act 1995* to make minor amendments to the public release and tabling requirements for the annual financial statements of Government Business Divisions, to align them with the requirements in the *Fiscal Integrity and Transparency Act 2001*.

Section 10(1) is amended to update the wording of the clause in line with current drafting practices. It requires that the Accountable Officer of an agency responsible for a Government Business Division must prepare a financial statement in respect of the Government Business Division:

- a) Within 2 months after the end of the financial year; or
- b) By the end of another period determined by the Treasurer.

The revised section 10(4) provides that the Minister must publicly release and table in the Legislative Assembly the financial statement and the Auditor-General's report within 4 months after the end of the financial year.

Section 10(5) is a new subsection that provides that if the Legislative Assembly is not sitting when the financial statement and the Auditor-General's report are released under subsection (4), the statement and the report must be tabled in the Legislative Assembly until it next sits.

**Clause 6. Section 11 amended (Other financial statements)**

This clause amends section 11 of the *Financial Management Act 1995* to make minor amendments to the public release and tabling requirements for other financial statements.

Subclause (1) makes a minor amendment to section 11(1), removing "him or her" and inserting "the Accountable Officer".

Subclause (2) amends section 11(1) to omit "or another financial reporting period determined by the Treasurer".

Subclause (3) revises section 11(2) to state:

The financial statement of the financial year must be in the form the Treasurer directs and must be prepared:

- a) Within 2 months after the end of the financial year; or
- b) By the end of another period determined by the Treasurer.

Subclause (4) replaces section 11(4) and provides that The Minister must publicly release and table in the Legislative Assembly the financial statement and the Auditor-General's report within 4 months after the end of the financial year or another period determined by the Treasurer.

It also inserts a new section 11(5) which provides that if the Legislative Assembly is not sitting when the financial statement and the Auditor-General's report are released under subsection (4), the statement and the report must be tabled in the Legislative Assembly when it next sits.

### **Clause 7. Section 14 amended (Money to be committed by Accountable Officer)**

The clause amends section 14 of the *Financial Management Act 1995* to require the Accountable Officer of an Agency must not commit money for expenditure beyond the Agency's approved budget. It inserts the following new subsections after section 14(3):

Section 14(4) provides that the Accountable Officer of an Agency must not commit money for expenditure if the expenditure would result in the Agency exceeding the Agency's final approved budget for the financial year.

Section 14(5) states that despite subsection (4), the Accountable Officer may commit money for expenditure in a financial year in excess of the Agency's final approved budget for the financial year if the Accountable Officer believes on reasonable grounds that the Agency will receive revenue that is equal to or greater than the value of the excess expenditure.

Section 14(6) provides that subsection (4) does not apply in relation to money committed for expenditure that the Treasurer considers is eligible, in accordance with the Treasurer's Directions issued under section 38, for a portion of the Treasurer's Advance.

Section 14 (7) inserts the definition of "expense budget", "final approved budget" and "non-cash items".

### **Clause 8. Section 40 repealed (Offences)**

This clause repeals section 40 of the *Financial Management Act 1995*, which was an ineffective offences clause. A separate Chief Executive Code of Conduct has been introduced from 1 July 2021 to manage compliance with the accountable officer requirements under the *Financial Management Act 1995*.

## **PART 3 – AMENDMENT OF THE *FISCAL INTEGRITY AND TRANSPARENCY ACT 2001***

### **Clause 9. Act amended**

This Part amends the *Fiscal Integrity and Transparency Act 2001*.

### **Clause 10. Schedule amended (Fiscal integrity and transparency framework)**

This clause amends the Schedule to the *Fiscal Integrity and Transparency Act 2001* to include a debt ceiling, by way of a limit on the Territory's borrowings, excluding finance leases.

Subclause (1) amends clause 3(1) of the fiscal integrity and transparency framework schedule to insert a borrowing amount limit.

Subclause (2) inserts a new clause 5(1)(ca) to the schedule, which states the Government must ensure that the Territory's borrowings, excluding leases, in relation to the Territory non-financial public sector does not exceed \$15 billion (the **borrowing amount limit**).

Subclause (3) inserts a new clause 5(3) to the schedule, which defines the term borrowing.

Subclause (4) inserts new clauses 5A and 5B to the schedule. Clauses 5A (1) and 5A (2) specify the emergency, disaster and public health events under which the Treasurer, by Gazette notice, may suspend the borrowing amount limit for 12 months.

Clauses 5B(1) to 5B(3) specify the circumstances under which Treasurer must prepare a report on the borrowings limit, what details it must include, and when the report must be tabled.

## **PART 4 – AMENDMENT OF THE *RACING AND BETTING ACT 1983***

### **Clause 11. Act amended**

This Part amends the *Racing and Betting Act 1983*.

### **Clause 12. Section 106 amended (Bookmaker's liability to pay tax)**

Clause 12 amends Section 106 to introduce changes to taxation of licensed bookmakers.

Subclause (1) amends subsection 106(1)(b) to reduce the rate of tax paid by bookmakers on gross monthly profits from 10% to 5%.

Subclause (2) amends Section 106(2) to insert “sports” before “bookmaker”.

Subclause (3) replaces existing subsection 106(2)(a) to increase the maximum amount of tax payable by a bookmaker in a financial year from 500 000 to 1 000 000 revenue units.

Subclause (4) omits subsection 106(7), which excluded certain types of betting from bookmakers' gross monthly profits. The change includes betting profits derived from all other events, including sporting events (in addition to horseracing, trotting, and greyhound racing), in the gross monthly profit of a bookmaker, in effect subjecting those profits to bookmaker tax.

### **Clause 13. Section 109Z amended (Liability to pay tax)**

Clause 13 amends Section 109Z to introduce equivalent changes to taxation of licensed betting exchange operators.

Subclause (1) amends subsection 109Z(1) to include commission derived from bets placed on all events, including sporting events (in addition to horse racing, trotting and greyhound racing), in the gross monthly profits of a betting exchange operator.

Subclause (2) amends subsection 109Z(2)(b) to reduce the rate of tax paid by betting exchange operators on gross monthly profits from 10 to 5 per cent.

Subclause (3) amends subsection 109Z(3)(a) to increase the maximum amount of tax payable by a betting exchange operator in a financial year from 500 000 to 1 000 000 revenue units.

### **Clause 14. Part X, Division 5 inserted**

Clause 14 inserts new Part X, comprising new Division 5, section 172, to provide transitional arrangements supporting the introduction of the *Financial Integrity and Revenue Legislation Amendment Act 2021*.

The new section 172 provides that the amendments made by this Bill apply only in relation to tax payable for a calendar month starting on or after 1 July 2021.

## **PART 5 – REPEAL OF ACT**

### **Clause 15. Repeal of Act**

This clause provides for the repeal of the *Financial Integrity and Revenue Legislation Amendment Act 2021* on the day after it commences.