



PARLIAMENT OF AUSTRALIA
HOUSE OF REPRESENTATIVES

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Federal Govt taxing of water compensation mean & tricky

Member for New England, Tony Windsor has described the Federal Government's decision to tax water compensation payments to groundwater water users affected by cutbacks in water entitlement as 'mean and tricky'.

"Taxing compensation payments is another breach of the original 1994 COAG (Council of Australian Governments) Agreement.

The 1/3 State, 1/3 Federal, 1/3 Irrigator structural adjustment process was part of the recommendations of the Namoi Groundwater Taskforce that I chaired in 2000-01.

The Federal Government has now told irrigators that any money received as compensation for the loss of water entitlement will be treated as taxable income.

This will mean that in most cases that the Federal Government's 1/3 contribution will be returned as tax receipts to the Government and irrigators will lose the benefit which was supposed to assist adjustment to a policy change.

So it will cost the Federal Government nothing – they will give it in one hand through their contribution to the compensation package and then they will take it back with the other hand through taxing it as income.

This is mean and tricky treatment of a group of people being impacted on through no fault of their own by a change in Government policy for the public good," Mr Windsor said.

Mr Windsor says that the 1994 COAG Agreement that put in place the National Competition Policy Payment structure for reform in water policy was signed on the basis that water entitlement holders would have their property rights protected and if removed or reduced that compensation would follow.

"Various Commonwealth Agreements, Inter-governmental agreements and catchment blueprints and most lately the National Water Initiative (NWI) have promised compensation but nothing has materialised.

For 11 years, the Federal Government has doled out billions of dollars in National Competition Payments to the States when the fundamental rights of those impacted on by the reform have been essentially ignored.

All the noise and promises by the Federal and State Governments over the years about this issue has been nothing but hot air on the property rights issue," Mr Windsor said.

Mr Windsor said "the National Water Initiative process was at risk of losing its credibility if those being affected by changes for the so called "national good" are continually sidelined.

The amendments to the NSW Water Act passed last night in the NSW Parliament could become another part of the continual moving of the goal posts for irrigators if not closely monitored."

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