



PARLIAMENT OF AUSTRALIA
HOUSE OF REPRESENTATIVES

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Media Release

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PM checking his text of taxing of water compensation payments

Independent Member for New England, Tony Windsor has questioned the Prime Minister on the taxing of water structural adjustment payments and has received an undertaking that he would check his text of his announcement made with the then NSW Premier, Bob Carr on June 9 this year.

QUESTIONS WITHOUT NOTICE - 7th Dec 2005 Water Management

Mr WINDSOR (2.39 p.m.)—My question is to the Prime Minister. It relates to the issue of compensation payable to water entitlement holders who will lose entitlement as part of the National Water Initiative process to achieve sustainable water use. Does the Prime Minister recall saying, on 9 June 2005, at the joint \$150 million Commonwealth-state-irrigator announcement with the then Premier, Bob Carr, to protect ground water in New South Wales:

You can't ask the farmers to take the financial hit of the investment in the changed practices without some help from the Government.

Prime Minister, it has been determined that the receipt of adjustment funds to farmers announced on that day will now be taxed as income even though the compensation is for loss of a capital asset for environmental good. Prime Minister, the government has the power to reverse this decision. Will you reconsider the government's position on this issue?

Mr HOWARD—I thank the member for New England for the question. I think, with respect, through you, Mr Speaker, I would say this to the member for New England: he has really raised two separate issues. The principles that I talked about when I made the announcement with the former New South Wales Premier canvassed the entitlement to compensation in circumstances where, say, some kind of natural event led to a loss of the water entitlement and also where, by contrast, a decision of government resulted in the water entitlement being cut back. I would have to check the text, but my recollection is that we laid down that in certain circumstances there could not be compensation and in other circumstances compensation would have to be shared or the cost would have to be shared between the government—the Crown—and the water holder.

As I understand the honourable member's question, it relates to a taxation ruling. Of course, that is a horse of a different colour. I will nonetheless look at what the honourable member has put to me. But, on the face of it, with a superficial understanding of what the honourable member is putting to me, I would not have thought that that quite fell into the category that I had in mind when I made that statement with Mr Carr.

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