

Appendix A – Notice of Intention to make a Determination



In accordance with section 24(1) of the Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019 (Vic) (the Act), the Tribunal hereby publishes notice of its intention to make a Determination in relation to Victorian Members of Parliament (MPs).

The Determination will review and set the value of the basic salary, additional salaries, work-related parliamentary allowances and the Electorate Office and Communications Budget (EO&C Budget) for MPs.

This Determination will take effect on 16 September 2019.

Details of the Tribunal's proposed Determination are set out below.

The Tribunal invites submissions from all persons and bodies, including any affected person, or class of affected persons, in relation to the proposed Determination. Information on how to make a submission is provided below.

What does the Determination cover?

The Tribunal will make its Determination setting the value of the following salaries and allowances and budget:

- basic salary
- additional salaries
- work-related parliamentary allowances
- EO&C Budget.

Additional salaries mean the salaries provided to specified parliamentary office holders as defined in the Act, such as the Premier, Deputy Premier, Ministers, and Leader of the Opposition.

Under the Act, work-related parliamentary allowances means:

- an electorate allowance
- any expense allowance

- a parliamentary accommodation sitting allowance
- a travel allowance
- a motor vehicle allowance
- any other prescribed allowance.

The Tribunal must also set a portion of the basic salary that is basic salary for the purpose of s10(1) of the Parliamentary Salaries, Allowances and Superannuation Act 1968 (Vic) at a value that is greater than \$158,560 and also set the method by which the portion will be indexed annually.

How will the Tribunal make its Determination?

The Act sets out the following requirements for the Tribunal when making its Determination. For MPs, the Tribunal must comprehensively review existing:

- basic salary
- additional salaries
- work-related parliamentary allowances
- other funding
- superannuation and pension arrangements.

The Tribunal must also consider or take into account:

- any current statement or policy of the Victorian Government in relation to its wages policy (or equivalent) and the remuneration and allowances of MPs
- the financial position and fiscal strategy of the State of Victoria
- current and projected economic conditions and trends
- submissions received in relation to the proposed Determination
- existing guidelines and rulings governing the use of work-related parliamentary allowances and the EO&C Budget, including any relevant rulings by the Australian Tax Office
- the salaries, allowances, roles and responsibilities of MPs in other Australian jurisdictions
- when setting the value of the electorate allowance, the Tribunal must take into account that the purpose of the electorate allowance is for costs associated with MPs providing services to their constituents.

The Tribunal may vary the additional salary for specified parliamentary office holders by the office held, including by the parliamentary committee of which an MP is a Chairperson or Deputy Chairperson.

Under the Act, the Tribunal must not set the basic salary higher than the basic salary for Commonwealth MPs (\$211,250 as at 1 July 2019).

The Tribunal may vary the value of a work-related parliamentary allowance according to the:

- area of the electorate represented by an MP
- number of electors represented by an MP
- place where an MP usually resides.

The Act requires that the Tribunal set the value of the electorate allowance at not less than \$20,000.

The Tribunal must ensure individual MPs are in an overall position that is no less favourable than the arrangements in place before making the Determination, taking into account the basic salary, additional salary, work-related parliamentary allowances, the EO&C Budget and superannuation and pension arrangements.

The first Determination for MPs may provide for any other matter the Tribunal considers relevant.

The Tribunal must include a statement of reasons in its Determination.

The Tribunal will publish on its website the research it has undertaken on the matters relevant to its Determination.

Submissions

The Tribunal invites all persons and bodies to make a submission about the matters to be determined by the Tribunal, including on the factors the Tribunal must take into account in making a Determination, as outlined above.

If you are a Member of Parliament, and you would like to make a submission please contact the Tribunal Secretariat at:

enquiries@remunerationtribunal.vic.gov.au

All other submissions may be made via this link. The link also contains a short questionnaire that you are encouraged to complete in addition to, or in place of, making a separate written submission.

To support interested parties in making a submission in relation to the proposed Determination, the Tribunal has summarised the matters it is required to consider in the making of its Determination of Victorian MP salaries and allowances.

Submissions must be made by 6pm on Thursday 22 August 2019.

Persons wishing to make a submission after 22 August 2019 must seek in writing from the Tribunal an extension of time for the making of their submission.

If you require assistance to make a submission, please contact the Tribunal Secretariat at enquiries@remunerationtribunal.vic.gov.au

Publication of submissions

The Tribunal may use information provided in submissions in its Determination.

All submissions will be published on this website, unless the person making the submission seeks confidentiality, or the submission contains information that is identified as commercially sensitive. In this instance, the submission will be published in a form which protects confidentiality or commercial sensitivity.

The Tribunal may remove identifying information from submissions if published.

Submissions that contain offensive or defamatory comments, or which are outside the scope of the Determination will not be published.

The Tribunal may receive a request under the Freedom of Information Act 1982 (Vic). Any such requests will be determined in accordance with that Act which has provisions designed to protect personal information and information given in confidence. Further information can be found at the Office of the Victorian Information Commissioner

Victorian Independent Remuneration Tribunal

Matters being considered by the Tribunal in the making of its Determination of Victorian Member of Parliament salaries and allowances

The Victorian Independent Remuneration Tribunal (Tribunal) is required to make a Determination in relation to Victorian Members of Parliament (MPs).

The Determination will review and set the value of the basic salary, additional salaries, work-related parliamentary allowances and the Electorate Office and Communications Budget (EO&C Budget) for MPs.

This Determination will take effect on 16 September 2019.

Under s17 and s24 of the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019* (VIRTIPS Act), the Tribunal is required to consider a number of matters prior to making a Determination. These matters include:

- the salaries, allowances, roles and responsibilities of MPs in other Australian jurisdictions (s17(3)(b))
- existing guidelines and rulings governing the use of work-related parliamentary allowances and the EO&C Budget, including any relevant rulings by the Australian Tax Office (ATO) (s17(3)(c))
- existing basic salary, additional salaries, work-related parliamentary allowances and other funding and superannuation and pension arrangements (s17(5)(a))
- any current statement or policy of the Victorian Government in relation to its wages policy (or equivalent) and the remuneration and allowances of MPs (s24(2)(a))
- the financial position and fiscal strategy of the State of Victoria (s24(2)(b))
- current and projected economic conditions and trends (s24(2)(c))
- submissions received in relation to the proposed Determination (s24(2)(d))

The Tribunal has invited all persons and bodies to make a submission in relation to the Determination of MP salaries and allowances. These submissions will be published on the Tribunal's website and may be viewed by interested parties. Information on how to make a submission is available on the Tribunal's [website](#). To assist interested parties to make a submission to the Tribunal on the proposed Determination, a summary of these matters is set out below.

Overview of the roles and responsibilities of Members of the Parliaments of the Commonwealth, States and the Territories

Role of a Member of Parliament

The role of an MP has common characteristics across Australian jurisdictions encompassing:

- electorate responsibilities
- parliamentary duties
- party responsibilities (with the exception of Independents).

The Tribunal is engaging with Victorian MPs to understand how they carry out their duties and their engagement with the community. The Tribunal is also looking at similar reviews conducted by remuneration tribunals in other Australian jurisdictions, primarily the Commonwealth, Queensland and the Australian Capital Territory (ACT), as well as the report of the *Independent Review of the Salary Entitlements, Allowances and Other Arrangements for Victorian Members of Parliament* undertaken by Malcolm Hazell CVO AM. The Tribunal is also considering relevant ATO tax rulings. Some of the findings and themes of this research on the role of an MP is outlined below.

Working in the electorate

MPs are the representatives of all the constituents in their electorate. The ways in which MPs typically serve their constituents includes:

- giving assistance and advice
- acting as an advocate for local interest groups
- being a communicator for their party's policies
- playing an active community role
- helping constituents to navigate between local, state and commonwealth governments.

Working in the Parliament

An MP's parliamentary functions may include:

- voting on and debating proposed new legislation

- scrutinising the actions of the government and government departments as members of parliamentary committees
- participating in general debates in the Chamber
- attending parliamentary party meetings
- performing other duties within the parliamentary precinct, such as Deputy Speaker roles.

Political party activities

Most MPs belong to a political party and are expected to contribute to the development and amendment of their party policies. At the start of each parliamentary sitting week, MPs (except for Independent MPs) will typically attend their respective party meetings where they will:

- plan strategies
- develop policies
- scrutinise proposed legislation
- discuss parliamentary business.

In their electorates, an MP's party responsibilities may include:

- attending branch party meetings
- keeping their fellow party members well informed on policy decisions and other relevant information
- representing the party at the electorate level.

Differences in roles

No two parliaments across Australia are identical. There are some parliaments, such as Queensland, which only have a single Chamber, known as a unicameral parliament. Other differences between parliaments include the size of the population, the number of MPs elected to the parliament, the matters which the parliament is responsible for legislating on and the size of the economy.

Some of the differences between the responsibilities of MPs are discussed below.

Commonwealth MPs

The parliamentary work of Commonwealth MPs primarily focuses on matters of national importance. The Australian Constitution sets out the matters in relation to which the Commonwealth Parliament may create legislation, including:

- foreign affairs and trade
- military and defence
- taxation
- immigration
- currency.

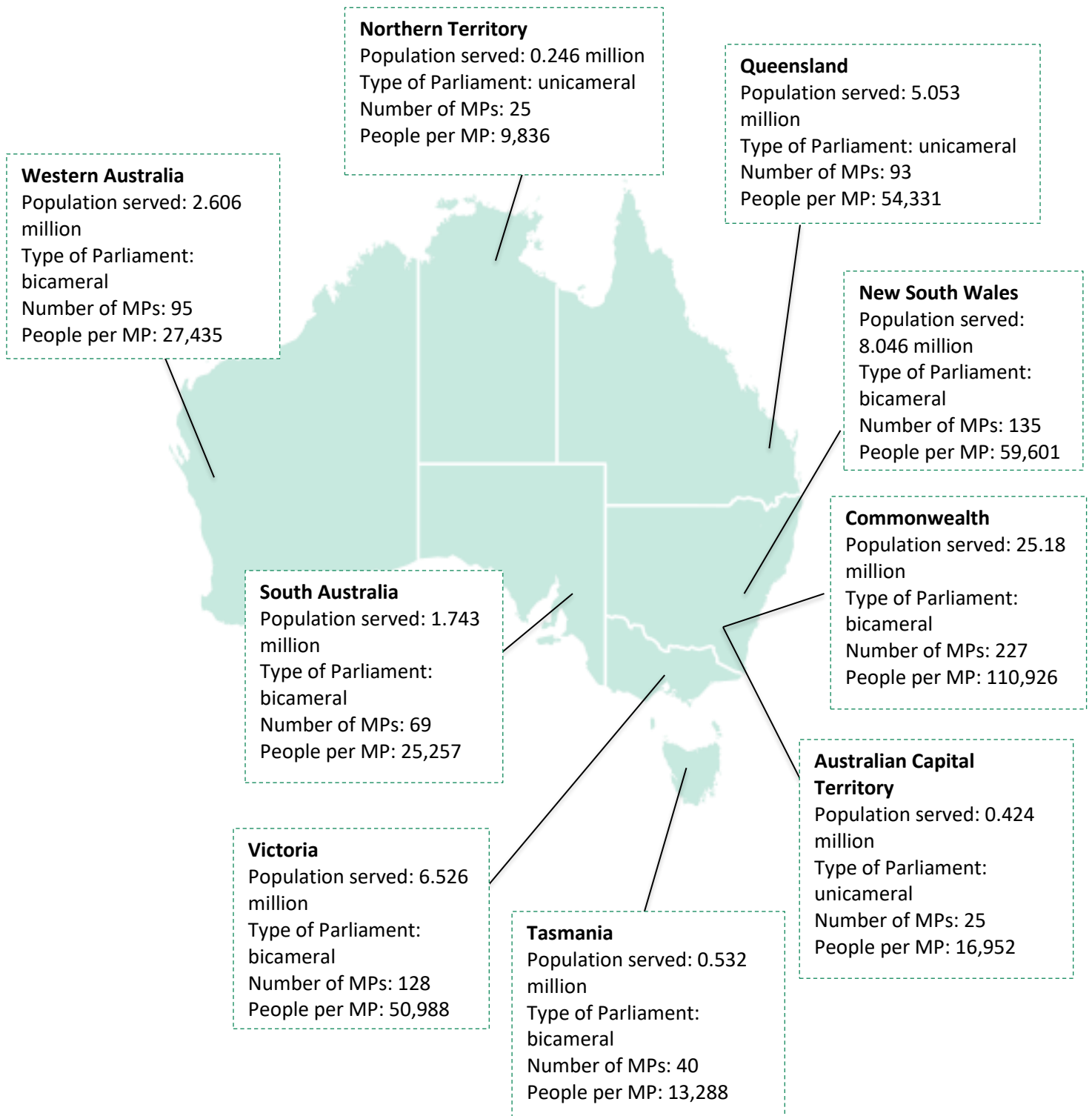
Commonwealth MPs represent more population per head than any other jurisdiction, around 110,000 per MP (figure 1). They also represent some of the largest electorate areas across jurisdictions.

MPs in unicameral parliaments

The Parliaments of Queensland, the ACT and the Northern Territory are unicameral. This means that there is only one House of Parliament, unlike all other Australian jurisdictions which have a lower House and an upper House.

In the ACT, the responsibilities of MPs also extend to fulfilling the functions typically handled by a local council. Municipal issues such as roads, rates and waste management are dealt with in the ACT Parliament.

Figure 1 – Jurisdiction comparison of people per MP*



* Note: 'People per MP' has been calculated by dividing the population served by the number of MPs. It is not a measure of the average number of constituents served.

Existing remuneration framework for Victorian Members of Parliament

MP remuneration may be broadly split into two categories:

- salary (including superannuation)
- allowances, which are designed to cover some of the costs to MPs of carrying out their work.

These items are outlined further below.

In addition, all MPs have access to an EO&C Budget. MPs are permitted to use this Budget for:

- communicating with their constituents
- funding the operating costs and maintenance of their electorate office.

Salary

Salary comprises a ‘basic salary’, payable to every MP, and an ‘additional salary’ which is paid only to MPs who hold certain additional offices. The value of the additional salary varies according to the office held. For MPs holding more than one additional office, only one additional salary is payable at any one time.

The *Parliamentary Salaries and Superannuation Act 1968* (PSS Act) sets the basic salary and additional salaries for MPs in Victoria.

Table 1 – Parliamentary salaries as at 1 July 2019

Component	Eligibility	Amount
Basic salary	All MPs	\$163,189 per year
Additional salary	Certain office holders (e.g. Premier, Deputy Premier, Leader of the Opposition, Ministers, Speaker, Whips)	<ul style="list-style-type: none">▪ Calculated as a percentage of basic salary▪ Percentage varies from 4 to 100 per cent according to the office held

Source: PSS Act ss3 and 6.

Additional salary

As well as carrying out their roles and responsibilities as an MP, many members of the Victorian Parliament hold additional offices. These MPs are known as specified parliamentary office holders and are paid an additional salary in recognition of their greater roles and responsibilities.

Ministers, including the Premier and Deputy Premier, are members of the executive and are appointed by the Governor. Ministers make up the Cabinet and along with the Governor, perform the functions of the Executive Government.

Parliamentary office holders are either appointed or elected by their respective Chamber – the Legislative Assembly or Legislative Council – or their political party. These office holders, along with all MPs, perform the functions of the Legislature.

Specified parliamentary office holders have additional responsibilities such as the preparation and introduction of government Bills, managing the sittings of the Parliament and ensuring the business of the government is undertaken during each sitting.

The additional salary recognises the extra roles and responsibilities placed on specified parliamentary office holders compared with MPs who do not hold an office.

In Victoria, 102 MPs hold a specified parliamentary office, including 20 Ministers plus the Premier and Deputy Premier, 15 Parliamentary Secretaries, 22 Shadow Ministers and 15 Chairs and 15 Deputy Chairs of parliamentary committees.

Table 2 sets out the offices and the additional salaries both as a percentage of the basic salary and as numerical values as at 1 July 2019.

Table 2 – list of specified parliamentary office holders and their additional salary as a percentage and numerical values as at 1 July 2019

Role	Additional salary as a percentage of basic salary	Additional salary as a dollar amount
Premier	100	\$ 163,189
Deputy Premier	85	\$ 138,711
Any other responsible Minister of the Crown	75	\$ 122,392
Leader of the Opposition	75	\$ 122,392
President	65	\$ 106,073
Speaker	65	\$ 106,073
Deputy President	20	\$ 32,638
Deputy Speaker	20	\$ 32,638
Deputy Leader of the Opposition in the Assembly	32	\$ 52,220
Leader of the Opposition in the Council	32	\$ 52,220
Leader of the Third Party (unless they are also the Leader or Deputy Leader of the Opposition or a Minister of the Crown)	32	\$ 52,220
Cabinet Secretary	32	\$ 52,220
Parliamentary Secretary	15	\$ 24,478
Government Whip in the Assembly	18	\$ 29,374
Deputy Leader of the Opposition in the Council	18	\$ 29,374
Chairperson of the Public Accounts and Estimates Committee	20	\$ 32,638
Chairperson of the Scrutiny of Acts and Regulations Committee	15	\$ 24,478
Chairperson of the Integrity and Oversight Committee	15	\$ 24,478

Chairperson of a standing committee appointed under standing orders of the Assembly or the Council	10	\$ 16,319
Chairperson of a Joint Investigatory Committee within the meaning of the Parliamentary Committees Act 2003	10	\$ 16,319
Chairperson of joint select committees where resolution establishing the committee so provides that the chairperson is entitled	5	\$ 8,159
Deputy Chairperson of the Public Accounts and Estimates Committee	4	\$ 6,528
Deputy Chairperson of the Scrutiny of Acts and Regulations Committee	4	\$ 6,528
Deputy Chairperson of the Integrity and Oversight Committee	4	\$ 6,528
Deputy Leader of the Third Party (unless they are also the Leader or Deputy Leader of the Opposition or a Minister of the Crown)	18	\$ 29,374
Government Whip in the Council	11	\$ 17,951
Opposition Whip in the Assembly	11	\$ 17,951
Opposition Whip in the Council	11	\$ 17,951
Whip of the Third Party in the Assembly	11	\$ 17,951
Whip of the Third Party in the Council	11	\$ 17,951
Secretary of the Party forming the Government	4	\$ 6,528
Secretary of the Opposition Party	4	\$ 6,528
Secretary of the Third Party	4	\$ 6,528

Source: PSS Act s6.

Superannuation

Superannuation entitlements for MPs vary depending on the scheme that applies to each individual. Under the PSS Act, there are three superannuation schemes that apply to sitting and former MPs:

- an accumulation scheme (with a fund of the MP's choosing) — open to new members from 10 November 2004
- a defined benefit scheme, the New Benefits Scheme — closed to new members on 9 November 2004
- a defined benefit scheme, the Existing Benefits Scheme — closed to new members on 2 July 1996.

The date an MP first entered Parliament is, generally speaking, the key determinant affecting which scheme applies. The Tribunal notes most sitting MPs are members of an accumulation scheme (approximately 86 per cent).

Allowances

There are eight different allowances that Victorian MPs may potentially receive:

- expense allowance
- electorate allowance
- motor vehicle allowance
- parliamentary accommodation sitting allowance
- Melbourne allowance
- general travel allowance
- overnight electorate allowance
- commercial transport allowance.

Expense allowance

As at 1 July 2019, an expense allowance equivalent to eight per cent of annual basic salary is payable to all MPs to cover expenses associated with the work of an MP. Higher expense allowances are payable to certain office holders (table 3).

The expense allowance is paid to MPs in fortnightly instalments. It is treated as income by the ATO and is subject to the Pay As You Go Withholding (PAYG-W)

system, but it is not considered income for the purposes of calculating superannuation contributions.

Table 3 – expense allowance values as at 1 July 2019

Office	Expense allowances as a percentage of basic salary	Expense allowance as a dollar amount
Premier	42	\$ 68,539
Deputy Premier	21	\$ 34,270
Any other responsible Minister of the Crown	18	\$ 29,374
Leader of the Opposition	18	\$ 29,374
President	12	\$ 19,583
Speaker	12	\$ 19,583
Deputy President	10	\$ 16,319
Deputy Speaker	10	\$ 16,319
Deputy Leader of the Opposition in the Assembly	10	\$ 16,319
Leader of the Opposition in the Council	10	\$ 16,319
Leader of the Third Party in the Assembly, (unless they are also the Leader or Deputy Leader of the Opposition or a Minister of the Crown)	10	\$ 16,319
Cabinet Secretary	10	\$ 16,319
Parliamentary Secretary	10	\$ 16,319
Shadow Minister	15	\$ 24,478
Other MPs	8	\$ 13,055

Source: PSS Act s6.

Electorate allowance

The electorate allowance is paid to all MPs fortnightly, on an ‘untaxed’ basis, and there are no specific rules about how the allowance may be used. MPs must account for the electorate allowance in their personal income tax returns and pay tax on any amount not expended on a deductible expense in accordance with ATO Tax Ruling 1999/10.

Table 4 – electorate allowance values as at 1 July 2019

Size of electorate	Value (\$ per financial year)
< 500km ²	\$ 40,089
500 – 4,999km ²	\$ 43,527
≥ 5,000km ²	\$ 48,022

Source: Department of Parliamentary Services.

Motor vehicle allowance

Under the *Parliamentary Salaries and Superannuation (Provision of Motor Vehicles) Regulations 2013* (Vic), all MPs are entitled to request that a motor vehicle be provided for their use while they serve as an MP. MPs electing to receive a motor vehicle are required to contribute a portion of their basic salary to meet the costs of the vehicle.

Since 2013, MPs may elect to receive an allowance (the motor vehicle allowance) in lieu to cover the transportation costs associated with their work as an MP.

Table 5 –allowance in lieu of a motor vehicle values as at 1 July 2019

Size of electorate	Value (\$ per financial year)
< 5,000km ²	\$ 16,500
≥ 5,000km ²	\$ 25,000

Source: *Parliamentary Salaries and Superannuation (Allowances) Regulations 2013* (Vic), reg 13.

Parliamentary accommodation sitting allowance

The parliamentary accommodation sitting allowance is available to regional MPs who choose to maintain a second residence in metropolitan Melbourne to help them carry out their parliamentary duties while in Melbourne. Prior to 2017¹, this allowance was called the ‘second residence allowance’.

MPs are eligible for this allowance if:

- their electorate is included in a schedule of ‘regional electorates’ in the *Parliamentary Salaries and Superannuation (Allowances) Regulations 2013* (Vic); and
- they have a second residence located within 28km of the intersection of Elizabeth Street and Bourke Street (‘Melbourne centre’) that they wholly maintain for a period not less than the total number of sitting days of their House of Parliament in a calendar year; and
- their home base is:
 - outside a radius of 80km from the ‘Melbourne centre’, or
 - outside the metropolitan area and the MP satisfies the relevant Clerk that the shortest route by road between their home base and the Melbourne centre exceeds 80km.

¹ *Parliamentary Salaries and Superannuation (Allowances) Amendment Regulations 2017* (Vic).

The minimum value of this allowance was \$26,609 (at 1 July 2019) with a higher value payable for certain office holders.

Table 6 – parliamentary accommodation sitting allowance values as at 1 July 2019

Office	Value (\$ per financial year)
Premier	\$ 53,217
Deputy Premier	\$ 46,565
Other Minister or specified office holder	\$ 39,910
Other MPs	\$ 26,609

Source: Department of Parliamentary Services.

Other travel-related allowances

There are four other travel allowances available to MPs, intended to cover some of the costs associated with travelling (including transport, accommodation, meals and incidental costs) for parliamentary and electorate business within Australia.

Table 7 – travel-related allowances as at 1 July 2019

Allowance	Eligibility	Value
Melbourne	<ul style="list-style-type: none"> Have a principal residence more than 28km from the Melbourne centre stay overnight within 28km of the Melbourne centre for parliamentary business do not receive the parliamentary accommodation sitting allowance 	Reimbursed for actual accommodation expense incurred, up to a ceiling based on a rate set by the Commonwealth Remuneration Tribunal for overnight stays in Canberra.
General travel	Stay overnight for parliamentary business within Australia in a location that is not within 28km of the: <ul style="list-style-type: none"> MP's principal residence, or Melbourne centre 	Paid as an allowance (rather than a reimbursement) regardless of actual expenditure, based on rates set by the Commonwealth Remuneration Tribunal. Higher rates paid to specified office holders. A third of the rate is paid for stays in non-commercial accommodation

Overnight electorate	<ul style="list-style-type: none"> ▪ Stay overnight within own electorate for electorate business ▪ location of the stay is at least 80km from the MP's principal residence ▪ general travel and Melbourne allowances aren't applicable ▪ have not exceeded cap of 20 overnight stays in each financial year <p>Cannot be used for stays within 28km of the Melbourne centre if the parliamentary accommodation sitting allowance is claimed</p>	Reimbursed for actual accommodation expense incurred, up to a ceiling based on rates set by the Commonwealth Remuneration Tribunal. Higher ceilings apply to specified office holders
Commercial transport	Represent electorate at least 10,000km in size	Reimbursed for actual expenditure incurred for commercial air travel for electorate business Annual caps apply: <ul style="list-style-type: none"> ▪ \$ 5,971 for electorates <20,000km² ▪ \$ 12,226 for electorates ≥ 20,000km²

Electorate Office and Communications Budget

Victorian MPs are provided with an Electorate Office and Communications Budget (EO&C Budget). The purpose of the EO&C Budget is to:

- fund the operating costs and maintenance of their electorate office
- communicate with their electorate in relation to the performance of their public duties.

The EO&C Budget is an annual, financial year allocation, except in an election year, when it is allocated on a pro rata basis. It is administered by the Department of Parliamentary Services.

MPs making claims against the EO&C Budget are required to comply with the guidelines set by the Presiding Officers. Table 8 sets out the formulas for setting the value of the EO&C Budget and the types of allowable expenditure.

Table 8 – allowable expenditure under the EO&C Budget

Electorate office	Communications
Formula for setting the allowance	
State voter count / total number of Legislative Assembly districts (88) x rate per voter	Legislative Assembly: total voters in district x rate per voter Legislative Council: State voter count / total number of Legislative Assembly districts (88) x rate per voter
Allowable expenditure	
<ul style="list-style-type: none"> ▪ Additional electorate office salary expenses ▪ Cleaning of and cleaning supplies for electorate offices and cleaning of Member’s motor vehicle supplied by Parliament ▪ Expenses related to the maintenance of electorate offices including maintenance of equipment and furniture ▪ Furniture and minor equipment of a non-capital nature (i.e. purchase, replacement and upgrade of non-standard or additional furniture) ▪ Purchase and installation of some flags and freestanding flagpole stands for the electorate office ▪ Security costs, including monitoring and alarm response call-out costs ▪ Photocopier click charges for the electorate office multifunction device ▪ Photocopier and computer printer consumables ▪ General stationery of a non-political nature - personalised letterhead, stationery and envelopes, stores and requisites, newspapers and magazines of a relevant business-related nature ▪ Telephone call costs, including mobile telephones, all smart phone devices including data charges and other communication charges ▪ Additional telephone costs, e.g. purchase of mobile devices ▪ Costs associated with training fees (excluding accommodation, food and drink) for the Member and electorate office staff that exceed the annual office training budget of \$1,000 per electorate ▪ Air travel (up to \$10,000) ▪ Expenses relating to participation in the Parliament’s Internship Program 	<ul style="list-style-type: none"> ▪ Printed communication such as official stationery, flyers, leaflets, brochures, religious event communications (Christmas cards, Ramadan, etc) distributed within the Member's electorate ▪ Newspaper advertisements ▪ Billboards (stationary and mobile) within the Member's electorate ▪ Venue hire costs within the Member's electorate ▪ Cinema, radio and television advertising ▪ Social media advertisements (Twitter, Facebook) ▪ Member's personal website ▪ Expenditure on specialist services to assist with allowable communications is permitted (such as website design, graphic design, and advertisement production). ▪ Promotional items: <ul style="list-style-type: none"> ○ Items with a unit price up to \$2.00 (excluding GST) have the following requirements; <ul style="list-style-type: none"> ○ the unit price includes all costs associated with producing the item including design, artwork, printing. ○ postage and/or distribution costs can be incurred in addition to the \$2.00 (ex GST) unit price

Source: Members Guide, August 2019

ATO rulings

The Tribunal is required to consider relevant determinations and rulings made by ATO.

The Tribunal has identified the following relevant public ATO rulings:

- Taxation Ruling 1999/10 Income tax and fringe benefits tax: Members of Parliaments - allowances, reimbursements, donations and gifts, benefits, deductions and recoupments
- Taxation Determination 2019/11 Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2019-20 income year?
- Taxation Ruling 1992/15 Income tax and fringe benefits tax: the difference between an allowance and a reimbursement.

Overview of the salaries and allowances for Members of the Parliaments of the Commonwealth, States and the Territories

Basic salary

All Australian jurisdictions set a base or basic salary for MPs and set an additional salary for parliamentary office holders (e.g. Premier, Prime Minister, Ministers, Leader of the Opposition).

The basic salary for Victorian MPs ranks fifth out of nine jurisdictions. However, the Tribunal notes that comparisons of basic salary with other Australian jurisdictions should be treated with caution, given differences in remuneration structures. For example, Victoria is the only jurisdiction which also provides an eight per cent expense allowance to MPs, rather than only for certain parliamentary office holders.

Table 9 – basic salary across jurisdictions as at August 2019

Jurisdiction	Basic salary
Victoria*	\$ 163,189
Commonwealth	\$ 211, 250
New South Wales	\$ 169,192
Queensland	\$ 159,122
Western Australia	\$ 156,536

South Australia	\$ 200,626
Tasmania	\$ 140,185
Australian Capital Territory	\$ 168,492
Northern Territory	\$ 162,696

* Note: All Victorian MPs also receive an expense allowance of 8 per cent of basic salary, or \$ 13,055.

Additional salary

In all jurisdictions, some MPs hold additional offices in the parliament and the executive government which entitle them to an additional salary. These offices include Premiers, Prime Ministers, Chief Ministers and their Deputies, as well as Ministers, Presiding Officers and Leaders of the Opposition.

Table 10 sets out the total salary, inclusive of basic salary, additional salary and expense allowances (where applicable), payable to selected office holders across jurisdictions.

Table 10 – total salaries of selected parliamentary office holders across jurisdictions as at August 2019*

	Victoria	Cth	NSW	Qld	WA	SA	Tasmania	ACT	NT
Premier/Prime Minister /Chief Minister	\$ 394,917	\$ 549,250	\$ 407,980	\$ 399,955	\$ 355,681	\$ 401,252	\$ 318,219	\$ 353,833	\$ 325,392
Deputy Premier/Prime Minister/Chief Minister	\$ 336,170	\$ 433,063	\$ 343,460	\$ 351,788	\$ 302,878	\$ 371,158	\$ 255,136	\$ 303,285	\$ 292,853
Minister	\$ 314,955	\$ 364,406	\$ 309,621	\$ 327,705	\$ 277,230	\$ 351,096	\$ 238,314	\$ 286,436	\$ 268,448
Leader of the Opposition	\$ 314,955	\$ 390,813	\$ 309,621	\$ 327,705	\$ 277,230	\$ 351,096	\$ 238,314	\$ 286,436	\$ 268,448
Deputy Leader of the Opposition	\$ 231,728	\$ 332,719	\$ 226,717	\$ 255,455	\$ 224,427	\$ 321,002	\$ 189,250	\$ 202,190	\$ 211,505
Leader of the Opposition in the upper house	\$ 231,728	\$ 332,719	\$ 226,717	N/A	\$ 239,514	\$ 321,002	N/A	N/A	N/A
Deputy Leader of the Opposition in the upper house	\$ 192,563	\$ 253,500	\$ 197,955	N/A	N/A	\$ 220,689	N/A	N/A	N/A
Leader of other recognised Party	\$ 231,728	\$ 301,031	\$ 226,717	\$ 219,330	\$ 224,427	N/A	\$ 189,250	N/A	N/A
Presiding Officers	\$ 288,845	\$ 369,688	\$ 309,621	\$ 303,622	\$ 256,109	\$ 351,096	\$ 197,661	\$ 261,162	\$ 268,448
Deputy Presiding Officers	\$ 212,146	\$ 253,500	\$ 253,788	\$ 243,414	\$ 201,796	\$ 275,861	\$ 168,222	\$ 193,766	\$ 195,235
Cabinet Secretary	\$ 231,728	N/A	N/A	N/A	\$ 224,427	N/A	\$ 182,240	N/A	N/A
Parliamentary Secretaries	\$ 203,986	\$ 264,063	\$ 203,030	\$ 243,414	\$ 179,167	\$ 240,751	N/A	N/A	N/A
Shadow Minister	\$ 187,667	\$ 264,063	N/A	\$ 219,330	N/A	\$ 250,783	N/A	N/A	N/A
Whip	\$ 192,563	\$ 266,175	\$ 203,030	\$ 243,414	\$ 183,693	\$ 236,739	\$ 148,596	\$ 185,341	\$ 187,100
Senior Opposition Whip	\$ 181,140	\$ 259,838	\$ 203,030	\$ 195,247	\$ 183,693	\$ 236,739	\$ 148,596	\$ 185,341	\$ 187,100

* Notes: Some Victorian parliamentary office holders receive an expense allowance of varying rates. Some NSW and Tasmanian parliamentary office holders also receive an additional expense allowance.

Allowances

While each Australian jurisdiction has its own unique framework of allowances and budgets for MPs, some common trends can be observed.

Most jurisdictions provide their MPs with an electorate allowance. A motor vehicle allowance is also commonly provided. Some jurisdictions provide MPs with the option of either being provided with a private plated vehicle or receiving the allowance, while others only provide the option of the allowance. The rates of these allowances are set out in Table 11.

Table 11 – electorate and motor vehicle allowances for across jurisdictions as at 1 July 2019

	Electorate allowance (\$)	Motor vehicle allowance (\$)
Vic	\$ 40,089 - \$ 48,022	\$ 16,500 - \$ 25,000
Cth	\$ 32,000 - \$ 46,000	\$ 19,500
NSW	\$ 66,560 - \$ 173,415	N/A
Qld	N/A	\$ 26,300 - \$ 43,300
WA	\$ 78,000 - \$ 103,350	\$ 25,000 - \$ 42,000
SA	\$ 16,619 - \$ 50,763	N/A
Tas	\$ 32,394 - \$ 53,992	\$ 16,196
ACT	N/A	\$ 25,500
NT	\$ 60,500 - \$ 116,000	\$ 25,000 - \$ 40,000

In examining arrangements for allowances and budgets across jurisdictions, the Tribunal notes areas of difference include:

- when MPs are eligible to claim allowances
- what the allowances can be used for
- whether MPs are provided with a fixed allowance, or are reimbursed for actual costs incurred
- whether annual caps apply.

Economic and financial considerations

Financial position and fiscal strategy of the State

The latest available Auditor-General's annual report on the State of Victoria reported that 'the state continues to operate sustainably and is well positioned financially'.²

The Victorian Government's 2019-20 State Budget papers report that the operating surplus is expected to be \$1.0 billion in 2019-20, and to average \$3.4 billion a year over the forward estimates. Revenue growth is forecast to moderate, increasing by 2.2 per cent in 2019-20, primarily as a result of weaker property market conditions which will impact state taxation revenue. Expense growth is forecast to be 2.3 per cent.

Significant levels of infrastructure investment are expected. Government infrastructure investment is forecast to reach \$14.2 billion in 2019-20, and average \$13.4 billion a year over the Budget and forward estimates. Net debt is forecast to stabilise at 12 per cent over the medium term, to accommodate the delivery of major transport projects and changes in accounting standards. The State Budget papers report that Moody's Investor Services has assessed this level as manageable within Victoria's current AAA rating and stable outlook.

The 2019-20 State Budget also includes several efficiency measures for Victorian Government departments, including aligning indexation of output funding with forecast inflation in 2019-20, along with expanding the General Efficiency Dividend from 2020-21. The Budget also sets out the Government's revised wages policy (see below).

Economic conditions and trends

The 2019-20 State Budget papers report that from 2013-14 to 2017-18:

- real (inflation-adjusted) Victorian Gross State Product (real GSP) grew by almost \$55 billion, or 14.8 per cent
- Victoria contributed almost one-third of national Gross Domestic Product growth and nearly 45 per cent of all full-time jobs created nationally

² Victorian Auditor-General's Office, *2017-18 Annual Financial Report of the State of Victoria*, tabled 24 October 2018.

- Victorian real GSP per capita increased by 4.8 per cent.

The State Budget papers also report the following economic outlook:

- real GSP growth is forecast to moderate to the trend rate of 2.75 per cent in 2019-20, driven by household consumption and supported by population growth, low interest rates, low unemployment and accelerating wages growth
- employment growth is forecast to slow to 2.0 per cent in 2019-20 and 1.75 per cent over the forward estimates
- the unemployment rate is expected to fall to 4.5 per cent in 2019-20 and then gradually return to its estimated trend rate of 5.5 per cent by 2022-23.

The Budget papers note that risks to the economic outlook are broadly balanced. On the upside, continued momentum in the labour market could boost employment growth and household consumption. On the downside, there is uncertainty about the outlook for the residential property market, and the pace of moderation in population growth.³

Prices and wages

The 2019-20 State Budget papers report that in 2017-18, the Melbourne Consumer Price Index (CPI) increased by 2.3 per cent. Australian Bureau of Statistics (ABS) data released in July 2019 shows that the Melbourne CPI for 2018-19 grew by 1.8 per cent and the State Budget papers forecast annual growth in CPI of 2 per cent in 2019-20, gradually increasing to 2.5 per cent by 2021-22.

The Budget papers also state that in 2017-18, the Victorian Wage Price Index increased by 2.3 per cent. Wage growth is forecast to rise to 2.75 per cent in 2019-20 and return to trend of 3.5 per cent over the forward estimates. According to ABS data, Average Weekly Ordinary Time Earnings for adults in Victoria increased by 2.1 per cent in 2017-18.⁴

Wages policy

The Victorian Government Wages Policy and Enterprise Bargaining Framework (Wages Policy) applies to departments and agencies in the public sector.

³ State Government of Victoria, *Victorian Budget 19/20, Budget Paper No. 2*, May 2019, 19.

⁴ Australian Bureau of Statistics, *Average Weekly Earnings, Australia* cat no. 6302.0, February 2019.

There are three pillars of the Wages Policy.

- Pillar 1: Wages: increases in wages and conditions will be capped at a rate of growth of 2 per cent per annum over the life of the agreement. In practice this means employee wages and conditions will be allowed to grow at this rate.
- Pillar 2: Best Practice Employment Commitment: all public sector agencies will be required to make a Best Practice Employment Commitment which will outline measures to operationalise elements of the Government's Public Sector Priorities that reflect good practice within Government and can be implemented operationally or without significant costs.
- Pillar 3: Additional strategic changes: additional changes to allowances and other conditions (not general wages) will only be allowed if the Government agrees that the changes will address key operational or strategic priorities for the agency, and/or one or more of the Public Sector Priorities.

A 'Secondary Pathway' is also available for public sector agencies whose current enterprise agreement reaches its nominal expiry date on or before 30 June 2020, which permits one annual wage and allowance increase capped at 2.5 per cent (instead of at 2 per cent).