

## HIGHLIGHTS OF THE 1986 BUDGET

A national budget for any year has a past, a present and a future. It expresses a state of financial affairs for a given time period, the conventional calendar year. The budget contains primarily the committed expenditures of the immediate previous year and those inherited from yet earlier years with such changes as can be effected in the budget year which may project into next year and even future years and can, in any event, prove to be relatively small. It is evident that any Minister of Finance can influence in any year the pattern and magnitude of the expenditure only in a very marginal way. He must depend heavily on the co-operation and goodwill of his ministerial colleagues to contain expenditures unless, of course, it happens that he can exercise required political muscle to get them to accept desired expenditure curbs. He must also get them to exercise firmly fiscal discipline. It follows that it is easier to increase expenditures than to contract or contain them. All budgets in Sri Lanka have suffered from the frailty that the

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set expenditure targets have been unfaithfully upset by large supplementary estimates. The present Minister of Finance, over his previous eight budgets, has been the unwilling victim of this ministerial disease.

Like expenditure, revenue in any year is also largely an inheritance from the past but with the fortunate difference that there is always much greater latitude for effecting changes, up or down. In this area, a Minister of Finance has a much better control over revenue patterns and their magnitudes and can introduce sharp changes subject to such political constraints he imposes on self or are imposed on him by his ministerial colleagues.

The figures in this table require the story over the period the present Government has been in office:

The preceding table requires clarification for purpose of comparison. Part of the increase in values after 1977 must be attributed to the unification of the exchange rate and a

measure of depreciation which accompanied it. Subsequent value increases are explained, again, partly by further depreciation of the Sri Lankan Rupee which in my view is still inadequate - but this is a different matter - and partly by domestic price inflation. As measured by the rather unreliable consumer price index, prices in 1980 were 57 per cent higher than in 1977, in 1983 they were 133 per cent higher and in 1985, on my estimation, can be reckoned to rise marginally by 176 per cent. I refrain from forecasting what it will be in 1986. The interrogation marks appearing in the last two columns of the table refer to estimated figures I have made or to absence of any estimated figures for lack of data.

Apart from these value increases, there has also been a record of noteworthy real growth of the economy since 1977. Over this period up to 1984 the aggregate real growth has increased to 46 per cent, with projected growth of the order of 5 per cent in 1985 and 1986. This means that by 1986 the national output of goods and services may be reckoned to have increased to a level of half as much again over the stretch of 9 years since 1977. And, undoubtedly, it is this significant record of sustained

	1977	1980	1983	1984	1985	1986
	(Rs Billion)					
1. Revenue	11.7	14.1	25.2	37.7	36.3	39.1
2. Expenditure	9.8	30.3	46.8	53.6	63.8	65.3
2.1 Recurrent Expenditure	6.1	13.2	24.0	28.9	33.1	35.2
2.2 Capital Exp.	3.2	13.9	21.7	31.8	30.7	30.1
2.3 Current						
Account						
Surplus(+)/						
Deficit(-)	.7	-2.4	+1	5.9	3.2	3.9
3. Budget Deficit	3.1	16.3	21.6	15.8	29.5	27.0
4. Debt Repayments	.9	1.8	5.3	2.2	7.1	7.1
5. Financing of Budget Deficit-						
5.1 Domestic non-market						
borrowing	.5	-2	2.4	.9	12.1	2.0
5.2 Domestic market						
borrowing	1.3	9.8	9.0	3.0	3.8	10.8
5.3 Foreign Finance	1.8	6.7	11.0	11.3	13.6	14.2
5.4 Use of cash balances	.5	-	-7	.7	-	-
6. Expansionary impact of Budget	-7	7.0	.5	-2.1	3.8(?)	2.0(?)
7. Public Debt outstanding (net)	22.4	46.8	86.4	95.7	115.0(?)	135.0(?)
8. Revenue as % of G.D.P.	18.4	21.1	20.7	24.7	22.3(?)	(?)
9. Recurrent Exp. as % of G.D.P.	16.9	19.9	19.7	18.9	20.3(?)	(?)
10. Capital Exp. as % of G.D.P.	8.8	20.9	17.8	20.8	18.8(?)	(?)
11. Total Exp. as % of G.D.P.	35.7	40.8	37.5	39.7	39.1(?)	(?)
12. Budget Deficit as % of G.D.P.	8.5	24.5	17.8	10.3	18.1(?)	(?)
13. Consumer Price Index	100.0	156.7	233.4	272.1	276.0(?)	(?)

growth which has enabled the Minister of Finance to procure the required resources to fund the large expenditure increases since 1977, and supplemented, of course, by very significant inflows of foreign grants, aid and loans.

The combined result of these factors has been what an earlier generation would describe as astronomical increases in fiscal and other values, revenue rising from Rs 11.7 billion in 1977 to an estimated Rs 39.1 billion in 1986, recurrent expenditure from Rs 6.1 billion to Rs 35.2 billion, capital expenditure from Rs 3.2 billion to Rs 30.1 billion, overall budget deficits from Rs 3.1 billion to Rs 29 billion and the component of foreign aid from Rs 1.8 billion to Rs 14.2 billion. These figures testify to the magnitude of the budgetary operations which it has fallen to the lot of the Minister of Finance to manage, since he assumed office in 1977. What is more significant is the sharply rising component of foreign aid which he has skillfully been able to organise even under very adverse conditions.

During this period, the Minister has been able to introduce, on the revenue side, a variety of fiscal measures designed, first, to encourage exports, second to induce investment, third to relieve the tax burden on income and yet discourage inessential and luxury consumption, and finally to broaden the tax base to improve the source of tax revenue. What he has yet to ensure is better tax compliance in order to eliminate tax evasion and thereby secure an enhancement of tax revenue from a given tax base and introduce refinements.

#### **Income tax bands**

There are several noteworthy innovations which the Minister has introduced in the Budget for 1986. One is the reconstruction of the income tax schedule by raising the exemption limit to Rs 27,000, broadening the income bands, lowering the applicable tax rates and reducing the highest marginal rate from 55 per cent to 50 per cent. This is a reform in the right direction. I am on

record with the plea that the highest marginal rate of income tax should not exceed 45 per cent in order to encourage better tax compliance and this should also be the rate for corporate income, now taxed at 50 per cent for unquoted companies. I am also on record for having urged that in a regime where direct tax rates are reduced to tolerable levels, then tax evasion of a consistent and flagrant kind should be visited with the extreme penalty of the State expropriating the concerned income source. A few prominent tax evaders, identified and visited with such penalty, should certainly conduce to better tax compliance.

#### **Export duties**

Second, the Minister has been obliged to reduce export duties on tea, coconut products and graphite because of the sharp drop in export prices. Export levies and the tea tax between them yielded a revenue as large as Rs 6.4 billion in 1984 and a mere Rs 2.1 billion estimated for 1986. The export duty on tea was reduced by Rs 2.00 per kilo for all teas save tea in bags, where the reduction was Re 1 per kilo. The argument has been seriously advanced that this reduction in export duties will be of no avail as it will not conduce to the producer receiving a corresponding higher price but will benefit only overseas buyers who will, so the argument runs, lower their price bids by a like amount. This is certainly conceivable in a trade (or an industry) where buyers can exercise their demand power to thwart competition. If the proposition were true that the reduction of export duties will merely benefit the buyers, because of the conditions inherent in the market, then, surely the answer to this situation is to increase the export duty to, say, Rs 10 per kilo from the previous Rs 7 per kilo and, thus, get the buyers to bid higher prices corresponding to the duty increase, recover the additional export revenue and apply it to subsidise the factories and through them the growers directly via the tea auctions, using the brokers as the agency for distributing the subsidy. In my view the argument advanced is far-fetched and has no merit. In a rea-

sonably competitive market, reduction in export duty must tend to benefit the producer in a higher price corresponding to the duty reduction.

The floor price at which the tea sales tax becomes leviable was raised from Rs 32 to Rs 40; this will have no immediate effect because tea prices are even below the Rs 32 level but the industry will no doubt benefit when prices rise above this level.

The wide and erratic fluctuations in revenue derived from export duties should make it self evident that taxes on export produce are a very fragile revenue source. Export duties really amount to a revaluation of the Sri Lanka rupee, when in fact it still remains truly overvalued even at the existing rate. In this situation, export duties amount to nothing less than heaping unwarranted burdens on export production. I feel confident that the Minister is fully aware of the inherent weakness of export revenue as a constituent base of the national financial structure. The unresolved question is what alternative revenue sources are available. Even so, I must stress that in my view the public finances of Sri Lanka cannot be on a sustainable basis so long as reliance has to be placed on export revenues.

It must be remembered that on introduction of income tax in the early thirties the then existing export duties levied at low rate levels were abolished. Thereafter export duties became a revenue feature by accident, and not by deliberate design, when immediately after the war a resourceful Financial Secretary, a reputed financial wizard, took the occasion to impose these taxes merely to get the British Government, then under contract, to purchase the output of tea, rubber and coconut, preferred not to re-negotiate on the contracted prices during the subsisting contract period. Since the terms of the contract were silent on who should bear export duties, Government, on the advice of the then resourceful Financial Secretary, decided to levy export duties and force the British Government to bear the duty burden, of course, much to its chagrin.

Since then, export duties have continued to plague producers and production. Levying export duties to syphon off sharp price increases caused by erratic price booms is a different matter. In that event, I would argue that they should not be funded into revenue to finance current expenditures but should be funded outside the Treasury and probably held with the Central Bank when it would exert a countervailing deflationary influence on the economy and help to contain price inflation caused by the very price boom. Such funded receipts could constitute the source from which desirable development expenditures could be financed to promote growth in the agricultural and other sectors through identified Development Banks. For surely, if the national economy is expected to develop through the agency of the Private Sector as the Minister so forcefully argues, there must exist several specialist Development Banks such as, for Agriculture, Industry, Commerce and even Housing, all linked to specialist Universities providing a catalyst influence and transforming research into productive development in order to enable the private sector to undertake the investment effort.

As matters are, the tea industry has managed to fasten on itself a high wage structure based on the expectation that the boom in tea price will be a continuing feature instead of linking the basic wage to a variable supplement to accommodate boom prices. In this instance, political expediency has been allowed to get the better of economic reason. It may well be that unless tea prices were to revert to boom conditions, which is unlikely, the relatively high and uneconomic wage levels prevailing in this area may become another forceful factor reinforcing the need for devaluation, as a means of lowering real wages to improve international competitiveness of the tea industry.

#### Turnover Tax

Third, the Minister has also sought to rationalise the structure of the turnover tax and improve its character as a permanent and expanding revenue source. One begins to wonder

whether better compliance could not be secured and evasion minimised - evasion in this area is rampant - by recasting the turnover tax and introducing the feature that the tax paid by one transactor on business with another can be deducted by the paying transactor, when he, in turn, pays turnover tax on business with a third transactor and so on until it settles with, and is borne by, the final consumer or end user. This self checking system should ensure maximum tax compliance and result in better tax collection.

I appreciate that administrative problems are involved but they are not insuperable. Such a tax structure would also reduce, if not, eliminate the cascading impact on prices of the present turnover tax, as it is administered, and it happens to produce a multiple and cumulative price effect, as a commodity enters several turnovers as it normally does and this, thus, needlessly, contributes to cost inflation.

#### Taxing finances

However, there is one turnover tax which calls for special comment. It is the turnover tax on interest (etc) recovered by banks and money lenders, which is taxed at 5 per cent and by financiers which is taxed at 10 per cent. It should be stressed, lest I should be charged with arguing a case in an area I have a special interest, that this tax imposes no financial loss on those from whom it is initially recovered, namely, those in the business of banking and finance, because they, in turn, invariably pass the tax on by recovering it from their customer-borrowers who eventually have to bear the tax burden. Consequently, it is the borrowers, as a group, who suffer the penalty and also the national economy which is the loser. For, a turnover tax on the interest component, with its multiple effect, renders credit more expensive than it need be and also produces other unfortunate consequences. Incidentally, the real revenue gain from this tax is less than the apparent revenue recovered, because the turnover tax paid is deductible as an expense for income tax. This means that the actual net contribution to revenue is just about half of what is

initially obtained from the turnover tax.

However, the unfortunate consequences lie in the tax on financial turnover distorting the allocative function of interest in investment by raising needlessly interest cost and in seriously thwarting the growth of credit and money market instruments, such as, short-term bills, which are essential ingredients of an active and developing money market and are also necessary components in the functioning of an efficient private sector, on which it is now the declared government policy to rely for promoting national development and economic growth.

I would urge that the tax on financial turnover amounts to a deliberate tax surcharge on interest and it is not justified on any economic and financial ground I can conceive. The only justification for this tax, despite its self evident draw-backs, is the paramount need for more revenue and the convenience of collection even though it violates recognised principles of taxation. Curiously, it also impairs the integrity of the national financial system which it behoves the Central Bank and its custodian, the Governor, to safeguard and cherish. Since the Minister of Finance has to husband revenue I would suggest that there is a possible trade off in this respect whereby the Central Bank could defray the real revenue loss suffered from the withdrawal of the tax on financial turnover, after allowing for the abatement of income tax on this account referred to earlier, by offering as a grant a like amount out of interest income reckoned on my estimation at over R 2 billion, which it receives on its large holding of treasury bills. Analytically, this would amount to the Central Bank offering, in effect, a differential interest rate on treasury bills which it could do on the strategem I am canvassing, without, however, impairing the unitary structure of interest rates.

Sri Lanka has been plagued with the unfortunate tax oddities concerning the financial sector. We had earlier the celebrated bank-debit tax which the present Finance Minister fortunately removed. It has been succeeded by the tax on financial turn-

over which in the case of Finance Companies was imposed by a former marxist Finance Minister at 10 per cent on both income and capital and which, again, the present Finance Minister reformed by removing the tax on the capital element but retaining the tax at 10 per cent on the income element. There are also excessive levies on instruments concerned with the financial turnover, such as, stamp duties on trade and other bills which are totally exempt from tax elsewhere and even mortgage instruments when the mortgagee is an approved credit agency, in which case the stamp duty could well be reduced to a nominal rate of 1 per mille. The principle underlying low tax rates in this area is that nominal rates contribute to encourage increased credit and more business, and so end up in even higher revenues. There is also the fiscal adage that revenue is not enhanced by impeding volume turnover.

#### Qualifying payments

Fourth, the reduction of qualifying payments, earlier without limit, since last year limited to Rs 500,000 and from 1986 reduced to Rs 150,000 is a measure one could hardly quarrel with. As the tax burden on income gets steadily reduced, there is little justification for concessions even by way of qualifying payments and investment reliefs which serve to erode the tax base and reduce potential revenue and also offer opportunities for designed tax avoidance. Since the stipulated limit does not apply to companies and with the abolition of gifts tax, opportunities will arise to expand even this limited concession through individuals forming partnerships and private companies and diverting a part of their income as gifts to a spouse and adult children. Besides, the limitation does not apply to investment by companies.

#### With-holding tax

Fifth, the introduction of a with-holding tax of 20 per cent on interest on fixed deposits is a new feature and also is a step in the right direction. It will check tax evasion on interest and any depositor not liable to income tax can avoid this tax by

declaring non-liability. A depositor whose tax liability is less than 20 per cent can obtain a refund. However, as it takes an inordinately long time to obtain any tax refund from the Inland Revenue, unless the administrative process for tax refund is streamlined and speeded up, the affected groups will naturally suffer hardship. When the marginal tax rate reaches 20 per cent at an income level of Rs 72,000, there can be many depositors who will qualify for refund of tax on deposits. The recently announced decision of the Central Bank to raise the ceiling on bearer Certificates of Deposits (CDs) issued by banks may offer a wider opportunity for depositors to evade the with-holding tax on interest received on deposits via this escape route.

#### Agricultural support prices

Sixth, the Minister raised significantly the support prices of minor agricultural produce and also paddy, and minor crops. This again is a step in the right direction. But the question remains whether the full benefit of the higher support prices will reach the producer. The agricultural sector in Sri Lanka has been perennially beset with the weakness of an inefficient marketing structure. Authorities, in their so-called marketing strategy in this area, have confused marketing with selling, when it is much more and in the case of the principle grain, paddy, with the purchasing operations of the Paddy Marketing Board, which, at best has been an inefficient instrument. Marketing cannot be effective unless there exist required marketing structures at nodal points of production and centres of distribution. Since the thirties, when the first measures of political reforms conferring a degree of political autonomy on elected Ministers were introduced, Sri Lanka has played games at marketing, when the Marketing Department was established, and it concentrated its activities as a selling organisation. It is even now not too late to establish a statutorily constituted National Marketing Commission, endowed with the requisite powers and sinews which include finance, to provide a national marketing structure which can reach the existing markets at rural levels, and

develop new markets where required including the emerging Mahaweli region. A complementary institution linking the National Marketing Commission should be a specialist Commercial Development Bank, now non-existent, which, in turn, should have links with a fully fledged Agricultural University, curiously, again, absent, even though Sri Lanka is primarily an agricultural country.

There may be those who will argue that higher support prices for agricultural produce will raise the cost of living but they ignore that higher prices will also raise agricultural incomes and productivity, and even enable urban producers to secure better prices. Those who are so solicitous of the need for cheap prices should be reminded that the poorest countries have the cheapest cost of living and the richest countries have the highest cost of living. This comment should be adequate to provoke reflection on the part of these advocates, as space does not permit me at this stage to unravel this conundrum.

#### Import duties

Seventh, in the course of revision of the custom duties, the Minister properly thought it fit to remove the ban, operationally ineffective, on textiles and impose what amounts to is a prohibitive duty, being the higher of 100 per cent or Rs 25/- and Rs 40/- per square metre of cotton and synthetic textiles respectively. Such high import duties offer a strong incentive to smuggling and evasion through administrative corruption. This has been invariably the practice and the experience in the past. One major reason for the need for high import duties is the unrealistic exchange rate of the Rupee. If the Sri Lanka Rupee gets depreciated to a realistic level it is excessively over-valued now then customs duties could be reduced significantly and the need for import duties at high rates suggestive of over-protection will not arise. Indeed, in my view, with a realistic exchange rate, the maximum protective duty should not exceed 50 per cent initially and should be trimmed down later to 30 per cent, with a general revenue tariff of 20 per cent, which will surely

conduce to better importer compliance, because, together with sea transport, delivery and financial costs, a protective rate of 30 per cent should offer a significant built-in margin of protection. Of course, if there prevails deliberate attempts at dumping, price-wise or quality-wise, the appropriate measure is not excessively high import duties but other more effective methods which are available in the armoury of state-craft.

### Tariff protection

At long last we have a Presidential Tariff Commission. I would earnestly plead that this Commission should be constituted more formally by enacting a statute to establish an Autonomous Tariff Commission. The statute should specify the underlying principles of protection, and endow the Commission with requisite powers to call for information, summon and examine witnesses. Both those seeking protection and affected by protection should be permitted to offer evidence. It should have at least a full time Chairman, and even assisted by a full time Commissioner, and, above all, a competently and adequately manned technical secretariat. The Commission should be able to prescribe phased protection, a high rate initially and tapering off to a more tolerable lower rate later as an incentive to efficient performance of the protected industry. It must not be forgotten that all protection has a social cost at the expense of the general public, the end user and the final consumer.

Reports of the Commission should be tabled in Parliament and implemented, unless otherwise resolved by Parliament on a motion by the Government. Nothing contributes to meaningful and rapid growth of national production as a dependable scheme assuring Rational Protection, which could be easily devised and implemented, if only the required institutional supports are present.

Nothing injures national protection more than irrational, haphazard and uncertain protection which Sri Lanka has been plagued with, in my view, since Independence. What is worse,

high protective and revenue duties which are inefficient instruments of action have been used as an ineffective substitute for an over-valued exchange rate, when the depreciation of the Rupee to a realistic exchange rate, allowing initially for a degree of undervaluation of the currency to accommodate inevitable price feed backs, becomes the appropriate answer.

The Minister placed emphasis on the supreme need for administrative reform. The machinery of Government suffers from the twin evils of gross over-staffing and low remunerative levels. One reacts on the other. I have a simple rule of thumb, born of my experience in both the public and the private sector that staffing in the public sector has expanded to such levels that:

- (i) in minor and subordinate level, 5 perform the work of 1;
- (ii) in clerical and like level, 4 perform the work of 1;
- (iii) in junior management level, 3 perform the work of 1;
- (iv) in senior management level while 2 often perform the work of 1, yet, in many instances, 1 performs the work of 2.

For efficient performance, there should be a sharp reduction of manning levels, more particularly in the lower rungs. One could truly argue that it would pay the authorities handsomely to have the excess staff stay at home and yet continue to pay them, while doubling and trebling the remuneration levels of those retained in employment but unlike at present, with income tax liability. The excess staff would then need re-training and re-location. The vista of expanding Mahaveli and related schemes and even an enlarged Defence Establishment as well as a compulsory National Service Scheme, with their support services, should beckon them and enable them to find suitable alternative and remunerative employment.

### Sinking fund- Rupee loans

The Minister commendably took the initiative in the budget for 1984 to abolish the outmoded practice of making provision in the annual estimates for a Sinking Fund for Rupee

Loans. It is relevant to recall that when the Central Bank was established in 1950, and assumed responsibility for management of the Public Debt, one of the first actions it took was to abandon the fiction of a sinking fund when raising Rupee Loans, because the only true sinking fund is an overall budget surplus. When budget deficits prevail, a sinking fund is merely an artifice because it is built up by enlarging the budget deficit which, in turn, is funded by further borrowings. It was William Huskisson, then as a member of the British Government, who announced in 1825 the right principle underlying domestic sinking funds and abandoned the then inherited practice of the British Treasury.

Despite the lack of principle in subscribing to a sinking fund when the budget is in overall deficit, the authorities, then, responsible for administration of the Central Bank had revived this artifice for some unknown reason, other than, perhaps, fiscal ignorance and this has continued up to 1983, save for the intervening period from 1950 to 1954 when sinking funds were abandoned. It required the perspicacity of the present Finance Minister to discern the fallacy in the inherited practice and terminate from 1984 sinking funds for new Rupee Loans. Yet, the fiction of maintaining sinking funds for Rupee Loans raised previous to 1984 continues and there is a provision of Rs 4.5 billion on this account in the estimates for 1986

### Defence expenditure

Defence Expenditure reckoned to cost nearly Rs 6 billion, has emerged as a major component of the national budget. It constitutes, in the Budget for 1986, as much as 5 per cent of the gross domestic product. In my estimation, in the absence of a satisfactory and equitable settlement of the ethnic problem which from present omens, unfortunately, appear to be rather remote, unless events take an unexpected turn, it will become necessary to raise Defence Expenditure in the very short term to a level as high as 10 per cent of the gross domestic product in order to ensure that the

scourge of terrorism is wiped off the Sri Lankan landscape, once and for all, and a political settlement can be reached, which is at once very generous to the Tamil Community and preserve their self respect but yet safeguards the Sinhala national identity in a multi-racial community and the territorial integrity of Sri Lanka.

This prospect implies that much needed development work in other areas and even so-called welfare measures may have to be sharply curtailed. Curiously, even though defence expenditure as such is really unproductive, yet, it also contributes to significant economic gains through substantial spin-off benefits in employment of personnel and increased demand for domestic goods and services. In this manner it serves as a countervailing force to mitigate the contractionary effects of a reduction in development expenditure, even though it can, in no way, offset the economic loss suffered, save in a marginal sense.

There is, however, an escape in a budgetary sense, from the immediate financial constraints on funding of increased defence expenditure. The provision of Rs 4.5 billion in the estimates for 1986 for established rupee sinking funds could be eliminated by amending the Statutes concerned without impairing in the least the local investor confidence and appropriated to meet additional defence expenditure or alternatively, if such becomes unnecessary, to utilise a portion of the funds so saved even to compensate revenue lost from abolishing the tax on financial turnover.

An overall budget deficit of Rs. 27.0 billion in the estimates for 1986, as revised in terms of the expenditure and revenue proposals, represents something like 18 per cent of the projected gross domestic product for 1986. On any reckoning, this is an excessive deficit and can contribute to inflation. But Sri Lanka has managed to live with budget deficits of this order for several years, thanks to the valiant efforts of the Finance Minister in raising so successfully such large amounts of foreign grants, aid and loans at very concessional rates.

*(From a lecture on the Budget 1986)*

## CUMULATIVE TAX TABLES

### GENERAL

Up to the Year of Assessment 1978/79 the Tax Tables were applied on the Quotient System depending on whether the taxpayer was a single individual or a married man with wife and children or dependents. The concept of "family head" and aggregation of income of members of family with the income of the "head" underlined this schemes of taxation. From the Year of Assessment 1979/80 Inland Revenue law treated the husband and wife as separate individuals.

#### Y/A 1979/80 - Tax Table

Rate	Income	Tax	Rate	Income	Tax
7½%	4,800	360	40%	38,400	8,670
10%	9,600	840	45%	45,600	12,000
15%	14,400	1,560	50%	52,800	15,600
20%	19,200	2,520	55%	60,000	19,560
25%	24,000	3,720	60%	67,200	23,880
30%	28,800	5,160	65%	74,400	28,560
35%	33,600	6,840	70%	on the balance taxable income	

#### YY/A 1980/81 - 83/84

Rate	Income	Tax	Rate	Income	Tax
7½%	4,800	360	35%	33,600	6,840
10%	9,600	840	40%	38,400	8,760
15%	14,400	1,560	45%	45,600	12,000
20%	19,200	2,520	50%	52,800	15,600
25%	24,000	3,720	55%	on the balance taxable income	

#### Y/A 1984/85

Rate	Income	Tax	Rate	Income	Tax
7½%	6,000	450	30%	36,000	6,450
10%	12,000	1,050	35%	42,000	8,550
15%	18,000	1,950	40%	48,000	10,950
20%	24,000	3,150	45%	57,000	15,000
25%	30,000	4,650	50%	66,000	19,500
			55%	on the balance taxable income	

#### Y/A 1985/86

Rate	Income	Tax	Rate	Income	Tax
7½%	9,000	675	40%	72,000	16,425
10%	18,000	1,575	45%	87,000	23,175
15%	27,000	2,925	50%	102,000	30,675
20%	36,000	4,725	55%	on the balance taxable income	
25%	45,000	6,975			
30%	54,000	9,675			
35%	63,000	12,825			

#### Y/A 1986/87 (onwards)

Rate	Income	Tax
10%	21,000	2,100
20%	45,000	6,900
30%	69,000	14,100
40%	93,000	23,700
50%	on the balance taxable income	