



Australian Government

Commonwealth Grants Commission

Chairman Alan G Morris

1 March 2006

MEDIA RELEASE

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REPORT ON STATE REVENUE SHARING RELATIVITIES 2006 UPDATE

The Commonwealth Grants Commission has released its advice to the State, Territory and Australian Governments on how GST revenue should be distributed among the States and Territories in 2006-07. (A copy of the report's Overview is attached).

Under the Commission's relativities for 2006-07, four States, Queensland, Western Australia, South Australia and Tasmania would receive a smaller proportion of total GST revenue than in 2005-06, with Victoria's share to rise significantly and the shares of New South Wales and the Northern Territory to rise, but at a slower rate than Victoria, while the ACT share is unchanged.

The Chairman of the Commission, Alan Morris said, "The Commission's calculations have tracked a significant shift in the relative fiscal capacities of the States. Over the past few years there has been a noticeable strengthening of the revenue raising capacities of the Governments of Queensland and Western Australia, reflecting movements in their property markets and mining sectors. As a consequence, they would receive smaller shares of the GST pool in 2006-07 than they did in 2005-06. The convergence in the relative fiscal capacities of the States and Territories also means that a smaller proportion of the GST needs to be allocated differentially, to give the States the same capacity to provide State services".

There was a significant one-off impact on the Commission's recommended relativities resulting from a major revision to ABS data on Compensation of Employees. That revision increased the assessed revenue raising capacities of South Australia and New South Wales, in particular, and

largely explains why South Australia's share of the GST pool declines markedly, and why New South Wales' share does not increase in line with Victoria's.

BACKGROUND

Table 1 Distribution of 2005-06 GST pool and illustrative 2006-07 GST pool

GST pool	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Estimated 2005-06	12 904.0	9 658.7	9 101.3	4 539.4	4 053.0	1 648.4	812.2	1 894.2	44 611.2
Illustrative 2006-07	13 780.7	10 520.1	9 586.8	4 763.9	4 230.4	1 740.3	863.1	2 051.4	47 536.6
Increase	876.7	861.4	485.5	224.5	177.4	91.9	50.9	157.2	2 925.4

Table 2 Sources of change in the redistribution between 2005-06 and 2006-07

Source of change	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Different pool	848.1	647.4	590.0	293.2	260.3	107.1	53.1	126.2	2 925.4
Different population	- 44.1	- 7.4	69.6	20.6	- 27.5	- 11.1	- 4.2	4.1	0.0
Different relativities	72.7	221.4	- 174.1	- 89.3	- 55.4	- 4.0	1.9	26.8	0.0
Total change	876.7	861.4	485.5	224.5	177.4	91.9	50.9	157.2	2 925.4

Table 3 Shares of the 2005-06 and illustrative 2006-07 pool

GST pool	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Estimated 2005-06	28.93	21.65	20.40	10.18	9.09	3.70	1.82	4.25
Illustrative 2006-07	28.99	22.13	20.17	10.02	8.90	3.66	1.82	4.32
Increase	0.06	0.48	-0.23	-0.15	-0.19	-0.03	0.00	0.07

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