

GST ADMINISTRATION COSTS — ASSESSMENT RESULTS

- 1 This working paper describes the expenses assessment for GST Administration Costs and provides information on its impact on GST revenue distribution for the 2007 Update. The development of the assessment method in the 2004 Review is discussed in Volume 6 of the 2004 Review Working Papers.

DESCRIPTION OF THE CATEGORY

- 2 The GST Administration Costs category comprised expenses to compensate the Australian Government for the costs incurred by the Australian Taxation Office in administering the GST.
- 3 No specific purpose payments were associated with the GST Administration costs category.
- 4 Table 1 shows the average expenses for the last six financial years. In 2005-06, the category average expense of \$29.48 per capita represented 0.49 per cent of total average expenses.

Table 1 GST Administration Costs, average expenses, 2000-01 to 2005-06

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Average expenses (\$pc)	25.73	26.48	28.27	28.57	29.10	29.48
% of total State average expenses	0.53	0.51	0.53	0.52	0.51	0.49

ASSESSMENT METHOD

Description of the assessment

- 5 The GST Administration Costs expenses for the 2007 Update were assessed on an actual per capita basis. The assessment method for the 2007 Update is the same as that used for the 2006 Update.

Assessment structure

- 6 Table 2 summarises the assessment structure for the 2007 Update.

Table 2 GST Administration Costs, assessment structure for the 2007 Update, 2005-06

Expense component	Component weight	Factors	Basis of calculation
	%		
GST Administration costs	100.00	APC	The ATO administered GST collections in all States. There were no policy differences in the way the service was provided. It was assessed APC.

Calculating the category factor

7 Table 3 summarises the component, component weight and factor assessed for this category for the last year of the 2007 Update. It shows the calculation of the category factor for 2005-06.

Table 3 GST Administration Costs, derivation of category factor, 2007 Update, 2005-06

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
APC (component weight = 100%)								
APC	1.00171	0.99999	0.99781	1.00041	0.99914	1.00199	0.99491	0.99230
Component factor	1.00171	0.99999	0.99781	1.00041	0.99914	1.00199	0.99491	0.99230
A Wgtd comp factor	1.00171	0.99999	0.99781	1.00041	0.99914	1.00199	0.99491	0.99230
Category factor (a)	1.00171	0.99999	0.99781	1.00041	0.99914	1.00199	0.99491	0.99230

(a) Category factor is the component factor A.

8 The category factor was calculated as follows:

$$\text{category factor} = 100.00 \text{ [actual per capita]}$$

9 In each case, the contributions to the category factor were calculated as the component weight (the percentage in the table) multiplied by the component factor (the bracketed term in the formula). Each component's contribution to the category factor was scaled to ensure the sum of assessed expenses equalled average expenses.

RESULTS FOR 2005-06

10 Table 4 shows, for 2005-06, the actual, average and assessed expenses per capita and the assessed cost of providing services ratios. The assessed cost of providing services ratio is equivalent to the category factor shown in Table 3.

Table 4 GST Administration Costs, assessment results, 2005-06

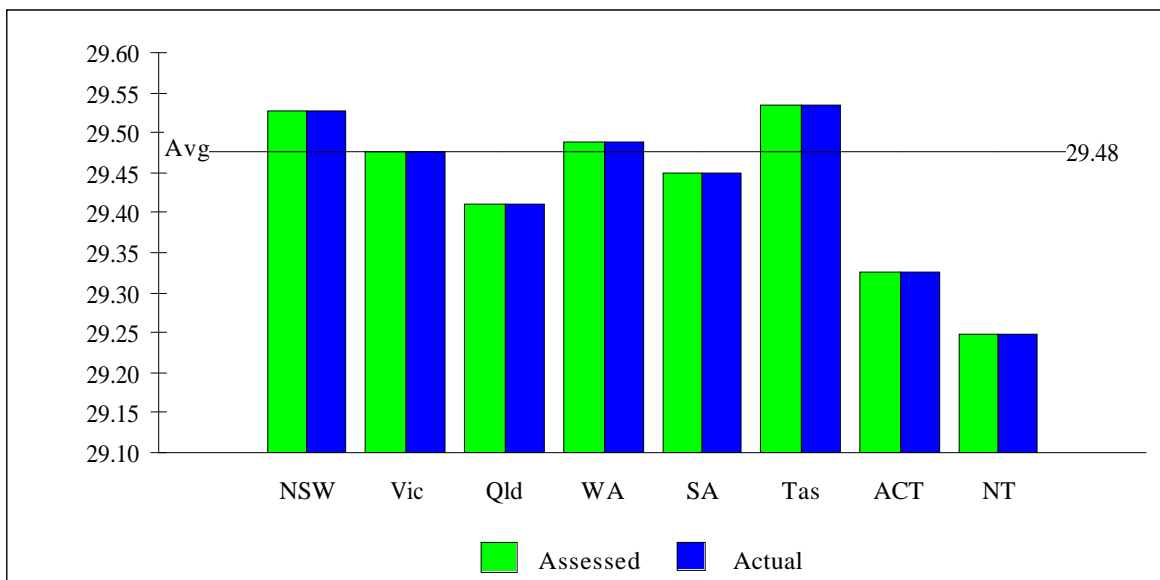
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	29.53	29.48	29.41	29.49	29.45	29.53	29.33	29.25	29.48
Assessed expenses	29.53	29.48	29.41	29.49	29.45	29.53	29.33	29.25	29.48
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	100.17	100.00	99.78	100.04	99.91	100.20	99.49	99.23	100.00

(a) The assessed cost of providing services ratio is the ratio of assessed to average expenses per capita.

11 Table 8 at the end of this working paper summarises the results of the assessment. It shows the actual, average and assessed expenses for each State for all years of the 2007 Update.

12 Figure 1 illustrates the actual, average and assessed expenses per capita for GST Administration Costs for 2005-06.

Figure 1 GST Administration Costs, expenses per capita — assessed, actual and average, 2005-06



CONTRIBUTION TO GST REVENUE DISTRIBUTION

13 Table 5 shows the category’s contribution to the distribution of GST revenue and health care grants (hereafter GST revenue) implied in the 2007 Update. It also shows the contribution of each factor and component.

Table 5 GST Administration Costs, contribution of assessment to GST revenue distribution, 2007 Update

Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
GST administration costs									
Actual per capita	0.3	0.1	-0.4	0.0	0.0	0.0	0.0	0.0	0.5
Component factor	0.3	0.1	-0.4	0.0	0.0	0.0	0.0	0.0	0.5
Redistribution from EPC resulting from the 2007 Update assessment									
	0.3	0.1	-0.4	0.0	0.0	0.0	0.0	0.0	0.5

Differences from an equal per capita assessment

- 14 The disabilities for this category were based on the administration costs incurred by the ATO in each State to collect GST revenue.

CHANGES SINCE THE 2006 UPDATE

Effect of assessment on distribution of the GST revenue

- 15 Table 6 shows the redistribution of GST revenue resulting from the assessments in the 2006 Update and the 2007 Update. It also shows the sources of change.
- 16 Changes in the distribution of GST revenue between the 2006 Update and the 2007 Update were brought about because the Commission:
- used revised average expenses data and other revised data in updating factor calculations for the years 2000-2001 to 2004-05; and
 - replaced 2000-01 average expenses and factors with those of 2005-06 to move forward the five year period on which GST revenue distribution was based. Moving the five year period forward in this way ensures the assessments reflect recent trends in State priorities on the services provided and recent trends in State demographic and economic circumstances which affect the relative costs of the services.

Table 6 GST Administration Costs, effect of assessment on GST revenue distribution, 2006 Update to 2007 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Redistribution from EPC resulting from the 2006 Update assessment (a)	0.0	0.3	-0.3	0.1	-0.1	0.0	-0.1	0.0	0.4
Effect of revising category averages and factors for 2000-01 to 2004-05									
Category average	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Category factors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Effect of replacing 2000-01 category averages and factors with those for 2005-06									
Category average	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Category factors	0.3	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.4
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Total	0.3	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.4
Redistribution from EPC resulting from the 2007 Update assessment (a)	0.3	0.1	-0.4	0.0	0.0	0.0	0.0	0.0	0.5
Total effect of revisions and updating (b)	0.3	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.4

- (a) Using the same pool and populations that were used to calculate the 2007 Update redistribution.
 (b) This figure shows the change in the amount redistributed among the States between the 2006 Update and the 2007 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

17 Table 7 shows the changes in GST revenue distribution attributable to changes in each factor arising from both revising data for 2000-01 to 2004-05 and replacing 2000-01 data with 2005-06 data.

Table 7 GST Administration Costs, actual and assessed expenses and cost of service provision ratio, 2000-01 to 2005-06

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2000-01	25.63	25.87	25.76	25.87	25.62	25.66	25.38	25.70	25.73
2005-06	29.53	29.48	29.41	29.49	29.45	29.53	29.33	29.25	29.48
	%	%	%	%	%	%	%	%	%
Change between 2000-01 and 2005-06	15.19	13.94	14.17	14.00	14.94	15.10	15.53	13.81	14.54
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2000-01	25.63	25.87	25.76	25.87	25.62	25.66	25.38	25.70	25.73
2005-06	29.53	29.48	29.41	29.49	29.45	29.53	29.33	29.25	29.48
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2000-01	99.60	100.52	100.11	100.52	99.57	99.71	98.64	99.87	100.00
2005-06	100.17	100.00	99.78	100.04	99.91	100.20	99.49	99.23	100.00

18 The reason for the change in GST revenue distribution was differences in the costs incurred by the ATO in each State to collect GST revenue.

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Table 8 Assessment of expenses, GST Administration Costs

	2001-02		2002-03		2003-04		2004-05		2005-06	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
Average Expenses		26.48		28.27		28.57		29.10		29.48
New South Wales										
Assessed difference	0.291	0.04	0.11	0.02	0.19	0.03	0.32	0.05	0.34	0.05
Expenses - Assessed	175.300	26.53	188.40	28.29	191.70	28.60	196.60	29.15	200.80	29.53
Actual	175.300	26.53	188.40	28.29	191.70	28.60	196.60	29.15	200.80	29.53
Victoria										
Assessed difference	0.128	0.03	0.28	0.06	0.09	0.02	- 0.04	- 0.01	0.00	0.00
Expenses - Assessed	128.100	26.51	138.40	28.33	141.20	28.59	145.30	29.09	149.10	29.48
Actual	128.100	26.51	138.40	28.33	141.20	28.59	145.30	29.09	149.10	29.48
Queensland										
Assessed difference	- 0.370	- 0.10	- 0.34	- 0.09	- 0.28	- 0.07	- 0.31	- 0.08	- 0.26	- 0.06
Expenses - Assessed	96.800	26.38	105.90	28.18	109.60	28.50	114.10	29.02	118.10	29.41
Actual	96.800	26.38	105.90	28.18	109.60	28.50	114.10	29.02	118.10	29.41
Western Australia										
Assessed difference	- 0.083	- 0.04	0.05	0.03	0.07	0.03	0.06	0.03	0.02	0.01
Expenses - Assessed	50.600	26.44	54.80	28.30	56.20	28.61	58.10	29.13	59.90	29.49
Actual	50.600	26.44	54.80	28.30	56.20	28.61	58.10	29.13	59.90	29.49
South Australia										
Assessed difference	- 0.029	- 0.02	- 0.05	- 0.03	- 0.01	- 0.01	- 0.04	- 0.02	- 0.04	- 0.03
Expenses - Assessed	40.100	26.46	43.00	28.24	43.70	28.57	44.70	29.08	45.60	29.45
Actual	40.100	26.46	43.00	28.24	43.70	28.57	44.70	29.08	45.60	29.45
Tasmania										
Assessed difference	- 0.005	- 0.01	- 0.02	- 0.05	- 0.02	- 0.04	0.01	0.03	0.03	0.06
Expenses - Assessed	12.500	26.47	13.40	28.23	13.70	28.53	14.10	29.13	14.40	29.53
Actual	12.500	26.47	13.40	28.23	13.70	28.53	14.10	29.13	14.40	29.53
Australian Capital Territory										
Assessed difference	0.015	0.05	- 0.02	- 0.06	- 0.04	- 0.14	- 0.05	- 0.15	- 0.05	- 0.15
Expenses - Assessed	8.500	26.53	9.10	28.21	9.20	28.44	9.40	28.95	9.60	29.33
Actual	8.500	26.53	9.10	28.21	9.20	28.44	9.40	28.95	9.60	29.33
Northern Territory										
Assessed difference	0.053	0.27	- 0.01	- 0.03	0.02	0.08	0.04	0.18	- 0.05	- 0.23
Expenses - Assessed	5.300	26.75	5.60	28.25	5.70	28.65	5.90	29.28	6.00	29.25
Actual	5.300	26.75	5.60	28.25	5.70	28.65	5.90	29.28	6.00	29.25

Note: ACT expenses may include municipal expenses. Refer to Attachment A of the 2007 Update, *Relative Fiscal Capacity of States* for how these figures are compiled.