

# **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 2008 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 2006-07, the category average expense of \$29.65 per capita represented 0.46 per cent of total average expenses.

**Table 1 GST Administration Costs, average expenses, 2001-02 to 2006-07**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average expenses (\$pc)	26.47	28.24	28.52	29.01	29.36	29.65
% of total State average expenses	0.51	0.53	0.52	0.51	0.49	0.46

## **DEVELOPMENTS SINCE THE 2007 UPDATE**

- 5 There were no new developments affecting the assessment since the last update.

## ASSESSMENT METHOD

### Description of the assessment

- 6 The GST Administration Costs expenses for the 2008 Update were assessed on an actual per capita basis. The assessment method for the 2008 Update is the same as that used for the 2007 Update.

### Assessment structure

- 7 Table 2 summarises the assessment structure for the 2008 Update.

**Table 2 GST Administration Costs, assessment structure for the 2008 Update, 2006-07**

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

- 8 Table 3 summarises the component, component weight and factor assessed for this category for the last year of the 2008 Update. It shows the calculation of the category factor for 2006-07.

**Table 3 GST Administration Costs, derivation of category factor, 2008 Update, 2006-07**

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>APC (Component weight = 100%)</b>								
APC	1.00023	0.99999	0.99993	0.99957	0.99909	1.00165	1.00182	0.99858
Component factor	1.00023	0.99999	0.99993	0.99957	0.99909	1.00165	1.00182	0.99858
<b>A Wgtd comp factor</b>	1.00023	0.99999	0.99993	0.99957	0.99909	1.00165	1.00182	0.99858
<b>Category factor <sup>(a)</sup></b>	1.00023	0.99999	0.99993	0.99957	0.99909	1.00165	1.00182	0.99858

- (a) Category factor is the component factor A.

- 9 The category factor was calculated as follows:

$$\text{category factor} = 1.0 [\text{actual per capita}]$$

- 10 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 — in this case there was only one — was scaled to ensure the sum of assessed expenses equalled average expenses.

**RESULTS FOR 2006-07**

11 Table 4 shows, for 2006-07, 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, 2006-07**

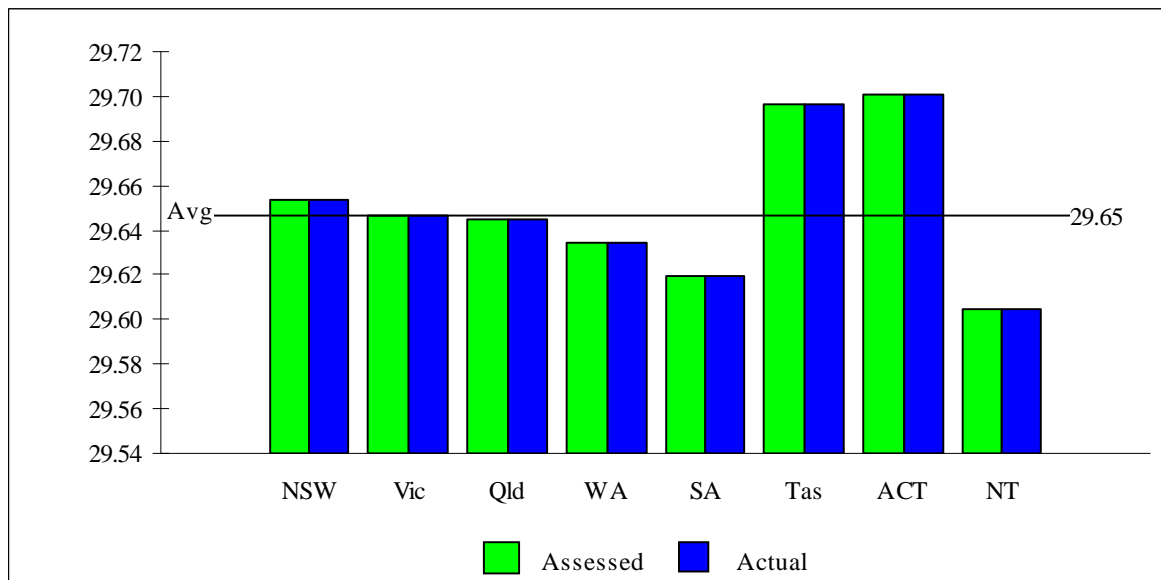
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	29.65	29.65	29.64	29.63	29.62	29.70	29.70	29.60	29.65
Assessed expenses	29.65	29.65	29.64	29.63	29.62	29.70	29.70	29.60	29.65
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	100.02	100.00	99.99	99.96	99.91	100.17	100.18	99.86	100.00

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

12 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 2008 Update.

13 Figure 1 illustrates the actual, average and assessed expenses per capita for GST Administration Costs for 2006-07.

**Figure 1 GST Administration Costs, expenses per capita — assessed, actual and average, 2006-07**



**CONTRIBUTION TO GST REVENUE DISTRIBUTION**

14 Table 5 shows the category’s contribution to the distribution of GST revenue and health care grants (hereafter GST revenue) implied in the 2008 Update. It also shows the contribution of each factor and component.

**Table 5 GST Administration Costs, contribution of assessment to GST revenue distribution, 2008 Update**

Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>GST administration costs</b>									
Actual per capita	1.0	-0.1	-0.6	0.1	-0.1	0.0	-0.1	-0.1	1.1
Component factor	1.0	-0.1	-0.6	0.1	-0.1	0.0	-0.1	-0.1	1.1
<b>Redistribution from EPC resulting from the 2008 Update assessment</b>									
	1.0	-0.1	-0.6	0.1	-0.1	0.0	-0.1	-0.1	1.1

**Differences from an equal per capita assessment**

15 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 2007 UPDATE**

16 GST Administration Costs are assessed on an Actual Per Capita basis which means that GST redistributions are based on States receiving a distribution equal to their level of expenditure. The total redistributed between the 2007 Update and 2008 Update was \$0.7 million.

**Effect of assessment on distribution of the GST revenue**

17 Table 6 shows the redistribution of GST revenue resulting from the assessments in the 2007 Update and the 2008 Update. It also shows the sources of change.

18 Changes in the distribution of GST revenue between the 2007 Update and the 2008 Update were brought about because the Commission:

- used revised average expenses data and other revised data in updating factor calculations for the years 2001-2002 to 2005-06; and
- replaced 2001-02 average expenses and factors with those of 2006-07 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, 2007 Update to 2008 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Redistribution from EPC resulting from the 2007 Update assessment (a)</b>	0.3	0.1	-0.4	0.0	0.0	0.0	0.0	0.0	0.5
<b>Effect of revising category averages and factors for 2001-02 to 2005-06</b>									
Category average	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Category factors	0.8	-0.2	-0.3	0.0	-0.1	0.0	-0.1	-0.1	0.8
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.8	-0.2	-0.3	0.0	-0.1	0.0	-0.1	-0.1	0.8
<b>Effect of replacing 2001-02 category averages and factors with those for 2006-07</b>									
Category average	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Category factors	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.2
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.2
<b>Redistribution from EPC resulting from the 2008 Update assessment (a)</b>	1.0	-0.1	-0.6	0.1	-0.1	0.0	-0.1	-0.1	1.1
<b>Total effect of revisions and updating (b)</b>	0.7	-0.3	-0.2	0.0	-0.1	0.0	-0.1	-0.1	0.7

- (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 2007 Update and the 2008 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

19 Table 7 shows the actual expenses, assessed expenses and assessed cost of provision of service for 2001-02, the year that drops out of the 2008 Update, and 2006-07, the year that comes into this update.

**Table 7 GST Administration Costs, actual and assessed expenses and cost of service provision ratio, 2001-02 to 2006-07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2001-02	26.54	26.49	26.36	26.43	26.44	26.47	26.49	26.70	26.47
2006-07	29.65	29.65	29.64	29.63	29.62	29.70	29.70	29.60	29.65
	%	%	%	%	%	%	%	%	%
Change between 2000-01 and 2005-06	11.75	11.91	12.46	12.12	12.02	12.20	12.13	10.89	11.99
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2001-02	26.54	26.49	26.36	26.43	26.44	26.47	26.49	26.70	26.47
2006-07	29.65	29.65	29.64	29.63	29.62	29.70	29.70	29.60	29.65
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2001-02	100.24	100.07	99.57	99.84	99.88	99.97	100.05	100.84	100.00
2006-07	100.02	100.00	99.99	99.96	99.91	100.17	100.18	99.86	100.00

The reason for the change in GST revenue distribution was due to differences in the costs associated with GST collection in each State. As noted, this reflects the actual amount each State is required to pay the ATO.

This working paper was prepared by the Transport and Other Services section of the Commonwealth Grants Commission. If you have any questions about its content please contact Glenn Pure on (02) 6229 8816 or glenn.pure@cgc.gov.au



Date: 29 February 2008

**Table 8 Assessment of expenses, GST Administration Costs**

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
<b>Average Expenses</b>		28.24		28.52		29.01		29.36		29.65
New South Wales										
Assessed difference	0.510	0.08	0.853	0.13	1.255	0.19	1.496	0.22	0.046	0.01
Expenses - Assessed	188.400	28.32	191.700	28.64	196.600	29.20	200.800	29.58	203.300	29.65
Actual	188.400	28.32	191.700	28.64	196.600	29.20	200.800	29.58	203.300	29.65
Victoria										
Assessed difference	0.146	0.03	- 0.129	- 0.03	- 0.335	- 0.07	- 0.356	- 0.07	- 0.001	0.00
Expenses - Assessed	138.400	28.27	141.200	28.49	145.300	28.95	149.100	29.29	153.200	29.65
Actual	138.400	28.27	141.200	28.49	145.300	28.95	149.100	29.29	153.200	29.65
Queensland										
Assessed difference	- 0.499	- 0.13	- 0.550	- 0.14	- 0.692	- 0.17	- 0.762	- 0.19	- 0.009	0.00
Expenses - Assessed	105.900	28.11	109.600	28.37	114.100	28.84	118.100	29.17	122.600	29.64
Actual	105.900	28.11	109.600	28.37	114.100	28.84	118.100	29.17	122.600	29.64
Western Australia										
Assessed difference	0.053	0.03	0.074	0.04	0.072	0.04	0.053	0.03	- 0.026	- 0.01
Expenses - Assessed	54.800	28.27	56.200	28.55	58.100	29.05	59.900	29.38	61.700	29.63
Actual	54.800	28.27	56.200	28.55	58.100	29.05	59.900	29.38	61.700	29.63
South Australia										
Assessed difference	- 0.106	- 0.07	- 0.109	- 0.07	- 0.175	- 0.11	- 0.211	- 0.14	- 0.043	- 0.03
Expenses - Assessed	43.000	28.17	43.700	28.45	44.700	28.90	45.600	29.22	46.700	29.62
Actual	43.000	28.17	43.700	28.45	44.700	28.90	45.600	29.22	46.700	29.62
Tasmania										
Assessed difference	- 0.016	- 0.03	- 0.007	- 0.02	0.034	0.07	0.060	0.12	0.024	0.05
Expenses - Assessed	13.400	28.21	13.700	28.50	14.100	29.08	14.400	29.48	14.600	29.70
Actual	13.400	28.21	13.700	28.50	14.100	29.08	14.400	29.48	14.600	29.70
Australian Capital Territory										
Assessed difference	- 0.055	- 0.17	- 0.102	- 0.31	- 0.132	- 0.40	- 0.153	- 0.46	0.018	0.05
Expenses - Assessed	9.100	28.07	9.200	28.20	9.400	28.61	9.600	28.89	10.000	29.70
Actual	9.100	28.07	9.200	28.20	9.400	28.61	9.600	28.89	10.000	29.70
Northern Territory										
Assessed difference	- 0.033	- 0.16	- 0.029	- 0.14	- 0.027	- 0.13	- 0.127	- 0.61	- 0.009	- 0.04
Expenses - Assessed	5.600	28.08	5.700	28.37	5.900	28.88	6.000	28.75	6.300	29.60
Actual	5.600	28.08	5.700	28.37	5.900	28.88	6.000	28.75	6.300	29.60

Note: ACT expenses may include municipal expenses. Refer to Attachment A of the 2008 Update, *Relative Fiscal Capacity of States* for how these figures are compiled.