



Latest relativities

This fact sheet provides a summary of the latest relativities the Commission has recommended to the Australian Treasurer for distributing goods and services tax (GST) revenue among the States and Territories (the States) in 2020-21, along with the resulting GST distribution. For comparison, the previous year's relativities and GST distribution are also shown.

The recommended relativities are based on the principle of horizontal fiscal equalisation. Broadly, Australia's fiscal equalisation arrangements seek to ensure that each jurisdiction has the financial capacity to deliver comparable services (see separate fact sheet for more information on horizontal fiscal equalisation).

Relativities, GST shares and GST distributions, 2019-20 and 2020-21

	Relativities		GST shares		GST distribution	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
			%	%	\$m	\$m
New South Wales	0.87013	0.91808	27.8	29.3	18,192	19,832
Victoria	0.98273	0.95992	25.7	25.2	16,798	17,068
Queensland	1.05370	1.04907	21.2	21.1	13,868	14,286
Western Australia	0.51842	0.44970	5.3	4.6	3,489	3,105
South Australia	1.46552	1.35765	10.1	9.3	6,592	6,259
Tasmania	1.75576	1.89742	3.7	4.0	2,417	2,688
Australian Capital Territory	1.23759	1.15112	2.1	2.0	1,368	1,319
Northern Territory	4.26735	4.76893	4.1	4.5	2,685	3,053
Total	1.00000	1.00000	100.0	100.0	65,410	67,610

Note: The GST distribution for 2020-21 was obtained by applying 2020 Review recommended relativities to estimated State populations as at December 2020 and estimated GST revenue for 2020-21. The GST distributions in the table are illustrative.

Source: Commission calculation. 2019-20 GST entitlement and 2020-21 GST revenue are taken from the *Australian Government Budget, Mid-Year Economic and Fiscal Outlook (MYEFO) 2019-20*.

What is a relativity?

A relativity is a measure of a State's fiscal capacity relative to the average.

A relativity of 1.0 indicates that a State has the average fiscal capacity and its assessed share of GST revenue would be equal to its population share. A relativity below 1.0 indicates that a State's fiscal capacity is above average, and it requires less than its population share of GST to provide the average level of services. A relativity above 1.0 indicates that a State's fiscal capacity is below average, and it requires more than its population share of GST to provide the average level of services.

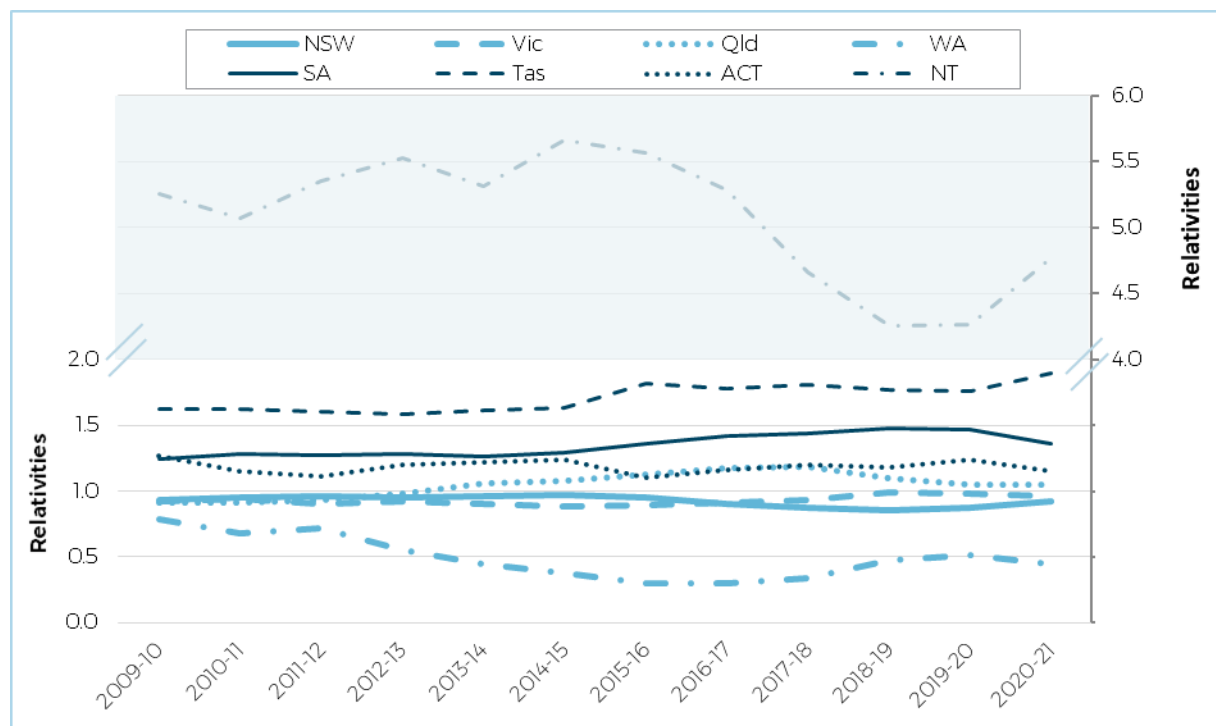
To avoid any single year having an undue influence on the upcoming year's distribution, the recommended relativities are an average of the three most recently completed financial years. The relativities recommended in this review for 2020-21 are based on the relativities for 2016-17, 2017-18 and 2018-19.



Historical relativities

The following figure shows State and Territory relative fiscal capacities (relativities) since 2009-10.

Relativities used for distributing the GST, 2009-10 to 2020-21



Notes: The relativities are derived on the basis of a pool comprising GST only.

The relativities in 2010-11, 2015-16 and 2020-21 included the impacts of methodology reviews.

Source: Commission calculation.

Between 2009-10 and 2020-21, Western Australia had the strongest fiscal capacity largely due to its high capacity to raise mining revenue. Therefore, it had the lowest GST requirement and relativity. In 2020-21, its recommended relativity is 0.45. Between 2009-10 and 2020-21, Western Australia's relativity was lower than 0.45 on five occasions, the lowest being 0.30 in both 2015-16 and 2016-17.

In 2020-21, in addition to GST revenue, the Commonwealth will be making supplementary payments under its horizontal fiscal equalization reform package to deliver an outcome equivalent to a relativity of 0.70 to Western Australia.

The Northern Territory is the State with the weakest fiscal capacity largely due to its relatively large Indigenous and remote populations that are costly to service. Therefore, it has the highest GST requirement and relativity. In 2020-21, its recommended relativity is 4.77, which is lower than its average relativity since 2009-10 of 5.08.

Apart from Tasmania, the relativities of the other States and Territories in 2020-21 are close to their 12-year average. Tasmania is the State with the second weakest fiscal capacity after the Northern Territory. Since 2015-16, Tasmania's relativity has settled at a new level (1.80) which is above its long-term average (1.70).

Further information about why States' fiscal capacities differ and how they have changed in the most recent review is available in individual State summaries. Detailed analysis is included in Volume 1 of the 2020 Review final report.

For more information about the 2020 Review, see the Commission website.