Differences in fiscal capacities

This fact sheet summarises the main economic and demographic factors that cause differences between States.

The following table shows the differences in fiscal capacity, expressed as the amount of goods and services tax (GST) revenue redistributed away from an equal per capita distribution. In 2020-21, the amount of GST revenue redistributed from an equal per capita distribution will be $6,208 million, or 9.2% of the estimated GST revenue in that year.

Drivers of difference from an equal per capita distribution of GST, 2020‑21

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **NSW** | **Vic** | **Qld** | **WA** | **SA** | **Tas** | **ACT** | **NT** | **Redist** |
|   | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| EFFECTS OF REVENUE RAISING CAPACITY |
| Mining production | 2,346 | 3,531 | -1,629 | -5,319 | 675 | 224 | 241 | -69 | 7,017 |
| Property sales | -1,926 | -730 | 749 | 934 | 665 | 206 | 3 | 98 | 2,656 |
| Taxable payrolls | -705 | 334 | 501 | -710 | 434 | 193 | 2 | -49 | 1,464 |
| Taxable land values | -919 | -493 | 718 | 65 | 378 | 140 | 94 | 16 | 1,412 |
| Other revenue effects | 125 | 121 | -64 | -119 | -96 | -8 | 35 | 5 | 287 |
| TOTAL REVENUE | -1,079 | 2,763 | 276 | -5,149 | 2,057 | 755 | 376 | 1 | 6,229 |
| EFFECTS OF EXPENSE REQUIREMENTS |
| Socio-demographic characteristics |   |   |   |   |   |   |   |   |   |
| Population dispersion | -1,559 | -1,339 | 824 | 547 | 86 | 452 | -211 | 1,199 | 3,108 |
| Indigenous status | 114 | -1,802 | 782 | 208 | -155 | 131 | -71 | 792 | 2,028 |
| Non-Indigenous disadvantage | 24 | -172 | 196 | -188 | 360 | 134 | -247 | -107 | 714 |
| Other SDC | 184 | -378 | -41 | 46 | 247 | -15 | -46 | 4 | 480 |
| Total SDC | -1,237 | -3,691 | 1,761 | 613 | 538 | 703 | -574 | 1,888 | 5,503 |
| Urban centre characteristics | 1,217 | 393 | -720 | -284 | -270 | -193 | -64 | -81 | 1,611 |
| Administrative scale | -565 | -391 | -217 | 64 | 163 | 305 | 313 | 328 | 1,173 |
| Wage costs | 293 | -152 | -217 | 304 | -295 | -186 | 115 | 137 | 849 |
| Non-State sector | -341 | -218 | 171 | 279 | -17 | 40 | 95 | -8 | 585 |
| Other expenses | -512 | -630 | 517 | 435 | 62 | 57 | -80 | 151 | 1,222 |
| TOTAL EXPENSES | -1,144 | -4,689 | 1,295 | 1,412 | 181 | 725 | -195 | 2,415 | 6,028 |
| INVESTMENT |
| Capital requirement | -45 | 956 | -58 | -487 | -298 | -47 | 16 | -36 | 972 |
| Capital improvements | 101 | -430 | 49 | 150 | -24 | -31 | -125 | 310 | 610 |
| Cost of construction | 55 | -437 | 10 | 287 | -23 | -39 | 13 | 135 | 500 |
| TOTAL INVESTMENT | 111 | 89 | 1 | -50 | -345 | -118 | -97 | 409 | 610 |
| TOTAL EXPENSE AND INVESTMENT | -1,033 | -4,600 | 1,295 | 1,361 | -164 | 608 | -292 | 2,825 | 6,089 |
| Commonwealth payments | 376 | 1,152 | -882 | 0 | -236 | -89 | 91 | -412 | 1,619 |
| TOTAL | -1,736 | -685 | 690 | -3,788 | 1,656 | 1,274 | 175 | 2,414 | 6,208 |

Note: For further explanation of what each effect includes see Volume 2 of the 2020 Review final report.

Source: Commission calculation.

For revenues, a negative redistribution indicates that a State has an above average revenue raising capacity, and a positive redistribution indicates a below average revenue raising capacity.

For expenses and investment, a negative redistribution indicates below average service delivery and infrastructure costs, and a positive redistribution indicates above average costs.

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| **Key reasons why fiscal capacities differ between States*** The uneven distribution of mining activity and production due to underlying differences in distribution of mineral reserves across Australia. This is the main source of fiscal strength for Western Australia.
* Differences in the spatial distribution (or dispersion) of their populations. States with a greater than average share of their population in less accessible regions face higher than average service delivery and infrastructure costs.
* Variation in the value of property sales. States with higher property values and volume of turnover have a greater capacity to raise revenue from taxes imposed on the transfer of property. New South Wales, Victoria and the Australian Capital Territory have above average capacity to raise revenue from this source.
* Differences in the number of Indigenous people in their populations. States with a greater than average share of Indigenous people in the population, particularly the Northern Territory where about 30% of the population is Indigenous, face higher than average service delivery costs.
* The cost of providing public transport services and infrastructure in large, densely populated cities is significantly higher in Sydney and Melbourne compared with other large urban centres.
* Differences in the distribution of Commonwealth payments to the States to fund service delivery and infrastructure, apart from the GST.
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Further information about why State fiscal capacities differ is available in individual State summaries. Detailed analysis is included in Volume 1 of the 2020 Review final report.

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| Drivers of differences between States’ fiscal capacity |
| * Mining production

**Bigger impact** * Population dispersion
* Property sales
* Indigenous status
* Urban centre characteristics
* Taxable payrolls

**Smaller impact** * Taxable land values
* Administrative scale
* Wage costs
* Non-Indigenous disadvantage
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**For more information about the 2020 Review, see the Commission website.**