



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

	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.

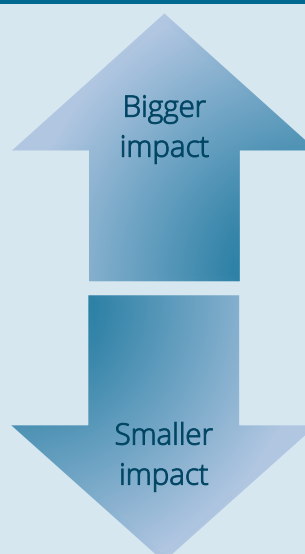
Key reasons why fiscal capacities differ between States

- 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.

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.

DRIVERS OF DIFFERENCES BETWEEN STATES' FISCAL CAPACITY

- Mining production
- Population dispersion
- Property sales
- Indigenous status
- Urban centre characteristics
- Taxable payrolls
- Taxable land values
- Administrative scale
- Wage costs
- Non-Indigenous disadvantage



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