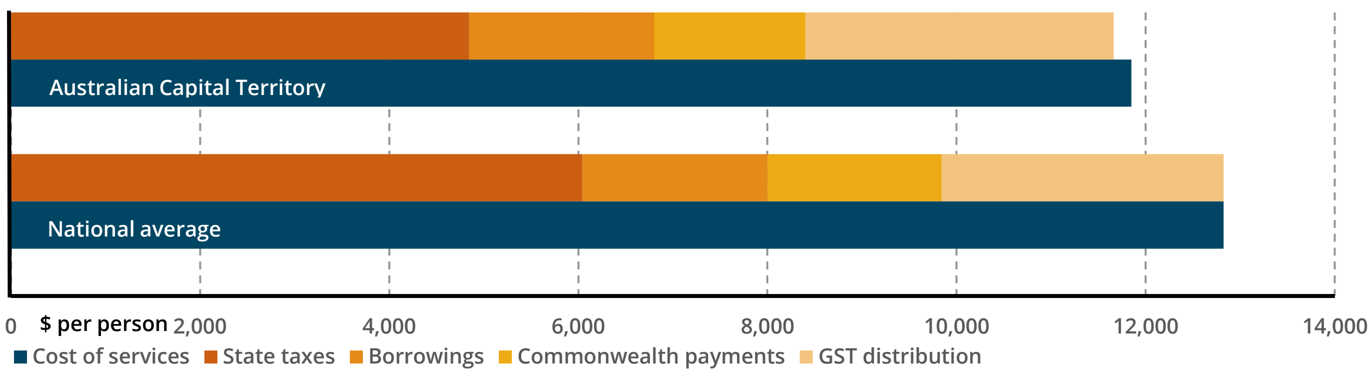
Australian Government
Commonwealth Grants Commission

Australian Capital Territory

The ACT is estimated to receive $1,421 million in GST in 2022-23. This would be a decrease of $5 million compared to 2020-21. The change reflects its share of the growth in the GST pool. It also reflects the application of the 0.7 GST relativity floor, which increases Western Australia's GST and reduces the GST distribution to all other states. It is expected that no worse off payments will result in the ACT receiving more revenue overall from the GST distribution arrangements in 2022–23 than it received in 2021–22.

GST distribution in 2022-23



Key factors that changed the ACT's GST needs in 2022-23 compared to 2021-22

+$16 million

Strong growth in Western Australia's mining production reduced the ACT's relative revenue raising capacity

+$14 million

The ACT's population growth slowed less than the national average, increasing its relative need for investment

-$18 million

Wage growth in the ACT was slower than the national average, which lowered its relative service costs

-$13 million

Above average growth of property sales in the ACT increased its relative revenue raising capacity

How the ACT compared to other states and territories

The ACT's capacity to raise revenue from its own taxes is lower than the national average. For example:

The ACT cannot raise any revenue from mining royalties compared to a national average of $676 per person

The ACT can raise $197 per person from land tax, well below the national average of $423

The characteristics of people living in the ACT mean that the costs of providing government services is lower than the national average. For example:

The ACT needs more GST to account for the higher cost of providing a similar level of government services to a smaller population

The ACT is the least disadvantaged jurisdiction with only 7% of the population in the bottom 40% of relative economic advantage. Service use and costs are higher for those living with economic disadvantage.

Overall, the lower relative revenue raising capacity of the ACT outweighs its lower relative cost of providing services. It therefore receives a per person GST allocation above the national average.

How the GST is distributed

The Commonwealth Grants Commission provides independent advice to the Commonwealth government on how GST revenue should be distributed to ensure each state has a similar capacity to provide services. The amount of revenue each state can raise differs because it depends on things like the value of mining production, property transactions and taxable payrolls. The cost of providing services varies too, based on things like a state's size, its geography, where its residents live and their age, health and wealth.

Changes to the GST distribution in 2022-23 reflect the 2018 GST legislated arrangements. These include implementation of a GST relativity floor below which no state's GST revenue sharing relativity can fall and Commonwealth top ups to the GST pool. The Commonwealth also makes separate transitional no worse off payments to the states.

For further information see https://www.cgc.gov.au/reports-for-government/2022-update