



Victoria

This fact sheet provides an overview of the major causes of change in relativities and the distribution of the GST pool since the 2021 Update.

Recommended GST relativities and GST distribution

Victoria's recommended GST relativity will decrease to 0.85861 in 2022-23, resulting in it receiving an estimated GST pool distribution of \$17,167 million.

Under the 2018 legislated arrangements, 2022-23 is the second year in a 6-year transition away from distributing the GST pool based on assessed relativities. At the end of these 6 years, no state will have a per capita GST share lower than the fiscally stronger of New South Wales or Victoria.

GST relativities, shares and estimated GST distribution, 2021-22 and 2022-23 (excludes no worse off payments)

	GST relativities		GST shares		GST distribution	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
			%	%	\$m	\$m
New South Wales	0.95617	0.95065	30.3	30.0	22,107	23,218
Victoria	0.92335	0.85861	23.8	22.2	17,411	17,167
Queensland	1.05918	1.03377	21.5	21.2	15,739	16,384
Western Australia	0.41967	0.70000	4.4	7.3	3,199	5,682
South Australia	1.34719	1.28411	9.3	8.9	6,785	6,865
Tasmania	1.96067	1.85360	4.1	3.9	3,024	3,035
Australian Capital Territory	1.16266	1.09250	2.0	1.8	1,426	1,421
Northern Territory	4.79985	4.86988	4.6	4.7	3,379	3,644
Total	1.00000	1.00000	100.0	100.0	73,070	77,416

Note: The estimated GST pool distribution for 2022-23 was calculated by applying 2022 Update relativities to estimated state populations (as of December 2022) and the estimated GST pool for 2022-23. It excludes no worse off payments that are part of a Commonwealth guarantee that no state will be worse off over the 6-year transition period.

Source: Commission calculation.

Assessed relativities to GST relativities, 2022-23

	Assessed relativities	Standard state relativities	Blended relativities	GST relativities
New South Wales	1.01373	0.93448	0.98742	0.95065
Victoria	0.92170	0.84245	0.89538	0.85861
Queensland	1.09684	1.01758	1.07053	1.03377
Western Australia	0.15784	0.84245	0.38608	0.70000
South Australia	1.34715	1.26790	1.32087	1.28411
Tasmania	1.91658	1.83733	1.89037	1.85360
Australian Capital Territory	1.15556	1.07631	1.12927	1.09250
Northern Territory	4.93255	4.85329	4.90665	4.86988
Total	1.00000	1.00000	1.00000	1.00000

- (a) Assessed relativities refer to the previous arrangements.
- (b) Standard State relativities refer to the 2018 legislated arrangements (equalising to the stronger of New South Wales or Victoria). Victoria was fiscally stronger in each of the three assessment years.
- (c) The blended capacities are 4/6th assessed relativities and 2/6th standard State relativities.
- (d) An internal floor of 0.70 applies to GST relativities for 2022-23.

Source: Commission calculation.



Change in assessed relativity

In the 2022 Update, Victoria was assessed as the standard state under the 2018 legislated arrangements. Victoria's share of the GST pool is estimated to decrease from 23.8% to 22.2%. With pool growth, but excluding no worse off payments, its estimated GST distribution in 2022–23 would decrease by \$244 million, or 1.4%. It is expected that no worse off payments will result in Victoria receiving more revenue overall from the GST distribution arrangements in 2022–23 than it received in 2021–22.

From 2019–20 to 2020–21, Victoria's population grew at a much slower rate (–0.04%) than from 2016–17 to 2017–18 (2.28%). With 2020–21 replacing 2017–18 in this update, the relative decline in Victoria's population growth reduced its share of needs for new infrastructure while increasing its net borrowing needs. This was partly offset by below average growth in the value of property sales and a fall in its relative capacity to raise mining revenue. The combined effect of blended relativities and the GST floor would reduce Victoria's distribution by \$1,063 million. Across the transition period, this impact would be ameliorated by no worse off payments.

Change in estimated GST distribution from 2021-22 to 2022-23, Victoria (excludes no worse off payments)

	\$m	\$pc
Change in population	-10	-2
Growth in GST pool	1,035	154
Changes in assessed needs		
Data revisions	46	7
State circumstances	-251	-37
Total	-206	-31
Blended relativities and GST floor (a)	-1,063	-159
Total change	-244	-36

Note: Table may not add due to rounding.

(a) This represents the difference between applying the GST relativities and assessed relativities to the GST pool. It is not the basis of the no worse off payments calculation, which is a state's assessed relativities applied to the GST pool without the pool top-up.

Source: Commission calculation.

Main changes for Victoria, 2022 Update

Changes in state circumstances between 2017-18 and 2020-21

-\$672m	Population growth. A decline in population growth, reflecting the impact of COVID-19, reduced Victoria's assessed need for new infrastructure.
\$429m	Property sales. Below average growth in property sales decreased Victoria's relative revenue raising capacity and increased its GST share.
\$253m	Mining production. Growing value of mining production in other states reduced Victoria's relative revenue raising capacity and increased its GST share.
\$122m	Capital improvements. Total urban transport investment increased faster than growth in the GST pool. This increased the GST share of states with above average urban transport investment needs, including Victoria.
-\$110m	Taxable land values. Above average growth in taxable land values increased Victoria's relative revenue raising capacity and reduced its GST share.
-\$88m	Wage costs. Wage growth in Victoria was lower than the national average between 2017-18 and 2020-21, decreasing its GST share.

Data revisions

\$93m	Capital assessments. An upwards revision of total urban transport investment increased the GST shares of states with high urban transport investment needs, such as Victoria. This was compounded by a downward revision of the net financial liabilities held by states, which increased the GST needs of states with above average population growth in the revised year, including Victoria.
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Source: Commission calculation.

For more information about these changes, see the 2022 Update report.