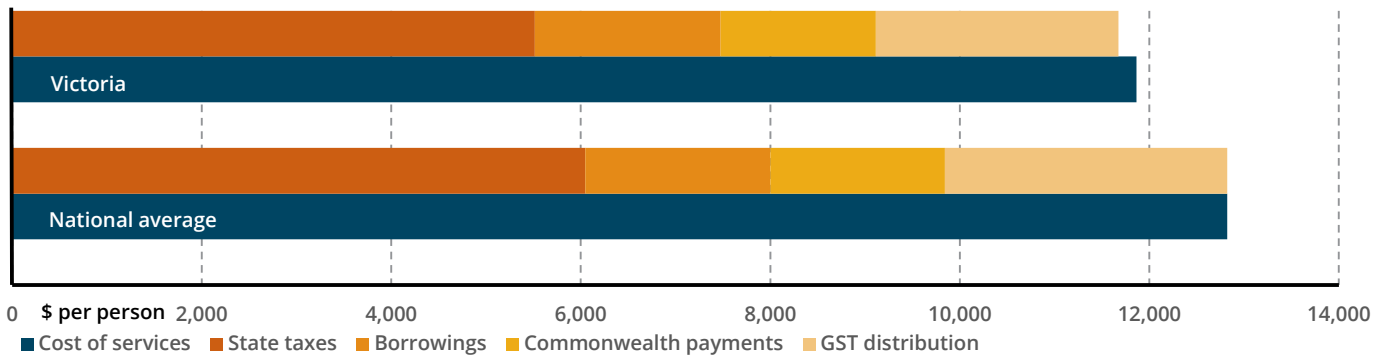




Victoria

Victoria is estimated to receive \$17,167 million in GST in 2022-23. This would be a decrease of \$244 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 Victoria 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 affected Victoria's GST share in 2022-23 compared to 2021-22



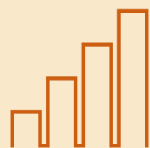
+\$429 million

Below average growth in property sales decreased Victoria's relative revenue raising capacity



+\$253 million

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



-\$672 million

Victoria's population growth slowed by more than the national average, reducing its need for investment relative to other states



-\$110 million

Above average growth in taxable land values increased Victoria's relative revenue raising capacity

How Victoria compared to other states and territories

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



Victoria can only raise \$33 per person from mining royalties, well below the national average of \$676



Victoria can raise \$944 per person from payroll tax, slightly below the national average of \$961

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



Victoria's population is less dispersed. Only 3.8% live in outer regional and remote areas, where service costs are higher, compared to the national average of 9.9%



Victoria's population is 1% Indigenous compared to the national average of 3.4%

Overall, the lower relative cost of providing services in Victoria outweighs its lower relative revenue raising capacity. It therefore receives a per person GST allocation below 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>