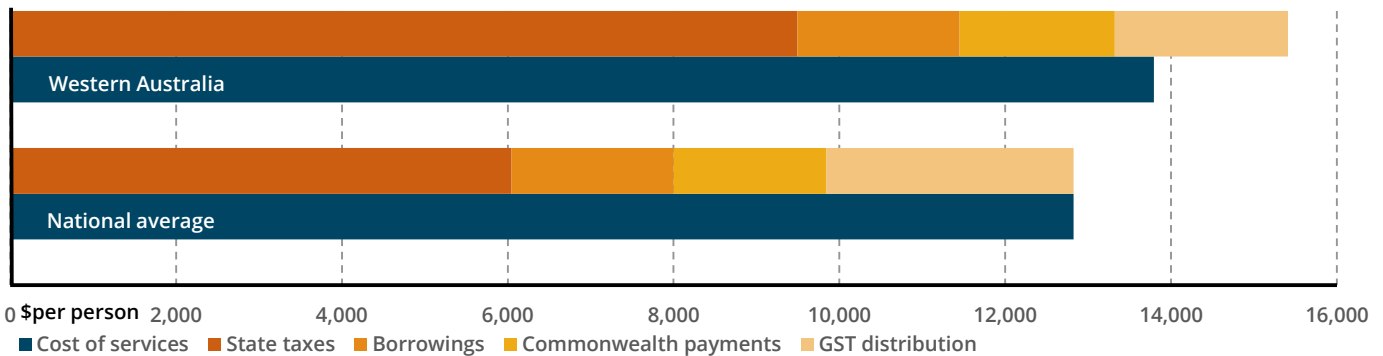




Western Australia

Western Australia is estimated to receive \$5,682 million in GST in 2022-23. This would be an increase of \$2,483 million compared to 2021-22. The change 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. Western Australia previously received payments from the Commonwealth outside the GST pool which provided it with the equivalent of a GST relativity of 0.7. There has been an increase in Western Australia's revenue raising capacity due to significant growth in the value of its iron ore production.

GST distribution in 2022-23



Key factors that affected Western Australia's GST share in 2022-23 compared to 2021-22



+\$321 million

Wage growth in Western Australia was faster than the national average, which increased its relative service costs



+\$289 million

Western Australia's population grew faster than other states, increasing its relative requirements for investment



-\$1,941 million

Large increases in mining royalties increased Western Australia's relative capacity to raise tax revenues



-\$130 million

Above average growth in property sales in Western Australia increased its revenue raising capacity

How Western Australia compared to other states and territories

Western Australia's capacity to raise revenue from its own taxes is higher than the national average. For example:



Western Australia has the highest capacity to raise revenue from mining royalties at \$4,716 per person compared to a national average of \$676



Western Australia can raise \$1,303 per person from payroll tax, above the national average of \$961 per person

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



The wages that people receive in Western Australia are 5.3% higher than the national average, which makes services more expensive to deliver



Western Australia has a large remote population, with 5.8% living in remote areas, where service costs are higher, compared to a national average of 1.9%

Overall, the higher relative revenue raising capacity of Western Australia outweighs its higher relative cost of providing services. It therefore receives a per person GST allocation below the national average but equal to the floor of 0.70.

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>