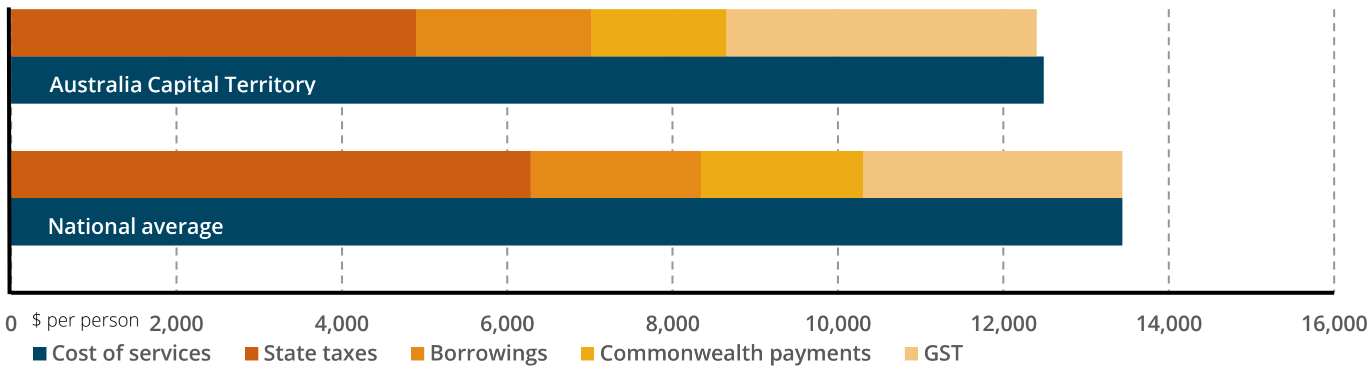
Australian Government
Commonwealth Grants Commission

Australian Capital Territory

The ACT is estimated to receive $1,831 million in GST in 2023-24. This would be an increase of $223 million compared with 2022-23. The change reflects the ACT's assessed needs for GST and its share of the growth in the GST pool. It also reflects the application of the 0.7 GST relativity floor, which increases the GST distributed to Western Australia's and reduces the GST distribution to all other states.

GST distribution in 2023-24



Key factors that changed the ACT's GST needs in 2023-24 compared with 2022-23

+$83 million

Downward revisions to the population in major urban areas of New South Wales and Victoria increased the ACT's assessed need for urban transport investment relative to other states.

+$58 million

Wage costs in the ACT grew faster than the national average, which increased its relative service costs.

+$54 million

Strong growth in other states mining production reduced ACT's relative revenue raising capacity.

-$31 million

National urban transport investment more than doubled between 2018-19 and 2021-22. This decreased the assessed GST needs of states with below-average urban transport investment needs, including the ACT.

How the ACT compared with 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 with a national average of $1,000 per person.

The ACT can raise $201 per person from land tax, well below the national average of $464.

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 has no outer regional or remote population compared with the national average of 10.1%, meaning it is relatively less costly to provide services.

Service use and costs are higher for those living with economic disadvantage. The ACT has the least disadvantaged population.

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 distribution above the national average.

How the GST is distributed

The Commonwealth Grants Commission provides independent advice to the Commonwealth government on how GST 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 2023-24 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/2023-update