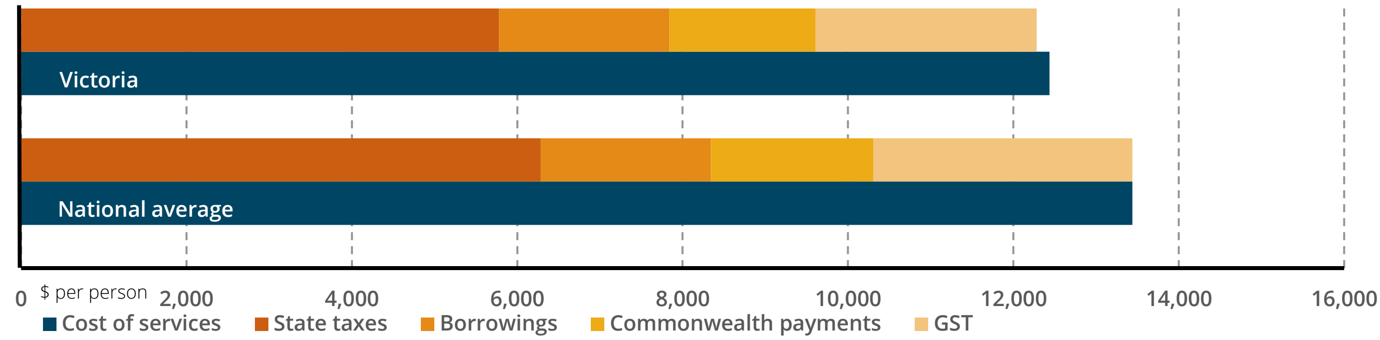
Victoria

Victoria is estimated to receive $18,796 million in GST in 2023-24. This would be an increase of $621 million compared with 2022-23. The change reflects Victoria'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 Australian and reduces the GST distributed to all other states.

GST distribution in 2023-24



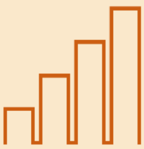
Key factors that affected Victoria's GST needs in 2023-24 compared with 2022-23

+$284 million

Victoria's below average growth in property sales decreased its relative revenue raising capacity.

+$779million

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



-$603 million

Victoria's population grew slower than the national average which reduced its assessed GST needs for investment relative to other states.

-$640 million

Victoria's population in major urban areas was revised down as a result of the 2021 census. This reduced assessed GST needs for urban transport investment.

How Victoria compared with 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 $36 per person from mining royalties, well below the national average of $1,000.

Victoria can raise $245 per person from insurance tax, slightly below the national average of $261.

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

Only 4% of Victoria's population lives in outer regional and remote areas where service costs are higher, compared to the national average of 10.1%.

Of Victoria's population, the First Nations share is 1% 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 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