



**COMMONWEALTH GRANTS  
COMMISSION 2025  
METHODOLOGY REVIEW OF GST  
REVENUE SHARING  
RELATIVITIES**

***PROPOSED APPROACH AND WORK  
PROGRAM***

**ACT Government Submission**

ACT GOVERNMENT SUBMISSION

MARCH 2023

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## BACKGROUND

On 14 February 2023, the Commonwealth Grants Commission (CGC) released a discussion paper outlining its proposed approach and work program for the 2025 Methodology Review of Goods and Services Tax (GST) Revenue Sharing Relativities (Review). The 2025 Review follows the established pattern of five-yearly methodology reviews conducted by the CGC and will determine the methods that the CGC uses to assess state and territory fiscal capacities for the purposes of distributing the GST grant from 2025-26 to 2029-30. In line with the Terms of Reference (TOR) provided by the Commonwealth Treasurer to the CGC on 9 February 2022, the work program targets a release of the 2025 Review report to the states and territories by 28 February 2025, ahead of the public release on 14 March 2025.

Given the timing of the release of the TOR, this provides the CGC approximately 24 months to conduct the Review process, including requisite consultation with the states and territories, development of the 2025 Review report, and subsequent public release of the report. By contrast, the 2020 Review was conducted over approximately 39 months, and 20 months for the 2015 Review before it.

The ACT acknowledges that the TOR for the 2025 Review prohibit the CGC from examining the changes to Australia's system of Horizontal Fiscal Equalisation (HFE) introduced by the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018* (2018 Legislation). The ACT notes however that the 2018 Legislation will require the Productivity Commission to provide a report on its operation by 31 December 2026. Any outcomes from the Productivity Review, including any potential implications for its assessment methods, will need to be considered by the CGC in due course.

The ACT welcomes the opportunity to comment on the proposed approach and work program for the 2025 Review. We anticipate productive engagement with the CGC and the other states and territories on the assessment methods underpinning Australia's system of HFE throughout the 2025 Review.

## ACT POSITION

The ACT is broadly supportive of the CGC's proposed approach and work program for the 2025 Review. The ACT agrees with the CGC's proposed key objectives of the 2025 Review of clear consultation with the states and territories on their views on the assessment methodology, potential changes to the methodology, and input into CGC decisions. We support the aim of ensuring that all jurisdictions are satisfied that the methods implemented from the 2025 Review are sound and use high quality data.

Noting the time available to the CGC to complete the 2025 Review, the ACT is also supportive of the CGC's proposal to focus its efforts. This includes factors impacting assessments and the state and territory activities which have materially changed since the 2020 Review, either through changes in circumstances, data availability, or new evidence supporting potential method changes. Likewise, the ACT supports the application of this approach to both the assessment methods and the supporting principles of HFE. The ACT notes that the CGC is open to states and territories re-addressing issues raised during the 2020 Review process. Jurisdictions will need to provide novel justifications for proposed method or principle changes that have not already been considered by the CGC.

The ACT also supports CGC's proposal to not consider alternative approaches to HFE in the 2025 Review, such as an equal per capita distribution. The ACT considers that the current assessment approach of examining state and territory expenditure needs and revenue capacities based on what jurisdictions do is well-established. Alternative approaches have consistently been rejected since the introduction of comprehensive HFE in 1981. As such, the ACT considers that the CGC should not examine alternative approaches unless they are based on evidence of shortcomings in the current approach that have not been considered by the CGC in prior Reviews.

The ACT supports the CGC's proposal to split its consultation papers on assessments into two tranches. This approach should help balance workloads over time for the states and territories in this Review. This should also facilitate higher quality submissions and make the overall work program for the 2025 Review more manageable. The ACT considers that the current indicative split of consultation papers is broadly balanced in terms of the number and level of complexity of the assessments being considered in each tranche. However, the ACT is still open to the CGC reconsidering these allocations, but notes that the concentration of complexity and number of assessments should be taken into consideration by the CGC if it were to make any changes.

The ACT welcomes the increased availability and flexibility of the CGC Commissioners throughout the 2025 Review. The ACT will take the opportunity to engage with CGC Commissioners and staff throughout the review. Similarly, the ACT also welcomes the commitment by the CGC Commissioners to meet each state and territory in-person. At this stage, the ACT favours holding the in-person bilateral meetings in 2024, following the provision of the state and territory responses to both tranches of assessments. This will allow states and territories to develop their positions and identify key issues for a more productive discussion with the Commissioners. The ACT notes that this may require the proposed release date of the Draft Report to be pushed back to allow sufficient time for discussions to occur, and for the CGC to reflect them in the Draft Report. The ACT considers that states and territories should be given the opportunity to provide supplementary submissions to the CGC following the in-person meetings to address any further issues or requests for information arising during the discussions. The ACT also considers that the CGC should provide states and territories with guidance on the expectations of the Commissioners for the meetings.

Regarding the proposed bilateral meetings on the topic of methodology changes between Reviews, the ACT supports these discussions being held. However, the proposed timing of the meetings – July 2023 – will overlap with the period that states and territories will be preparing their responses to the first tranche of consultation papers on assessments. The ACT considers that holding these bilateral meetings in September to October 2023 will better balance the demand on state and territory resources.

The ACT notes there is no formal consultation between the CGC and the states and territories between the release of the paper on Changes Since the Draft Report and the Final Report. Given this, the ACT considers that the CGC should consider including a final multilateral discussion between these two milestones in the work program.

The ACT notes that the current work program does not indicate a timeframe for the annual data requests from the CGC for the 2025 Review. The ACT considers that the requests should be incorporated into the work program to provide clear timings on when data requests will be made. This will allow states and territories to better plan data requests with their agencies.

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**ACT**  
Government

Chief Minister, Treasury and Economic  
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March 2023