




Australian Government
Commonwealth Grants Commission

2025 Methodology Review

Other revenue consultation paper

October 2023

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Submissions sought by	<p>1 March 2024</p> <p>Submissions should be placed in your private state channel in CGC Engagement Teams, with a post notifying Katrina Baldock.</p> <p>Submissions should be in Word format and posted in the relevant state channel of the CGC engagement Team. Submissions more than 10 pages in length should include a summary section.</p>
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Overview of category

- 1 The other revenue category comprises the residual of state revenues remaining after those which the Commission has decided to differentially assess have been identified and classified to individual revenue categories.
- 2 The category includes:
 - gambling taxes
 - fees, fines and forfeits
 - interest income
 - dividend income
 - for the ACT only, municipal rates¹
 - user charges the Commission has decided to assess equal per capita.
- 3 The Commission has issued a separate consultation paper on gambling. Its preliminary view is to continue to assess gambling in the other revenue category.

Current assessment method – 2020 Review

- 4 Under the 2020 Review method ‘other revenues’ are assessed equal per capita. This approach means the assessment does not affect states’ relative fiscal capacities and does not affect the GST distribution.
- 5 In the 2020 Review, the Commission said it considered this to be the appropriate treatment for revenues where:
 - states are assessed to have the same per capita capacity to raise revenue²
 - reliable data cannot be found to make an assessment or an assessment method cannot be developed³
 - a differential assessment of the revenue would not be material.⁴
- 6 Revenue from municipal rates in the ACT, which are treated as local government revenue for other states, are included in the scope of the Commission’s other revenue category for simplicity. The equal per capita assessment method means this has no impact on GST distribution.

¹ The ACT does not have a local government sector. The Australian Bureau of Statistics’ Government Finance Statistics publication includes the ACT’s local government type revenue with its state type revenue.

² This is justification for applying an equal per capita assessment to user charges, municipal rates, fines, fees and forfeits, interest income and dividend income, grants from third parties and most of the revenue streams in other taxes and other income. As part of the Net borrowing assessment, states are assessed to have equal net financial worth per capita. Consequently, revenue derived from financial holdings (interest income, dividend income and contributions from trading enterprises) are assessed equal per capita.

³ This is justification for applying an equal per capita assessment to gambling taxes.

⁴ This is justification for applying an equal per capita assessment to some of the revenue streams in other taxes and other income, such as assets acquired below fair value.

Data used in the assessment

- 7 The Commission obtains revenue data from the Australian Bureau of Statistics' (ABS) Government Finance Statistics publication and, for the last assessment year, from State Revenue Offices.
- 8 Data on estimated resident populations are also obtained from the ABS.

Category and component revenue

- 9 States raised \$49.1 billion in other revenue in 2021–22, representing 29.8% of total own-source revenue (Table 1).

Table 1 Other revenue by state, 2021–22

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Total revenue (\$m)	13,134	11,699	10,742	5,237	4,214	1,449	2,022	637	49,133
Total revenue (\$pc)	1,622	1,783	2,040	1,896	2,332	2,543	4,460	2,556	1,907
Share of state own-source revenue (%)	26.3	31.7	31.2	19.5	47.3	51.3	58.5	37.8	29.8

Source: Commission calculation.

- 10 The different proportions in Table 1 reflect differences in the revenue structure of each state's budget. The lower proportions for New South Wales and Western Australia reflect the former's higher property transfer revenues and the latter's higher mining revenues. Lower mining revenue in Victoria and lower property transfer revenues in Queensland and the Northern Territory contribute to their higher proportions. South Australia and Tasmania have higher proportions because they tend to have relatively smaller tax bases. The ACT's high proportion reflects the inclusion of its municipal rates revenue.
- 11 Other revenue has declined as a share of total own-source revenue in recent years (Table 2).

Table 2 Total other revenue, 2018–19 to 2021–22

	2018-19	2019-20	2020-21	2021-22
Total revenue (\$m)	48,453	43,103	46,837	49,133
Share of total own-source revenue (%)	36.8	33.9	33.9	29.8

Source: Commission calculation.

- 12 Table 3 sets out the capacity measure that applies to the other revenue assessment.

Table 3 Structure of the other revenue category

Component	Component revenue \$m	Driver	Influence measured by driver
Other revenue	49,133	Population	These revenues are assessed equal per capita. They do not differentially affect states' relative fiscal capacities.

Source: Component revenue data provided by states for the 2023 Update.

GST distribution in the 2023 Update

13 Table 4 shows that the equal per capita assessment does not affect states' relative fiscal capacities. Therefore, it does not affect the GST distribution.

Table 4 GST impact of the other revenue assessment, 2023 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Total (\$m)	0	0	0	0	0	0	0	0	0
Total (\$pc)	0	0	0	0	0	0	0	0	0

Source: Commission calculation, 2023 Update.

14 Further detail on the other revenue assessment, the scope of the adjusted budget and the underlying conceptual cases for assessment methods are explained in volume 2, chapter 12, [Report on GST Revenue Sharing Relativities, 2020 Review](#).

What has changed since the 2020 Review?

Composition of the category

15 Table 5 lists state revenues classified to the other revenue category.

Table 5 Composition of the other revenue category

	2019-20	2020-21	2021-22
	\$m	\$m	\$m
User charges (a)	4,602	5,340	7,467
Municipal rates	597	612	674
Gambling taxes	5,975	6,999	7,267
Fines, fees and forfeits	7,346	7,874	8,294
Other taxes	2,257	2,286	2,745
Interest income	3,346	3,157	3,770
Dividend income	8,756	9,154	4,891
Grants from third parties (b)	54	38	2,151
Other income (c)	10,170	11,378	11,875
Total	43,103	46,837	49,133

(a) Most user charges are differentially assessed and offset against the relevant expense category. The user charges shown in this table are those the Commission has decided to assess equal per capita.

(b) These are grants from parties other than the Commonwealth.

(c) These figures also include the effect of Commission adjustments. For example, the Commission adjusts ABS Government Finance Statistics data to include the activity of housing and urban transit public non-financial corporations.

Source: Component revenue data provided by states for the 2023 Update.

- 16 There are long standing criticisms of the equal per capita assessment of capacity to raise revenue from gambling taxes. As part of the 2025 Review, the Commission has issued a separate consultation paper on gambling. That paper reviews the options for a differential assessment of gambling taxes that have been considered in past reviews. The Commission’s preliminary view is that there have been no developments that warrant changing the gambling taxes assessment and it should continue to be assessed equal per capita in other revenue.

Consultation question

Q1. Do states agree with the revenues classified to the other revenue category?

Assessment of the category

- 17 This category is a residual revenue category comprising revenues which the Commission has decided not to differentially assess.
- 18 The Commission’s preliminary view is that there have been no developments that warrant changing the other revenue assessment.

Consultation question

Q2. Do states agree that other revenue should be assessed equal per capita?

Proposed assessment

Differences from the 2020 Review approach

- 19 Subject to state comments, the Commission proposes to retain the 2020 Review assessment method. Revenues in this category will be assessed equal per capita.

Proposed assessment structure

- 20 Subject to state views, Table 6 presents the proposed structure of the other revenue assessment for the 2025 Review.

Table 6 Category structure, other revenue

Component	Driver	Influence measured by driver	Change since 2020 Review
Other revenue	Population	These revenues are assessed equal per capita. They do not differentially affect states’ relative fiscal capacities.	No

Source: Commission Calculation.

Consultation

- 21 The Commission welcomes state views on the consultation questions identified in this paper (outlined below) and the proposed assessment. State submissions should accord with the 2025 Review framework. States are welcome to raise other relevant issues with the Commission.

Q1. Do states agree with the revenues classified to the other revenue category?

Q2. Do states agree that other revenue should be assessed equal per capita?