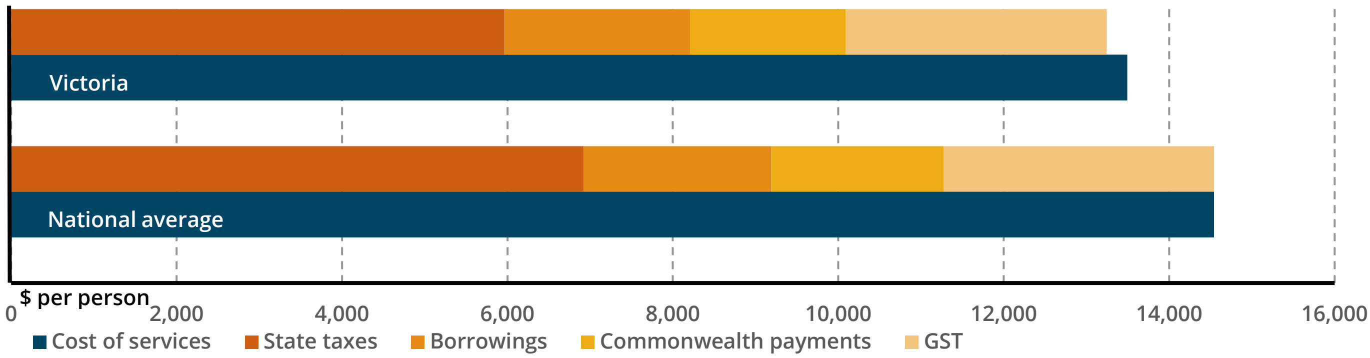
Victoria

Victoria is estimated to receive $22,227 million in GST in 2024–25. This would be an increase of $3,686 million compared with 2023-24. 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 0.75 GST relativity floor, which increases the GST distributed to Western Australian and reduces the GST distributed to all other states.

GST distribution in 2024-25



Key factors that affected Victoria's GST needs in 2024–25 compared with 2023–24

+$256 million

Strong growth in investment nationally, mainly in urban transport, increased the investment needs of states with large, densely populated cities, including Victoria.

+$1,307 million

Increased coal royalties resulted in higher revenue raising capacities for the main coal producing states and reduced Victoria's relative revenue raising capacity.

+$227 million

Below-average growth in taxable property sales decreased Victoria's relative revenue-raising capacity and increased its GST needs.

+$702 million

2021 Census data showed an increase in Victoria's population-weighted density compared to the 2016 Census. This increased its GST needs for urban transport services and associated 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 $48 per person from mining royalties, well below the national average of $1,379 per person.

Victoria can raise $259 per person from insurance tax, slightly below the national average of $275 per person.

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 3.9% of Victoria's population lives in outer regional areas where service costs are higher, compared to the national average of 8%.

The First Nations population of Victoria comprises 1.2% of the state's population, compared to the national average of 3.9%.

Overall, the below-average cost of providing services in Victoria outweighs its below-average revenue raising capacity. It therefore receives a per person GST distribution slightly below the national average.

How the GST is distributed

The Commonwealth Grants Commission provides independent advice to the Australian Government on how GST should be distributed among the states. In doing this, the Commission takes account of states' different abilities to raise revenue and their different costs in providing 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 other socio-demographic characteristics, for example, age, health, income, and education.

Changes to the GST distribution in 2024–25 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/2024-update