




Australian Government  
Commonwealth Grants Commission

# GST Relativities 2025-26

New issues discussion paper

October 2024

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Submissions sought by	<p>8 November 2024</p> <p>Submissions should be placed in your private state or territory channel in the CGC Engagement channel in GovTEAMS, with a post notifying Katrina Baldock.</p> <p>Submissions should be in Word format. Submissions more than 10 pages in length should include a summary section.</p>
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## Background

- 1 The 2025 Methodology Review will, in line with the terms of reference, provide recommendations on GST relativities for 2025–26. These recommendations will incorporate assessment method changes from the 2025 Review. This paper sets out the additional new issues and Commonwealth payments, including the implications of some of the proposed method changes in the 2025 Review, identified by the Commission. The Commission is seeking the views of Commonwealth and state and territory (state) treasuries on its proposals.
- 2 New issues fall into the following categories:
  - data issues
    - welfare – update to estimated resident population
    - insurance tax - missing data for September quarter 2023
  - assessment issue
    - mining revenue - the separate assessment of nickel royalties
  - Commonwealth payments
    - state budget treatment of selected Commonwealth payments
    - new treatment of existing Commonwealth payments (those impacted by method changes proposed in the 2025 Methodology Review Draft Report)
    - the treatment of new Commonwealth payments.
- 3 States are asked to provide comments by 8 November 2024. States should upload their submissions to their private CGC Engagement channel in GovTEAMS. The contact officer for queries is Naomi Elliott (Naomi.Elliott@cgc.gov.au).

## Data issues

### Welfare – Estimated Resident Population

- 4 The Commission has identified that, due to improvements in available data, it is no longer necessary to use the Australian Bureau of Statistics (ABS) estimated resident population aged 0–14 in the child protection and family services assessment as a proxy for the estimated resident population aged 0–17.

## Background

- 5 In the 2020 Review child protection and family services assessment, the Commission did not have estimates of resident population between ages 15–17. As a result, it used child protection substantiations for children aged 0–17 and the estimated resident population aged 0–14 to assess state need for spending. Improved data availability

from the ABS means that the Commission can now identify state estimated resident populations aged 0–17.

- 6 In response to improved data availability, and to ensure consistency between child protection substantiations and estimated resident population, the Commission proposes to assess child protection and family services using state estimated resident population aged 0–17.

## Preliminary view

The Commission’s preliminary view is to update the estimated resident population used in the child protection and family services assessment to include people aged 15–17.

## Insurance Tax – missing data for September quarter 2023

- 7 The Commission needs to consider how to estimate insurance premiums data that are unavailable for the September quarter of 2023.

## Background

- 8 The Australian Prudential Regulation Authority revised its reporting framework from 1 July 2023 to align with changes to the Australian Accounting Standards for insurance contracts. The Australian Prudential Regulation Authority has advised that insurance premiums by state will not be available for the September quarter of 2023. They will be available from the December quarter of 2023.
- 9 The Commission considered several methods for estimating insurance premiums data for the September quarter of 2023. Taxable premiums followed a general upward trend over the past 5 years. Those data also exhibit a seasonal pattern, although the degree of seasonality is more pronounced for some states than others.
- 10 The Commission proposes to estimate the missing data for each state using the September quarter proportion of taxable premiums, averaged over the previous 5 financial years. Starting with the available data for the 3 quarters of 2023–24 (December 2023, March 2024, June 2024), the Commission proposes to impute the missing quarter for each state such that it is equal to that state’s average September proportion over the previous 5 years. This method captures the upward trend and seasonal pattern in the data. The Australian Prudential Regulation Authority advised caution when directly comparing data under the old and new reporting frameworks. The proposed approach avoids estimating the missing data directly from adjacent quarters on different reporting frameworks (June and December quarters of 2023).

## Preliminary view

The Commission's preliminary view is to impute data for the September quarter of 2023 using the September quarter proportion of taxable premiums in each state on average over the previous 5 years.

## Assessment issue

### Mining revenue – nickel royalties

- 11 In the 2025 Methodology Review Draft Report, the Commission proposed to continue to assess mining revenue capacity using a mineral-by-mineral approach. The preliminary view on the assessment of nickel royalties in this paper is based on the assumption that the mineral-by-mineral approach is retained.

### Background

- 12 Under the mineral-by-mineral approach, a mineral is separately assessed if doing so materially affects a state's GST outcome. If there were a major change in circumstances (for example, if one of the separate mineral assessments became immaterial or a separate assessment of another mineral became material) the Commission said it would exercise its judgement on whether equalisation would be improved by changing the structure of the mining assessment.
- 13 In the 2024 Update, the Commission determined a separate assessment of nickel royalties was material and judged that it was likely to remain material for the foreseeable future. This was based on the upward trend in revenues in the years of assessment and Western Australia's forward estimates. The Commission decided to split nickel royalties from the other minerals component and assessed them separately.
- 14 Western Australia advises that nickel royalties have fallen in 2023–24 and a separate assessment of nickel royalties is unlikely to be material in the 2025 Review if the proposed \$40 per capita materiality threshold is applied.
- 15 The Commission will retest the materiality of nickel royalties after states have provided their 2023–24 mining data. Pending the outcome of that test, the Commission will exercise its judgement on whether equalisation would be improved by a separate assessment of nickel royalties (if the test is material) or by changing the structure of the mining assessment and assessing nickel royalties in the other minerals component (if the test is not material).

## Preliminary view

The assessment of nickel royalties will depend on the result of a materiality test. Pending the outcome of that test, the Commission will exercise its judgement on whether equalisation would be improved by a separate assessment of nickel royalties or by changing the structure of the mining assessment and assessing nickel royalties in the other minerals component.

## Commonwealth payments

- 16 In addition to the new Commonwealth payments commencing in 2023–24, there are proposed revisions to the treatment of some existing payments and a request for information on the state budget treatment of some payments and associated expenses.

## State budget treatment of selected payments

- 17 Commonwealth payments treated as no impact and out of scope do not impact the GST distribution. This is achieved by ensuring both the Commonwealth payment and the associated state expenses are excluded from the Commission’s calculations. The expenses associated with Commonwealth payments that are treated as no impact are removed from the relevant expense category. An expense adjustment is not required if the associated expenses are not included in state expense data provided to the Commission.

## Seeking state information

There are 2 Commonwealth payments where the Commission is seeking advice from states on whether the associated expenses are included in expense data provided to the Commission. These are:

- private hospital viability payments made under the National Partnership on COVID-19 Response (Table 1)
- disadvantaged independent schools payments (Table 2).

## Revised treatment of existing Commonwealth payments

- 18 The 2025 Methodology Review Draft Report proposed changes to some expense assessment methods. Table 1 lists the changes to the treatment of some related Commonwealth payments and their associated components should the method changes proposed in the Draft Report be implemented.

19 Where previously expense needs were not assessed but are now proposed to be assessed, related Commonwealth payments will be treated as impacting GST distribution consistent with the Commission’s Commonwealth payments guideline. In addition, in some cases a new component has been proposed, which would imply a change to the component in which the associated expenses are captured in the adjusted budget.

**Table 1 List of 2025 Review changes to existing payments**

Payment name	Original Component	New Component	Original treatment	New treatment
COVID-19 public health response				
Hospital Services Payments	410-10 Admitted Patients	410-01 COVID-19 Health	No impact	Impact
State Public Health Payments	410-30 Community and other health	410-01 COVID-19 Health	No impact	Impact
Private Hospital Financial Viability Payment	410-10 Admitted Patients	Not applicable	No impact	No impact OR Out of scope <sup>(a)</sup>
Support for businesses impacted by COVID-19	810-41 Business support	810-42 COVID-19 Business support	No impact	Impact
Social Impact Investments-/ People at risk of homelessness	520-42 Other welfare	520-43 Homelessness services	No impact	Impact
Perth City Deal/Homelessness projects	910-520 Investment in Welfare	910-520 Investment in Welfare	No impact	Impact

(a) Final treatment of the Private Hospital Financial Viability payment will depend on confirmation from states on how the payment is recorded in their expense budget data.

## Commonwealth payments commenced in 2023–24

- 20 Each year, the Commission considers whether new Commonwealth payments should impact the GST distribution.
- 21 Under the Commonwealth payments guideline proposed in the 2025 Methodology Review Draft Report, where there is substantial uncertainty about the payment’s purpose or whether relative state expenditure needs are assessed, the default is for the payment to impact the GST distribution. In these cases, it would be open to states to provide evidence in support of a no impact treatment.
- 22 The Commission has examined new Commonwealth payments commencing in 2023–24, as listed in the Commonwealth Final Budget Outcome, 2023–24. The proposals in Table 2 and 3 are based on the proposed 2025 Review guideline.
- Payments which support state services, and for which expenditure needs are assessed, will impact state fiscal capacities. If needs are not assessed, it will have no impact on state fiscal capacities.
  - If a payment has multiple components, some of which are for state services for which needs are assessed and some of which are not, and the Commission decides that one or more components should not affect state fiscal capacities,

staff will collect information to split the payment to ensure the appropriate treatment is applied.

- 23 Table 3 separately lists projects under the City and Regional deals that commenced in 2023–24 and the proposed treatment for each project.

## Terms of reference requirements

- 24 At the time of publication of this paper the Commission has not received any supplementary terms of reference for the 2025 Methodology Review. The proposed treatment of some new Commonwealth payments could change, if directed in any supplementary terms of reference following the release of this paper. The following payments, beginning in the 2023–24 financial year, were quarantined in the 2024 Update Terms of Reference.

- *On-Country Learning*
- *Energy bill relief*
- *Brisbane 2032 Olympic and Paralympic Games.*

## Preliminary view

The Commission's proposed treatment of Commonwealth payments is outlined in Tables 2 and 3.



**Table 2 Proposed treatment of Commonwealth payments commenced in 2023–24, *Final Budget Outcome, 2023–24***

Commonwealth payment	Description	2023-24 \$m	Proposed treatment	Reason for treatment
<b>Health</b>				
Expansion of colonoscopy triage services	Funding to support and expand existing direct access colonoscopy triage models for participants who return a positive result in the National Bowel Cancer Screening Program.	5.9	Impact	Cancer treatment is provided through public health services, a state responsibility, and needs are assessed.
National Critical Care and Trauma Response Centre	Funding to maintain the National Critical Care and Trauma Response Centre in Darwin.	17.7	No impact	This replaces the Royal Darwin Hospital: Equipped, Prepared and Ready payment, which has been quarantined by terms of reference since 2006 and is a centre is for Commonwealth disaster management purposes.
Smoking and vaping cessation activities	Funding to scale-up state Quitline capacity and quit services to support increased demand, through additional workforce, training for Quitline counsellors and enhanced use of technology.	1.5	Impact	Health promotion and alcohol and drug services are community services and needs are assessed.
Health and Medical Research Centre for Launceston	Funding to develop a medical research centre within the Launceston General Hospital.	2.4	Impact	Medical research contributes to community health services. Community health is a state service, and needs are assessed.
Japanese Encephalitis Virus IDI Vaccine Trial	Funding to enhance health emergency preparedness through the collection of evidence for intradermal administration of the Japanese encephalitis virus vaccine Imojev.	0.1	Impact	Managing communicable diseases is a community health service. Community health is a state service, and needs are assessed.
<b>Education</b>				
Consent and respectful relationships education	Funding to government and non-government schools to support consent and respectful relationships education programs and training.	18.8	Split	Payments are for consent training in government and non-government schools. Government schools are a state service and needs are assessed (Impact). Non-government schools are not a state service (No impact).
Disadvantaged independent schools	Funding to support disadvantaged independent schools as they transition to new funding arrangements.	60.1	No impact OR Out of scope	Final treatment pending confirmation from states on how this payment is recorded in their expense budgets.
Schools Upgrade Fund – Round 2	Funding to government schools to enable capital investments in new classrooms, buildings, or other major refurbishments.	215.8	Impact	School infrastructure investment is a state service and needs are assessed.

Commonwealth payment	Description	2023-24 \$m	Proposed treatment	Reason for treatment
Schools Upgrade Fund – Targeted Round projects	Additional funding to support the continued delivery of Round 1 capital projects.	9.1	Impact	School infrastructure investment is a state service and needs are assessed.
<b>Skills and Workforce Development</b>				
Resource Centre of Excellence	Support towards establishing a Resources Centre of Excellence in Moranbah and for the North Bowen Basin Mines Rescue Station and Training Centre.	1.0	Impact	Payments are for post-secondary training which is a state service and needs are assessed.
<b>Community</b>				
Alcohol Treatment Services in the Northern Territory	Funding to reduce alcohol related harm in the Northern Territory through a 2-year partnership with the Northern Territory Government and the Aboriginal Medical Services Alliance Northern Territory.	3.4	Impact	Alcohol and drug treatment services is a community health service. Community health is a state service, and needs are assessed.
Digital Connectivity Project	Funding to support the delivery of digital connectivity via the provision or enhancement of mobile connectivity to 21 regional and remote communities of the Northern Territory.	2.7	Impact	Investment in communication systems is within the other expenses investment component. This is a state service and needs are assessed.
Strong and Resilient Communities	Support for the delivery of the Community Outreach Project and the Disability and Vulnerable Member Accessibility Project, which help vulnerable and disadvantaged people.	<0.1	Impact	Community services are a state service, and needs are assessed.
Tasmanian Emergency Food Distribution	Funding to support the delivery of Loaves and Fishes Tasmania Emergency Food Distribution's food relief operations through one-off funding for the acquisition of a warehouse.	1.3	Impact	Community facilities are a state service, and needs are assessed.
<b>Affordable Housing</b>				
Housing Support Program – Priority Works Stream	\$1 billion to states to fund urgent and significant enabling infrastructure projects to increase housing supply in well-located areas. Funding will unlock local infrastructure bottlenecks by supporting community amenity and essential services like water, power, and roads.	1,000.0	Split: 25% Impact, 75% No impact	75 percent of funding is for local government water, power and road infrastructure. Local government infrastructure is not a usual state service.  Up to 25 percent may be used for new social housing dwellings, renovations or refurbishments of existing dwellings. Social housing is a state service and needs are assessed.

Commonwealth payment	Description	2023-24 \$m	Proposed treatment	Reason for treatment
<b>Infrastructure</b>				
Cairns Regional Development	Funding of \$230 million over 5 years towards the delivery of 2 construction projects in Cairns – a major expansion to the Cairns Marine Precinct to capitalise on industry opportunities, and a new Central Queensland University campus in the Cairns CBD.	2.5	No impact	\$150 million for marine precinct redevelopment. While ports are a normal state government service, the Commission does not assess expenditure needs related to ports in its non-urban transport assessment.  \$50 million is for the university. Universities are not a state function (no impact).
Central Australia Plan – Community Infrastructure Package	Funding to support the construction of community infrastructure projects that improve regional development, economic, social, and cultural outcomes.	2.6	No impact	Payment is for local government-type functions delivered by local government. Needs are not assessed.
Hobart and Launceston – urban renewal co-investments	Funding to support urban renewal projects in Hobart and Launceston.	5.0	Split	See Table 3 Proposed treatment of city and regional deals commenced in 2023–24.
Pilbara Ports Common User Upgrades	Funding of \$565 million over 5 years to support common-user upgrades of Pilbara-based ports, Dampier and Lumsden Point, to expand export and import capacity.	20.0	No impact	While ports are a normal state government service, the Commission does not assess expenditure needs related to ports in its non-urban transport assessment.
South East Queensland City Deal	Funding to support urban renewal projects in the South East Queensland (SEQ) region.	55.6	Split	See Table 3 Proposed treatment of city and regional deals commenced in 2023–24.
<b>Environment, energy and water</b>				
ACT Sustainable Household Scheme	Funding to support the ACT's Sustainable Household Scheme.	7.5	Impact	Promoting more efficient use of energy is a usual state function and needs are assessed.
Borumba Pumped Hydro Project	Funding to support the Borumba Pumped Hydro Project in Queensland. Described under table 1.4 as an Energy price relief plan, a subsidy to Queensland to produce the project.	35	Impact	State infrastructure investment is a usual state function,
Building resilience to manage fruit fly	Funding to build resilience of Australia's fruit fly management system including stopping the spread of fruit flies, driving down pest pressure in vulnerable production areas and growing exports by providing post-harvest treatment options for export of horticultural crops.	19.0	Impact	Biosecurity is an agriculture regulation service. Agriculture regulation is a state function and needs are assessed.

Commonwealth payment	Description	2023-24 \$m	Proposed treatment	Reason for treatment
Capacity Investment Scheme	The Capacity Investment Scheme provides a national framework to encourage new investment in the renewable capacity, such as wind and solar, as well as clean dispatchable capacity, such as battery storage. It aims to help build a more reliable, affordable and low-emission energy system for Australians.	7.7	Impact	Promoting more efficient use of energy; state infrastructure investment; and subsidies for the supply of electricity generation are all usual state functions and needs are assessed.
Community Solar Banks Program	Funding to support community-scale solar and clean energy technologies for 25,000 households unable to access the benefits of these technologies.	12.6	Impact	Promoting more efficient use of energy is a usual state function and needs are assessed.
Disaster Ready Fund – Round 1	Assistance to communities to prepare for natural disasters The Disaster Ready Fund provides up to \$200 million each year from 2023-24 for mitigation projects.	200	No impact	States report natural disaster mitigation spending in services to communities and other expenses. Disaster mitigation expenses are a state service, but needs are not assessed.
Household Energy Upgrades Fund (Social Housing)	Funding to support energy performance upgrades to social housing, co-funded and delivered in partnership with states. Co-funding will target a range of high value energy upgrades to deliver energy and cost saving benefits to households in both public and community social housing.	7.3	Impact	Funding supports the upgrade of social housing. These upgrades will contribute to the reduction of energy bills, energy consumption, and/or increased thermal comfort for social housing tenants and properties. Spending on community and public housing is a usual state service for which needs are assessed.
Improving Compliance in the Murray-Darling Basin	Funding to restore public confidence in water resource management in the Murray-Darling basin	0.7	Impact	Water resource management is an agriculture regulation service. Agriculture regulation is a state service, and needs are assessed.
North Queensland Strata Title Resilience Pilot Program	Funding to support strata title properties in North Queensland to undertake disaster mitigation works to improve resilience.	1.4	No impact	States report natural disaster mitigation spending in services to communities and other expenses. Disaster mitigation expenses are a state service, but needs are not assessed.
Reef 2050 Plan – Paddock to Reef Monitoring, Modelling and Reporting Program	Funding to support monitoring and impact evaluation of programs to prevent reef degradation including land and sea restoration	0.5	No impact	Environmental protection is a state service, but needs are not assessed.
Saving native species	Supporting a new safe haven on Flinders Island for nationally threatened bird and mammal species, to protect and enhance the island's ecosystems.	1.6	No impact	Environmental protection is a state service, but needs are not assessed.

Commonwealth payment	Description	2023-24 \$m	Proposed treatment	Reason for treatment
Urban Rivers and Catchments Program	Funding to improve local waterways, including restoring natural habitats for aquatic species, improving water quality and improving community access to nature, open green space and biodiversity. Projects will be delivered by local government, water utilities and non-government organisations, with funding to be provided via the states.	1.6	No impact	Environmental protection is a state service, but needs are not assessed.
<b>Other purposes</b>				
Restoring integrity to our protection system	Funding the delivery of legal assistance services to individuals seeking to appeal Permanent Protection Visa decisions made by the Department of Home Affairs and/or the Administrative Appeals Tribunal (or its successor body).	7.7	No Impact	Payment is for a state service (other legal services). However, the funding is used specifically to deliver advice for dealings with a Commonwealth entity.
Specialised and trauma-informed legal services for victim-survivors of sexual abuse	Funding over 3 years to pilot a new service model in 3 locations across Australia to provide victim-survivors of sexual assault with greater access to specialised legal support.	2.5	Impact	Legal aid for criminal courts is a state service and needs are assessed.

**Table 3 Proposed treatment of city and regional deals commenced in 2023–24**

Commonwealth payment	Description	2023-24 \$m	Proposed treatment	Reason for treatment
<b>Geelong</b>				
Geelong Convention and Event Centre	This project will provide Geelong with a global events destination, increased accommodation offerings and a focal point for the Geelong waterfront.	10.0	Impact	This is a state service, and needs are assessed under services to industry.
Private Sector Business Enablement Fund	Project is a grant program administered by the Victorian government aimed at supporting private investment in tourism infrastructure.	3.0	Impact	Payment supports tourism infrastructure. This is a state service, and needs are assessed under services to industry.
<b>Hinkler</b>				
Enhancing regional tourism	The funding provided for the Enhancing regional tourism project was allocated to the construction of the Fraser Coast Turtle Rehabilitation and Research Centre, which will allow for turtles to be rehabilitated locally.	0.2	Impact	Enhancing the tourism industry is a usual part of state business develop activity for which needs are assessed.
<b>Hobart and Launceston Co-Investments</b>				
University of Tasmania Stadium Redevelopment Project	The redevelopment of the stadium will include upgrades and enhancements that will lift the stadium to the official Australian Tier 2 Australian Football League venue level and deliver improved amenities and facilities.	5.0	Impact	Payment supports a cultural facility. This is a state service, and needs are assessed under services to communities.
<b>Perth</b>				
East Perth Common Ground	The construction of the East Perth Common Ground facility, which will provide assisted living apartments for people experiencing ongoing homelessness, rough sleeping, or are earning a low income.	3.5	Impact	Payments supports social housing and needs are assessed under housing.
<b>South East Queensland</b>				
Smart Region Digital Plan	Support for identifying the digital requirements to drive productivity and lift global competitiveness across South East Queensland. This Plan will outline approaches to embedding smart solutions in industries and communities across the region.	0.1	Impact	Payment supports business industry. Business development is a state service, and needs are assessed under services to industry.

Commonwealth payment	Description	2023-24 \$m	Proposed treatment	Reason for treatment
Kangaroo Point Green Bridge	Assistance to deliver the Kangaroo Point Green Bridge. This will provide an active transport connection from Kangaroo Point to the Brisbane Central Business District.	51.6	No impact	Payment is for a local government pedestrian and cyclist bridge. Local government infrastructure is not a state service.
Loganlea-Meadowbrook Infrastructure	Support for the revitalisation of the Loganlea/ Meadowbrook precinct through improved connectivity and mobility investments.	2.0	Impact	Payment is mainly for public transport infrastructure. Public transport is a state service, and needs are assessed in urban transport.
Water Initiatives in the Lockyer Valley	Deal Partners will invest in initiatives to enhance water supply and efficiency for Lockyer Valley and consider longer term planning to secure supply of water for growers in the Lockyer and Somerset region.	1.0	Impact	Agriculture business development is a usual state function, and needs are assessed.
First Nations Cultural Centre Detail Business Case	Funding towards a business case for a First Nations Cultural Centre in Brisbane.	0.3	Impact	Payment supports a cultural facility. This is a state service, and needs are assessed under services to communities.
Planning for Future Region-Shaping Infrastructure	Support for identifying infrastructure and land use planning needed to meet population growth including rail level crossings infrastructure, key freight corridors and supply chain logistics.	0.5	Impact	Urban roads are a state service and needs are assessed.
<b>Townsville</b>				
Lansdown Eco-Industrial Precinct	Funding for the Lansdown Eco-Industrial Precinct, Northern Australia's first environmentally sustainable, advanced manufacturing processing and technology estate powered by locally generated renewable energy.	12.5	Impact	Services to industry is a state service and needs are assessed.

Source: Department of Infrastructure, Transport, Regional Development, Communications and the Arts