

GST Relativities 2025-26

Consultation on new issues

Tasmanian Government Submission

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I Introduction

As part of the 2025 Methodology Review, the Commonwealth Grants Commission (Commission) released a discussion paper on 10 October 2024, seeking the views of Commonwealth and state and territory (state) treasuries on additional new issues and Commonwealth payments that will impact the recommended GST relativities for 2025-26.

This submission responds to the Commission's new issues discussion paper for the 2025-26 GST relativities.

Tasmania is broadly supportive of the Commission's proposed approach to data and other issues for the 2025-26 GST relativities.

2 **Data issues**

2.1 **Welfare — Estimated Resident Population**

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.

Tasmania notes that the child protection and family services assessment requires state estimated resident populations for children aged 0-17. Due to data limitations, the Commission did not previously have these data for children aged 15-17. Rather the Commission used the Australian Bureau of Statistics (ABS) estimated resident population for ages 0-14 as a proxy.

Tasmania further notes that due to improvements in available data, the Commission is now able to obtain estimated resident population data for the full assessed age range of 0-17. Tasmania supports the Commission's proposal to update the estimated resident population data for this assessment in response to improved data availability.

2.2 **Insurance Tax — missing data for September quarter 2023**

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 five years.

The insurance tax assessment uses insurance premiums data from the Australian Prudential Regulation Authority (APRA). Tasmania notes that APRA revised its reporting framework from 1 July 2023 and has subsequently advised the Commission that insurance premiums by state are not available for the September 2023 quarter. Tasmania notes that insurance premiums will be available from the December quarter of 2023.

Tasmania supports the Commission's proposed approach to impute the missing insurance premiums data for each state for the September 2023 quarter, noting the approach will capture both the upward trend and seasonal pattern of the data.

3 Assessment issue

3.1 Mining revenue — nickel royalties

The Commission's preliminary view is that 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.

The Commission currently assesses state mining capacity using a mineral-by-mineral approach. Under this approach, a mineral is separately assessed if doing so materially impacts a state's GST outcome. Any separate mineral assessments that are judged to be immaterial are assessed together.

In the 2024 Update, the Commission determined that nickel royalties had become material and therefore assessed separately. Tasmania notes that this decision was based on the Commission's judgement that nickel royalties were likely to remain material for the foreseeable future, which was supported at the time by an upward trend in revenues in the years of assessment and Western Australia's forward estimates.

In the Paper, the Commission notes advice from Western Australia that due to a decrease in nickel royalties in 2023-24, a separate assessment is unlikely to be material for the 2025 Methodology Review. Tasmania notes that this advice is aligned to the downward revision in estimated nickel royalties in Western Australia's 2024-25 State Budget compared to its 2023-24 State Budget.

Given the considerable shift in the outlook for nickel royalties, Tasmania supports the Commission's intention to retest the materiality of nickel royalties upon receipt of each state's 2023-24 mining data. Tasmania also continues to support the Commission's judgement to determine the structure of the mining assessment on the basis of improved equalisation.

4 Commonwealth payments

4.1 State budget treatment of selected payments

There are two 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); and
- disadvantaged independent schools payments (Table 2).

Private Hospital Viability payments

Tasmania confirms that the associated expenses for the *Private Hospital Viability* payments made under the *National Partnership on COVID-19 Response* are included in the GFS expense data reported through the Classification of the Functions of Government - Australia (COFOG-A) to the ABS.

Disadvantaged Independent Schools

With regard to Schools expenditure, Tasmania confirms that total expenses from transactions included in the COFOG-A reporting includes both 'administered' and 'controlled' payments – as such this incorporates all expenses paid including non-government and government based schools.

4.2 Revised treatment of existing Commonwealth payments

The Commission's revised treatment of existing Commonwealth payments is outlined in Table 1 of the discussion paper.

The Commission's 2025 Methodology Review Draft Report proposed changes to some expense assessment methods. For expense needs that are proposed to change from being not assessed to now being assessed, related Commonwealth Payments will be treated as impacting the GST distribution.

Tasmania is supportive of the Commission's proposed treatment of existing Commonwealth payments should the method changes proposed in the 2025 Methodology Review Draft Report be implemented.

4.3 Commonwealth payments commenced in 2023-24

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

Tasmania supports the Commission's proposed treatment of new Commonwealth payments.