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Occasional Paper #13 Is the GST distribution system too complex?

Today, the Commonwealth Grants Commission released an occasional paper addressing the question ‘Is the GST distribution system too complex?’ Available here: <https://bit.ly/3MkjYpV>.

The Commission’s role is to provide recommendations to the Australian Government on the distribution of GST to the states and territories (states) so that they have the fiscal capacity to deliver a comparable standard of services to their residents. The paper explains how the Commission seeks to make its assessment methods as simple as possible in the context of this core mandate.

Mr Mike Callaghan AM PSM, Chair of the Commission, said: “We understand concerns about the complexity of the Commission’s assessment methods. However, fully considering the main non-policy factors affecting states’ service delivery costs and their capacities to raise revenue is a complex task.

There is a trade-off between comprehensively assessing the relative fiscal capacities of the states and simplifying assessment methods. Several independent reviews have concluded that it is not possible to achieve fundamental simplification without compromising the objective of horizontal fiscal equalisation.

Our ongoing focus is on improving transparency and helping states and other stakeholders better understand how the system works.”

The occasional paper forms part of the Commission’s broader effort to explain its methods and promote informed discussion on GST distribution. It follows earlier publications exploring other aspects of fiscal equalisation and the Commission’s assessment processes.

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About the Commonwealth Grants Commission

The Commonwealth Grants Commission is an independent statutory agency established under the *Commonwealth Grants Commission Act 1933*. The Commission’s role is to provide independent advice to the Australian Government on the distribution of GST revenue to the states and territories (states) in accordance with legislation and terms of reference.