



COMMONWEALTH GRANTS COMMISSION

DRAFT ASSESSMENT PAPER CGC 2003/55

GST ADMINISTRATION

Prepared for the Commission's 2003 Conferences on Draft Assessments

AUGUST 2003

NOTE

Included in this paper are the results of preliminary calculations based on the methods proposed throughout the paper and using the data currently available. Those results are indicative only and should be seen as work in progress. Ongoing changes are being made to standards and factor calculations as new data come to hand. Moreover, the calculations have been done using a prototype assessment system and are subject to ongoing revision as checking processes proceed.

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1. This paper presents a draft assessment for the GST Administration Costs category for the 2004 Review.

1999 REVIEW

2. In the 1999 Review, the GST Administration Cost category comprised expenses to compensate the Commonwealth for the agreed costs incurred by the Australian Taxation Office in administering the GST.

3. Table 1 shows the standard expenses for six financial years. In 2001-02, this category represented 0.52 per cent of total gross standard expenses.

Table 1 GST ADMINISTRATION COSTS — GROSS STANDARD EXPENSES

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
\$pc	23.02	23.57	24.43	24.88	25.63	26.61
% of total gross standard expenses	0.61	0.60	0.53	0.53	0.52	0.52

4. In the 1999 Review, an equal per capita assessment was made for all States for this category. This was based on the States' agreement that the cost of administering GST collections should be shared between them on the basis of population.

2004 REVIEW

5. No States made any comments concerning the assessment of this category in the main and rejoinder submissions for the 2004 Review. The Commission proposes one change for the 2004 Review — changing the method of assessment from equal per capita to actual per capita. Although in practice these expenses are distributed amongst the States according to population shares, they are paid to one agency, the ATO, for the same service. Having a common policy of provision across all States is the key criterion for adopting the actual per capita method of assessment.

6. Table 2 shows the Commission's proposed assessment for this category for the 2004 Review.

Table 2 COMMISSION PROPOSAL – GST ADMINISTRATION COSTS

Proposal	Reasons
The assessment will be made on an actual per capita basis.	The ATO administers GST collections in all States. There are no policy differences in the way the service is provided.

7. Table 3 shows the standardised expenses assessed for this category for 2001-02 in the draft assessment for the 2004 Review. They are the same as those assessed for the 2003 Update.

Table 3 ESTIMATED AND STANDARDISED EXPENSES, 2001-02

	Standard	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Estimated expenses									
\$ per capita ^(a)	26.44	26.29	26.56	26.47	26.63	26.35	26.33	26.65	26.33
2004 Review draft assessment - Standardised expenses									
\$'000	175 556	128 344	97 031	50 709	40 146	12 509	8 530	5 285	
\$ per capita	26.44	26.44	26.44	26.44	26.44	26.44	26.44	26.44	26.44

(a) The calculation of the per capita amounts is based on figures rounded to \$'000, therefore there are differences in the per capita amounts even though the GST administration costs are charged on an equal per capita basis.

8. The assessment for this category does not change the distribution of State grants because it is effectively an equal per capita assessment.