



## Australian Capital Territory

This fact sheet provides an overview of the major causes of change in relativities and the distribution of the GST pool since the 2020 Review.

### Relativities and estimated GST distribution

The ACT's recommended GST revenue sharing relativity will increase to 1.16266 in 2021-22, resulting in it receiving an estimated GST pool distribution of \$1,310 million.

This year is the first year of the legislated transition arrangements, moving from distributing the GST pool solely on the basis of the Commission's assessment of relative fiscal capacities, to new arrangements where States will be equalised to the fiscally stronger of New South Wales and Victoria.

#### Relativities, shares and estimated GST distributions, 2020-21 and 2021-22

	Relativities		GST shares		GST distribution		
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	Change
			%	%	\$m	\$m	\$m
New South Wales	0.91808	0.95617	29.2	30.3	18,453	20,347	1,894
Victoria	0.95992	0.92335	25.1	24.1	15,876	16,220	344
Queensland	1.04907	1.05918	21.2	21.5	13,387	14,411	1,023
Western Australia	0.44970	0.41967	4.7	4.3	2,941	2,918	-23
South Australia	1.35765	1.34719	9.4	9.2	5,906	6,207	301
Tasmania	1.89742	1.96067	4.0	4.1	2,530	2,783	253
Australian Capital Territory	1.15112	1.16266	1.9	2.0	1,222	1,310	89
Northern Territory	4.76893	4.79985	4.5	4.4	2,835	2,984	149
<b>Total</b>	<b>1.00000</b>	<b>1.00000</b>	<b>100.0</b>	<b>100.0</b>	<b>63,150</b>	<b>67,180</b>	<b>4,030</b>

Note: The estimated GST pool distribution for 2021-22 was calculated by applying 2021 Update relativities to estimated State populations (as of December 2021) and the estimated GST pool for 2021-22 (which includes the \$600 million top-up).

#### Implementation of new arrangements, 2021-22

	Fiscal capacities (a)	Standard State (b)	Blended capacities (c)	Implement floor (d)	GST relativities
NSW	0.96451	0.90258	0.95617	n/a	0.95617
Vic	0.93169	0.86976	0.92335	n/a	0.92335
Qld	1.06753	1.00559	1.05918	n/a	1.05918
WA	0.32852	0.86359	0.41967	n/a	0.41967
SA	1.35554	1.29360	1.34719	n/a	1.34719
Tas	1.96901	1.90707	1.96067	n/a	1.96067
ACT	1.17101	1.10907	1.16266	n/a	1.16266
NT	4.80820	4.74626	4.79985	n/a	4.79985
<b>Total</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>		<b>1.00000</b>

(a) Relative fiscal capacities refer to the previous arrangements.

(b) Standard State capacities refer to the new arrangements (equalising to the stronger of New South Wales or Victoria). Victoria was fiscally stronger than New South Wales in two assessment years. New South Wales was fiscally stronger than Victoria in one assessment year. For this reason, Western Australia's standard State capacity is not equal to that of either New South Wales or Victoria.

(c) The blended capacities are 5/6th relative fiscal capacities and 1/6th standard State fiscal capacities.

(d) No internal floor applies to 2021-22.

n/a not applicable.



## Change in fiscal capacity

Under the new GST relativities, which include the transition arrangements, the ACT's GST pool share would rise from 1.9% to 2.0%. Combined with pool growth, its GST entitlement in 2021-22 would rise by an estimated \$89 million, or 7.3%.

The ACT's GST pool requirement increased. This was due to Western Australia's increase in mining royalties, which reduced the ACT's relative capacity to generate mining revenue, and below average growth in taxable payrolls. These changes were partly offset by reduced investment needs, and expenses growing faster than the GST pool, which has meant that expense disabilities have become more important. As the ACT has below average expense disabilities, this reduced its GST share.

### Change in estimated GST distribution from 2020-21 to 2021-22, ACT

	\$m	\$pc
Change in population	1	2
Growth in GST pool	78	181
Changes in relative fiscal capacity		
Data revisions	40	93
State circumstances (a)	-19	-43
Total	22	50
Transition to new arrangements (b)	-12	-28
<b>Total change</b>	<b>89</b>	<b>205</b>

Note: Table may not add due to rounding.

- (a) Numerous small changes to the ACT's circumstances more than offset the increase in its GST share due to mining in other States (shown in **Error! Reference source not found.**).
- (b) This represents the difference between applying the GST relativities and relative fiscal capacities to the GST pool. It is not the basis of the 'no worse off' calculation, which is a State's relative fiscal capacity applied to the GST pool without the top-up.

## Main changes for the ACT, 2021 Update

### Data revisions

**\$20m Taxable payrolls.** Downward revisions to ABS Compensation of Employees data reduced the ACT's relative revenue raising capacity and increased its GST share.

**\$10m Natural disaster relief.** In 2020 the Commission decided to include State-funded local government expenses, and also made a one-off adjustment to recognise that these expenses should have been included in 2019. The adjustment is not needed in 2021; this appears as a revision, and has increased the ACT's GST share.

### Changes in State circumstances between 2016-17 and 2019-20

**-\$33m Capital requirement.** A slowing in population growth in the ACT led to a slowing in growth of most user populations. This was accentuated by a slowing of the increase in urban density in Canberra.

**\$26m Mining.** Growth in the value of mining production in Western Australia reduced the ACT's relative revenue raising capacity, increasing its GST share.

**-\$19m Growth in expenses.** Between 2016-17 and 2019-20, total expenses in States grew significantly faster than growth in the GST pool. This reduced the GST share of States with below average expense requirements.

**\$15m Taxable payrolls.** Below average growth in taxable payrolls reduced the ACT's relative revenue raising capacity and increased its GST share.

**-\$11m Capital improvements.** Increases in total State investment and stock levels in health, rural roads and urban transport reduced the ACT's GST share because of its below average level of capital intensity.

For more information about these changes, see the 2021 Update report.