



## Victoria

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

Victoria's recommended GST revenue sharing relativity will decrease to 0.92335 in 2021-22, resulting in it receiving an estimated GST pool distribution of \$16,220 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, Victoria's GST pool share would fall from 25.1% to 24.1%. Due to an increase in the pool, its GST entitlement in 2021-22 would rise by an estimated \$344 million, or 2.2%.

Victoria's GST pool requirement decreased. Above average growth in property sales and revisions to taxable payrolls contributed to this. Expenses growing faster than the GST pool meant that expense disabilities became more important. As Victoria has below average expense disabilities, this reduced its GST pool share. These changes were partly offset by Western Australia's increase in mining royalties, which led to a reduction in Victoria's relative capacity to raise mining revenue.

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

	\$m	\$pc
Change in population	15	2
Growth in GST pool	1,014	151
Changes in relative fiscal capacity		
Data revisions	-184	-27
State circumstances	-323	-48
Total	-507	-75
Transition to new arrangements (a)	-179	-27
<b>Total change</b>	<b>344</b>	<b>51</b>

Note: Table may not add due to rounding.

(a) 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 Victoria, 2021 Update

#### Data revisions

**-\$189m** **Taxable payrolls.** Upward revisions to ABS Compensation of Employees data increased Victoria's relative revenue raising capacity and reduced its GST share.

**\$102m** **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 Victoria's GST share.

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

**\$389m** **Mining.** Faster growth in the value of mining production in Western Australia reduced Victoria's relative revenue raising capacity, increasing its GST share.

**-\$210m** **Property sales.** Above average growth in property sales increased Victoria's relative revenue raising capacity and reduced its GST share.

**-\$194m** **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.

**-\$64m** **Net borrowing.** In 2019-20 net debt grew across all States by 240% from 2016-17 levels. Victoria's population growth was above the all State average, so it experienced a smaller per capita increase in net debt. This resulted in reduced need for net borrowing.

**-\$62m** **Taxable payrolls.** Above average growth in taxable payrolls increased Victoria's relative revenue raising capacity and reduced its GST share.

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