



Australian Government
Commonwealth Grants Commission

GST Revenue Sharing Relativities

2024 Update

GST Relativities for 2024–25

March 2024

Acknowledgement of Country

The Commonwealth Grants Commission acknowledges the Traditional Owners of Country throughout Australia, and their continuing connection to land, water and community. We pay our respects to them and their cultures and to Elders both past and present.

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Secretary
Commonwealth Grants Commission
73 Northbourne Avenue
CANBERRA ACT 2601
Telephone (02) 6218 5700
Email secretary@cgc.gov.au

Internet

A copy of this report can be obtained from the Commission's website <https://www.cgc.gov.au>.

Letter of transmittal



Australian Government
Commonwealth Grants Commission

Chairperson

73 Northbourne Avenue
CANBERRA ACT 2601

Telephone: 02 6218 5716
Mike.Callaghan@cgc.gov.au
<https://www.cgc.gov.au>

27 February 2024
The Hon Dr Jim Chalmers MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

As members of the Commonwealth Grants Commission appointed under the *Commonwealth Grants Commission Act 1973*, and in response to the terms of reference from you, we have updated GST relativities for use in distributing GST revenue among the states and territories in 2024–25.

In accordance with those terms of reference, we are also providing the update to the states and territories on 27 February 2024, under embargo.

Yours sincerely

Handwritten signature of Mike Callaghan in blue ink.

Mike Callaghan AM PSM
Chairperson

Handwritten signature of Dr L S Williams in blue ink.

Dr L S Williams AM
Member

Handwritten signature of Dr A Jackson in blue ink.

Dr A Jackson
Member

Handwritten signature of Prof. A Tiernan in blue ink.

Prof. A Tiernan
Member

Acknowledgements

The Commission appreciates the cooperation extended to the Commission and its staff during this update by staff of Commonwealth and state treasuries and other agencies.

The Commission also acknowledges the commitment and excellent contribution of its staff.

Terms of reference



THE HON JIM CHALMERS MP
TREASURER

Ref: MS23-002293

Mr Michael Callaghan AM PSM
Chairperson
Commonwealth Grants Commission
GPO Box 1899
CANBERRA ACT 2601

13 DEC 2023

Dear Mr Callaghan

I am writing to you to convey the enclosed terms of reference for the Commonwealth Grants Commission's *2024 Update of GST Revenue Sharing Relativities* (2024 Update).

The terms of reference for the 2024 Update require the Commission to report by 12 March 2024, with an embargoed copy of the report to be provided to the Commonwealth and the states and territories by 27 February 2024.

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a long horizontal line that tapers to the right.

The Hon Jim Chalmers MP

Enc Terms of reference for the 2024 Update

Parliament House Canberra ACT 2600 Australia
Telephone: (02) 6277 7340

Terms of Reference for the 2024 Update of GST Revenue Sharing Relativities

COMMONWEALTH GRANTS COMMISSION ACT 1973

- 1) I, Jim Chalmers, Treasurer, pursuant to sections 16, 16A, 16AA and 16AB of the *Commonwealth Grants Commission Act 1973 (the Act)* refer to the Commission for inquiry into and report upon the recommended GST revenue sharing relativities to be used to distribute GST revenue among the states, the Northern Territory and the Australian Capital Territory (the states) in 2024-25.

GST Relativities for 2024-25

- 2) The Commission should undertake an assessment of the GST revenue sharing relativities recommended to be used to distribute GST revenue among the states in 2024-25, consistent with the objective in subsection 16AB(2) of the Act, the transitional proportions in subsection 16AB(3) of the Act, the GST revenue sharing relativity factor in subsection 8(2B) of the *Federal Financial Relations Act 2009* and the pool top-ups for a payment year as outlined in section 8A of the *Federal Financial Relations Act 2009*.
 - a) The Commission's assessment should be based on the assessment years 2020-21 to 2022-23 inclusive.
 - b) To assist in ensuring that each state and territory will get the better of the current or the former GST distribution, the Commission should also provide relativities that would have applied if the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of the GST) Act 2018* had not been enacted.
- 3) The Commission's assessment should take into account the *Intergovernmental Agreement* as defined under the *Federal Financial Relations Act 2009*, which provides that GST revenue will be distributed among the states in accordance with the principle of horizontal fiscal equalisation (HFE).
- 4) Subject to paragraphs 5 – 6, the Commission's assessment should be based on the application of the same principles, categories and methods of assessment that the Commission used to calculate the GST revenue sharing relativities in its *Report on GST Revenue Sharing Relativities – 2023 Update*.
- 5) The Commission's assessment should treat Commonwealth payments to the states as follows:
 - a) National Specific Purpose Payments (NSPPs), National Health Reform (NHR) funding, National Housing and Homelessness funding, Quality Schools funding (for government schools) and National Partnership project payments should affect the relativities, recognising that these payments provide the states with budget support for providing standard state services.
 - i) NHR funding and corresponding expenditure relating to the provision of cross-border services to the residents of other states should be allocated to states on the basis of residence.
 - b) National Partnership facilitation and reward payments should not affect the relativities, so that any benefit to a state from achieving specified outputs sought by the Commonwealth, or through implementing reforms, will not be redistributed to other states through the horizontal fiscal equalisation process.

- c) General revenue assistance, excluding GST payments, will affect the relativities, recognising that these payments are available to provide untied general budget support to a state.
 - d) Notwithstanding subparagraphs 5(a) – (c), the Commission may determine that it is appropriate for particular payments to be treated differently, reflecting the nature of the particular payment and the role of state governments in providing particular services.
 - e) Those payments which the Commission has previously been directed to treat as having no direct influence on the relativities, including payments for which the Commission has been directed to apply a 50 per cent discount, should continue to be treated in that way. Where those payments are replaced, the treatment of the new payment should be guided by subparagraphs 5(a) – (d), unless otherwise directed.
- 6) The Commission should prepare its assessment on the basis that the following Commonwealth payments do not directly influence the GST revenue sharing relativities:
- a) Payments to Queensland for sporting venue infrastructure for the Brisbane 2032 Olympic and Paralympic Games.
 - b) Payments to the states under the Energy Bill Relief Fund.
 - c) Payments to the states under the Social Housing Accelerator program.
 - d) Payments to the Northern Territory for On-Country Learning.

GST Relativities for 2024-25 - Consultation and Data

- 7) Where possible, the Commission should:
- a) aim to have assessments that are simple and consistent with the quality and fitness for purpose of the available data;
 - b) use the latest available data consistent with this; and
 - c) ensure robust quality assurance processes.
- 8) If data problems arise, subject to consultation with the states, the Commission should proceed on the basis that:
- a) new, more reliable data that was not previously considered would be used in the first possible update, if method changes were not required; or
 - b) if overcoming the data problems necessitated method changes, revised methods would be used in the first possible update, subject to consultation with the states during that update.

GST Relativities for 2024-25 - The Report

- 9) The Commission should provide a copy of its report on GST Relativities for 2024-25, under embargo, to the Commonwealth and the states on or before 27 February 2024. The Commission should release the report publicly on 12 March 2024.
- 10) The Commission should consult the Commonwealth and the states before deciding on any changes in methods that arise as a result of a significant change in arrangements which govern

Commonwealth-state relations and which are considered appropriate for the Commission to fulfil its obligations in respect of these terms of reference.

- 11) To the extent possible, the Commission should, upon reporting, provide all parties with details underpinning its calculations and assessments, and endeavour to meet requests for supplementary calculations.



DR JIM CHALMERS

13/12/2023

List of acronyms

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
GST	Goods and Services Tax
pc	Per capita

Note

State(s): Unless the context indicates otherwise, the term 'state(s)' includes the ACT and the Northern Territory.

Contents

Letter of transmittal	3
Acknowledgements	4
Terms of reference	5
List of acronyms	9
Note	9
Contents	10
Executive summary	11
Introduction	15
1. Recommended GST relativities	16
2. Drivers of GST distribution	27
3. State by state changes	42
Attachment A: GST distribution since 2000–01	60
Attachment B: Quality assurance	65

Executive summary

The 2024 Update presents the Commission's recommended GST relativities for 2024–25.

Recommended GST relativities

The table below sets out the distribution of the estimated GST pool in 2024–25, based on the Commission's recommended GST relativities. The table compares the 2024 Update with 2023–24, showing each state and territory's (state's) GST relativity, share of the GST pool, and estimated amount of GST.

This table, and most of the tables and analysis in this report, do not include no worse off payments provided by the Commonwealth under the 2018 legislated arrangements. Information on no worse off payments is provided at the end of this Executive Summary and in Chapter 1.

GST relativities, shares and estimated GST distribution, 2023–24 and 2024–25 (excludes no worse off payments)

	GST relativities		GST shares		GST distribution		
	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	Difference
			%	%	\$m	\$m	\$m
New South Wales	0.92350	0.86736	29.0	27.1	24,535	24,224	-310
Victoria	0.85169	0.96502	21.9	24.8	18,541	22,227	3,686
Queensland	1.03118	0.95232	21.2	19.5	17,929	17,460	-469
Western Australia	0.70000	0.75000	7.6	8.1	6,419	7,257	838
South Australia	1.39463	1.40312	9.7	9.7	8,214	8,671	457
Tasmania	1.79080	1.82832	3.8	3.9	3,257	3,476	219
Australian Capital Territory	1.19540	1.20419	2.1	2.1	1,778	1,889	111
Northern Territory	4.98725	5.06681	4.7	4.8	4,002	4,257	256
Total	1.00000	1.00000	100.0	100.0	84,675	89,462	4,787

Source: Commission calculation.

Overview

Recommended GST relativities in 2024–25 reflect changes in state fiscal circumstances, predominantly changes in mining royalties, land values and property sales. The release of new data from the 2021 Census has also impacted the GST distribution.

Under the 2018 legislated arrangements, this is the fourth year in which the blending of assessed and standard state relativities was used to calculate GST relativities. It is the first year in which the GST relativity floor is 0.75. The blending of relativities from the previous and current arrangements, together with the GST floor, continues to have a significant impact on the GST distribution outcomes.

Victoria's GST distribution is estimated to increase significantly from last year (by \$3.7 billion). This is largely driven by its lower capacity to raise mining revenue relative to other states. Victoria's assessed GST needs have also increased as a result of new data from the 2021 Census increasing its urban population and urban density.

New South Wales' and Queensland's GST distributions are estimated to fall, largely due to increases in their respective revenue raising capacities. Both states have an increased capacity to raise coal mining royalties. New South Wales also has an increased capacity, relative to other states, to raise revenue from land tax.

Western Australia's GST distribution is estimated to increase in 2024–25 as a result of the higher GST relativity floor of 0.75. It continues to have a very strong fiscal capacity, driven by its capacity to raise iron ore royalties. However, Western Australia's relative fiscal capacity is estimated to be lower than last year, largely due to strong growth in coal royalties raising the fiscal capacity of other states.

All states are expected to benefit from the estimated growth in the GST pool.

All states, other than New South Wales and Queensland, are estimated to receive more in total GST and no worse off payments than they received in 2023–24.

Drivers of the changes in GST distribution

Major drivers of change in GST distribution, 2023–24 to 2024–25 (excludes no worse off payments)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Changes in fiscal capacities									
Mining production	-867	1,304	-1,781	699	374	110	89	71	2,648
Urban centre characteristics (census) (a)	-222	702	-65	-265	-167	-11	35	-7	737
Property sales	222	165	-138	-229	10	23	-50	-2	420
Taxable land values	-412	136	126	136	5	-5	2	11	417
Socio-demographic composition (census) (a)	-281	70	125	61	-106	49	11	71	387
Urban centre characteristics (non-census)	-171	-115	147	53	34	26	14	11	286
Other revenue effects (b)	-92	38	40	-41	78	-4	-22	4	160
Other expense effects (b)	274	331	107	-238	-183	-122	-65	-103	711
Total change in fiscal capacities	-1,551	2,633	-1,442	178	46	67	13	56	2,992
Effect of GST floor and blended relativities	-99	-85	-65	285	-21	-6	-6	-2	285
Change in population	-44	85	23	12	-31	-24	3	-23	122
Change in pool (c)	1,384	1,053	1,015	364	463	183	101	225	4,787
Total change in GST	-310	3,686	-469	838	457	219	111	256	4,787

(a) Data revisions.

(b) Includes other changes in state circumstances and revisions to data.

(c) Total increase in GST pool including top-up payments.

Source: Commission calculation.

A significant increase in the value of coal production reduced the assessed GST needs of New South Wales and Queensland and increased those of other states, including Western Australia. Above-average growth in land tax capacity in New South Wales and Tasmania reduced their assessed GST needs. Above-average growth in property sales in Queensland, Western Australia and the ACT reduced their assessed GST needs.

A range of factors, sometimes offsetting, affected states' assessed GST needs for urban transport expenditure. New data from the 2021 Census on urban centre characteristics increased the assessed GST needs of Victoria and the ACT and reduced the assessed GST needs of other states. Under the Commission's 3-year rolling average assessments, 2019–20 data were replaced with 2022–23 data. Queensland's population and population-weighted density grew faster than the national average between these years, increasing its assessed GST needs. Relatively slow growth in urban transport recurrent expenditure reduced the assessed GST needs of New South Wales and Victoria. A large downward revision in investment for 2021–22 reduced the assessed GST needs of New South Wales and Victoria, but this was partly offset by a large increase in investment between 2019–20 and 2022–23.

Updated data from the 2021 Census also resulted in changes in the remoteness classification of some locations, an increase in the level of disadvantage in some states, and changes in the proportion of people who identify as First Nations living in each state.

2024–25 is the fourth year in a 6-year transition away from distributing the GST pool based solely on the Commission's assessment of states' relative fiscal capacities. At the end of these 6 years, the Commission's assessment will be adjusted so that no state will have a GST relativity less than the lower of New South Wales or Victoria (referred to as the 'standard state'). For 2024–25, blended relativities are calculated using two-thirds of the standard state approach and one-third of the previous approach.

The 2018 legislated arrangements also ensure that from 2024–25 no state's GST relativity can fall below a GST relativity floor of 0.75. In 2024–25, Western Australia's blended relativity is well below the GST floor. Increasing Western Australia's relativity to 0.75 significantly increases its GST distribution compared with the previous GST distribution arrangements, while lowering the GST share of the other states. Western Australia is estimated to receive \$6.2 billion in additional GST payments in 2024–25 (and all other states less) than under the previous GST distribution arrangements. However, the Commonwealth Government's no worse off guarantee will ameliorate the impact on the other states (see below).

Estimated total GST-related payments including no worse off payments

A state that was worse off in 2024–25 (compared with the arrangements prior to the 2018 legislated changes) could expect a no worse off payment from the Commonwealth similar to that shown in the table below. All states except Western Australia are estimated to receive a no worse off payment in 2024–25.

In determining whether a state is worse off under the 2018 legislated arrangements, allowance is made for the extent to which a state has gained from the Commonwealth top-ups to the GST pool. In 2024–25, an additional top-up of \$250 million will be made to the GST pool.

Estimated total payments to the states from GST distribution and no worse off payments

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2023-24									
Total GST distribution	24,535	18,541	17,929	6,419	8,214	3,257	1,778	4,002	84,675
No worse off payments	1,711	1,417	1,108	0	368	110	94	37	4,844
Total	26,245	19,958	19,036	6,419	8,582	3,367	1,873	4,039	89,519
2024-25									
Total GST distribution	24,224	22,227	17,460	7,257	8,671	3,476	1,889	4,257	89,462
No worse off payments	1,833	1,513	1,192	0	393	117	101	39	5,188
Total	26,058	23,740	18,652	7,257	9,063	3,593	1,990	4,296	94,649
Difference									
GST distribution	-310	3,686	-469	838	457	219	111	256	4,787
No worse off payments	122	96	85	0	25	7	7	2	344
Total (\$m)	-188	3,782	-384	838	481	226	118	258	5,131
Total (\$pc)	-22	537	-69	283	255	389	245	1,003	188

Source: Commission calculation. Subject to changes in the GST pool and populations.

Introduction

The Commonwealth Treasurer has issued terms of reference asking the Commission to advise how the Goods and Services Tax (GST) revenue pool should be distributed among the states in 2024–25.

The Commission's first step in determining the GST distribution is to estimate differences in the fiscal capacities of states. In doing this, the Commission takes account of states' different abilities to raise revenue and their different costs in providing services.

Drivers of differences in states' revenue raising capacities include the value of mining production, land values, the value of property transactions, and taxable payrolls. States also receive different levels of funding through payments from the Commonwealth. The costs of providing services can vary by state for a range of reasons, including the socio-demographic characteristics of their populations, wage costs, population dispersion, population density and rates of population growth.

Changes in states' relative fiscal capacities from year to year can be driven by changes in their circumstances. For example, a state could experience an increased value of property transfers, growth in its share of Commonwealth payments or an increased share of national population growth. Changes can also be driven by data revisions, such as updated data on the value of taxable payrolls.

Under the 2018 legislated GST distribution arrangements, 2024–25 is the fourth year in a 6-year transition away from distributing the GST pool based solely on the Commission's assessment of states' relative fiscal capacities. At the end of these 6 years (in 2026–27), the Commission's assessment will be adjusted so that no state will have a GST relativity less than the lower of New South Wales or Victoria (referred to as the 'standard state'). In the 2024 Update, Victoria is the standard state for the first assessment year (2020–21) and New South Wales is the standard state for the last 2 assessment years (2021–22 and 2022–23). For 2024–25, blended relativities are calculated using two-thirds of the standard state approach and one-third of the previous approach (see Box 1-1).

The 2018 legislated arrangements also provided for a GST relativity floor. In 2024–25, the floor is 0.75, compared with 0.70 in 2023–24. Since 2022–23, any additional GST distributed to a state due to the operation of the floor has been drawn from the GST pool. This means that when a state's relativity is raised to the floor, the GST relativities (and GST distributions) of the other states are commensurately reduced on a population share basis. For 2024–25, the GST relativities reflect the application of blended relativities and the GST relativity floor.

The 2018 legislated arrangements include a guarantee that no state will be worse off under the new arrangements – that is, without GST pool top-up payments, a GST relativity floor or the phasing in of the new standard state benchmark. The legislated no worse off guarantee operates from 2021–22 until 2026–27, with no worse off payments calculated and provided by the Commonwealth in accordance with the legislation. Under a new agreement between the Commonwealth and the states, no worse off payments will continue until 2029–30.¹

Chapter 1 sets out the Commission's recommended GST revenue distribution for 2024–25. It also provides relativities for the Commonwealth Treasurer to use in calculating payments under the no worse off guarantee and explains how these are calculated. Chapter 2 explains how the Commission's assessment of each state's assessed GST needs has changed since the 2023 Update. Chapter 3 provides a snapshot of the factors impacting each state's recommended GST distribution for 2024–25. Attachment A provides information on states' GST shares since 2000–01. Attachment B explains the Commission's quality assurance process. The Commission consulted with states on new issues arising in this update. State views and Commission responses are outlined in [New Issues in the 2024 Update](#).

¹ Prime Minister, [Meeting of National Cabinet – the Federation working for Australia](#) [Media Release], Australian Government, 6 December 2023, accessed 12 January 2024.

1. Recommended GST relativities

Key points

- 2024–25 is the fourth year in the 6-year transition period under the 2018 legislated GST arrangements. The blending of relativities from the previous and current GST arrangements, together with the GST relativity floor of 0.75, has a significant impact on the estimated GST distribution outcomes for 2024–25.
- Based on the Commission’s recommended GST relativities, Victoria would receive a significant increase in its distribution from the GST pool (\$3.7 billion). This is largely driven by its reduced capacity to raise mining revenue relative to other states as well as data revisions from the 2021 Census which increased its urban population and urban density. The Northern Territory is estimated to receive the largest increase in per capita terms (\$995 per capita). New South Wales and Queensland are both estimated to receive a decrease in GST distribution, largely due to an increase in their relative revenue raising capacities.
- Western Australia’s fiscal capacity remains relatively strong due to its capacity to raise revenue from iron ore royalties. However, relative to other states, Western Australia’s fiscal capacity is estimated to be lower than in the 2023 Update. This is partly due to strong growth in coal royalties raising the fiscal capacity in other states, and partly due to slower growth in iron ore royalties.
- All states are expected to benefit from the estimated increase in the GST pool from around \$85 billion in 2023–24 to around \$89 billion in 2024–25.
- The overall payments to the states will include the no worse off guarantee payments. The Commonwealth is responsible for calculating no worse off payments informed by the no worse off relativities calculated by the Commission. All states, other than New South Wales and Queensland, are estimated to receive more in total GST and no worse off payments than they received in 2023–24.

Recommended GST relativities and estimated GST pool distribution

The Commission's recommended GST relativities for 2024–25 are presented in Table 1-1. This table also includes the states' shares of the GST pool and the estimated GST pool distribution, as well as comparisons with 2023–24. The table does not include no worse off payments.

Table 1-1 GST relativities, shares and estimated GST distribution, 2023–24 and 2024–25 (excludes no worse off payments)

	GST relativities		GST shares		GST distribution		
	2023–24	2024–25	2023–24	2024–25	2023–24	2024–25	Difference
			%	%	\$m	\$m	\$m
New South Wales	0.92350	0.86736	29.0	27.1	24,535	24,224	-310
Victoria	0.85169	0.96502	21.9	24.8	18,541	22,227	3,686
Queensland	1.03118	0.95232	21.2	19.5	17,929	17,460	-469
Western Australia	0.70000	0.75000	7.6	8.1	6,419	7,257	838
South Australia	1.39463	1.40312	9.7	9.7	8,214	8,671	457
Tasmania	1.79080	1.82832	3.8	3.9	3,257	3,476	219
Australian Capital Territory	1.19540	1.20419	2.1	2.1	1,778	1,889	111
Northern Territory	4.98725	5.06681	4.7	4.8	4,002	4,257	256
Total	1.00000	1.00000	100.0	100.0	84,675	89,462	4,787

Note: The estimated GST pool distribution for 2024–25 was calculated by applying 2024 Update relativities to estimated state populations (as of December 2023) and the estimated GST pool for 2024–25.

Source: Commission calculation.

Victoria is estimated to receive a significant increase in GST distribution (\$3.7 billion) in 2024–25. The Northern Territory would receive the largest increase in per capita terms (\$995 per capita). New South Wales and Queensland are both estimated to receive a decrease in GST distribution, compared with 2023–24.

In the *Mid-Year Economic and Fiscal Outlook 2023–24* the Commonwealth Government anticipated an increase in the GST pool from around \$85 billion in 2023–24 to around \$89 billion in 2024–25.²

Since 2021–22, the Commonwealth has topped up the pool of GST revenue available for distribution to the states. Under the 2018 legislated arrangements, top-up payments are indexed annually. The top-up payment was \$600 million in 2021–22, \$663 million in 2022–23, and \$685 million in 2023–24. It is estimated to be \$972 million in 2024–25, including an additional \$250 million provided under the 2018 legislated arrangements.

The Commonwealth has provided a no worse off guarantee to ensure that, from 2021–22 to the end of 2029–30, no state receives a lower cumulative amount of financial assistance under the GST arrangements than it would have received prior to the 2018 legislated arrangements.³ Details on how the no worse off payments are calculated are provided later in this chapter.

Assessed state budgets

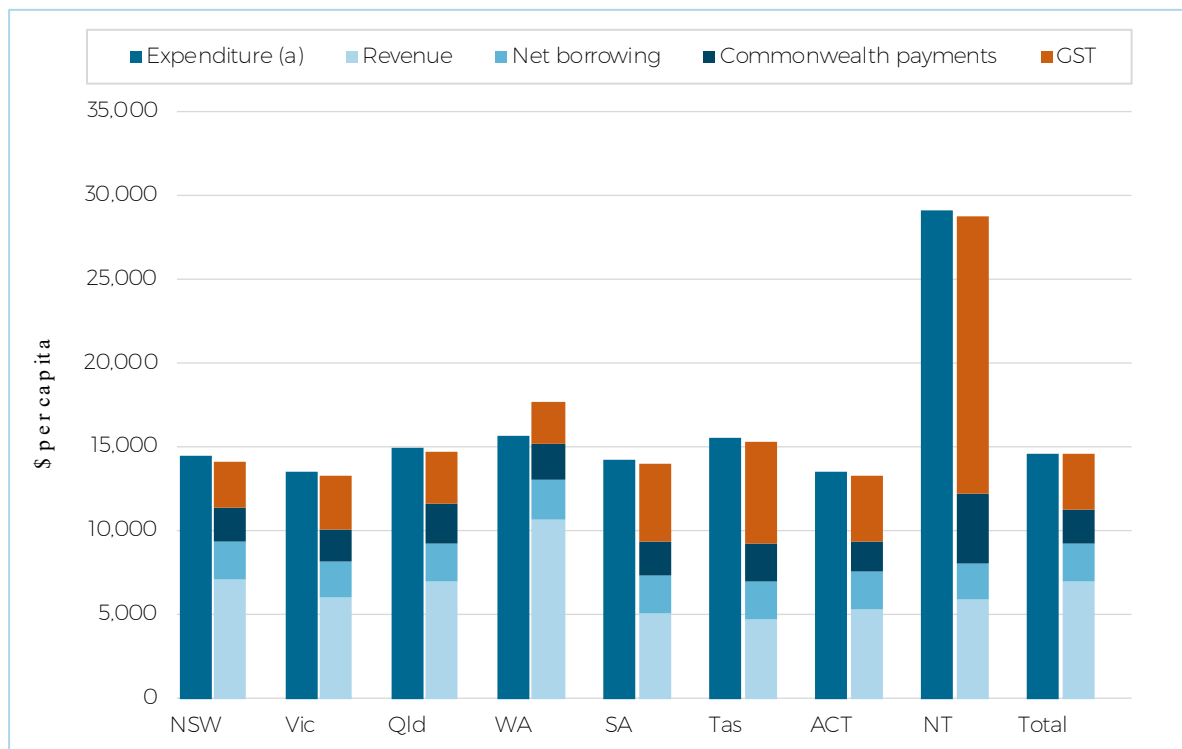
This section illustrates the assessed state budgets per capita for 2023–24. The blue bar on the left in Figure 1-1 shows the total assessed expenditure for each state. The bar on the right shows the sum of assessed revenue, assessed net borrowing, Commonwealth payments and revenue from the GST pool.⁴

² The GST pool consists of revenue from the GST plus a top-up payment from the Commonwealth. See Treasury, *Mid-Year Economic and Fiscal Outlook 2023–24*, Australian Government, 2023, Appendix C, Table C.7.

³ Under the 2018 legislated arrangements no worse off payments were to be in place over the transition period from 2021–22 to 2026–27. On 6 December 2023 the Commonwealth and states agreed to extend the guarantee for 3 years to the end of 2029–30.

⁴ The terms used in the paragraph are defined in the glossary, which is available [online](#).

Figure 1-1 Assessed budgets per capita (excludes no worse off payments) 2023–24



(a) Includes expenses and investment.

Source: Commission calculation.

Under the previous GST distribution arrangements, each state’s GST share was calculated so that its assessed revenue (including its recommended GST distribution) equalled its assessed expenditure.

After blending assessed and standard state relativities and applying the GST relativity floor of 0.75, Western Australia’s GST distribution combined with its assessed revenues will exceed its assessed expenditure. For other states, no worse off payments will partly offset the difference between their assessed expenditure and the combination of their GST distribution and assessed revenues.

Assessed, standard state, blended and GST relativities

This section shows how GST relativities were derived from assessed relativities (Table 1-2). It also shows how each stage of the process affects the estimated GST distribution (Table 1-3).⁵

As outlined in Table 1-2 the assessed relativities of New South Wales and Queensland have declined over the assessment period as their relative fiscal capacities have strengthened.

⁵ See Box 1-1 for an explanation of how GST relativities are calculated.

Table 1-2 Assessed relativities to GST relativities, 2024–25(a)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Assessed relativities									
2020–21	1.02749	0.92889	1.18043	-0.04830	1.36107	1.82579	1.26800	4.78149	1.00000
2021–22	0.94305	1.00613	1.02476	0.11115	1.50986	1.96312	1.35466	5.50522	1.00000
2022–23	0.85355	1.18148	0.87327	0.29330	1.55728	1.91241	1.20994	5.11099	1.00000
Average	0.94378	1.04150	1.02879	0.11902	1.47986	1.90532	1.28082	5.14575	1.00000
Standard state relativities (b)									
2020–21	0.92346	0.82485	1.07640	0.82485	1.25704	1.72176	1.16397	4.67746	1.00000
2021–22	0.85384	0.91693	0.93556	0.85384	1.42065	1.87391	1.26545	5.41601	1.00000
2022–23	0.79322	1.12115	0.81294	0.79322	1.49695	1.85208	1.14961	5.05066	1.00000
Average	0.85827	0.95590	0.94320	0.82535	1.39387	1.81895	1.19500	5.05647	1.00000
Blended relativities (c)									
2020–21	0.95813	0.85953	1.11108	0.53380	1.29172	1.75644	1.19865	4.71214	1.00000
2021–22	0.88358	0.94666	0.96529	0.60628	1.45039	1.90364	1.29518	5.44575	1.00000
2022–23	0.81333	1.14126	0.83305	0.62658	1.51706	1.87219	1.16972	5.07077	1.00000
Average (d)	0.88676	0.98442	0.97171	0.59005	1.42251	1.84772	1.22359	5.08621	1.00000
GST relativity (d)	0.86736	0.96502	0.95232	0.75000	1.40312	1.82832	1.20419	5.06681	1.00000

(a) See Box 1-1 for an explanation of the steps taken to calculate GST relativities using assessed relativities and the requirements of the 2018 legislated arrangements.

(b) Victoria was the standard state in 2020–21 and New South Wales in 2021–22 and 2022–23.

(c) In the 2024 Update, the blended relativities are two-thirds of the standard state approach and one-third of the previous approach.

(d) The average blended relativity for Western Australia is below the floor of 0.75. In calculating final GST relativities, this is raised to the floor of 0.75 and the relativities of other states adjusted down on a population-share basis.

Source: Commission calculation.

The change in each state's GST relativity in 2024–25, compared with 2023–24, reflects a combination of changes in their relative fiscal capacities (assessed relativities) and the operation of the 2018 legislated arrangements (blended relativities and the GST floor). The contribution of these factors is shown in Table 1-3.

Western Australia's GST relativity is set to the GST relativity floor, which has increased from 0.70 in 2023–24 to 0.75 in 2024–25. In 2024–25, it is estimated to receive \$462 million more from the operation of the floor than in 2023–24. Western Australia is estimated to receive \$6.2 billion more in GST distribution in 2024–25 than it would have received prior to the 2018 legislated arrangements.

Table 1-3 Contribution of changes in relativities to change in GST distribution, 2023–24 to 2024–25 (excludes no worse off payments)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assessed relativities (a)	-1,551	2,633	-1,442	178	46	67	13	56	2,992
Blending and floor (b)	-99	-85	-65	285	-21	-6	-6	-2	285
Change due to new GST relativities (c)	-1,650	2,548	-1,506	462	25	60	8	53	3,156

(a) Effects on the distribution of the 2024–25 GST pool of using the 2024 assessed relativities instead of 2023 Update assessed relativities.

(b) Difference in the effects on the distribution of GST pool of applying blended relativities and floor between the 2024 and 2023 updates.

(c) Sum of (a) and (b).

Source: Commission calculation.

Box 1-1 Calculation of GST relativities

The Commission's recommendations on GST relativities are consistent with the *Commonwealth Grants Commission Act 1973*, the *Federal Financial Relations Act 2009* and the terms of reference issued by the Commonwealth Treasurer. The Commission undertakes several steps to produce GST relativities.

Assessed relativities

Assessed relativities are calculated for each assessment year by comparing each state's relative ability to raise revenue with its relative cost of providing services.

Drivers of differences in revenue capacity include mineral endowments, land values, property transactions, and taxable payrolls. States also receive different levels of funding through Commonwealth payments.

Service costs can vary by state for a range of reasons, including socio-demographic characteristics of the population, wage pressures, population dispersion, population density and rates of population growth.

Standard state relativities

Standard state relativities are calculated for each assessment year by adjusting assessed relativities so that no state has a relativity below the lower of New South Wales or Victoria (referred to as the 'standard state').

Blended relativities

Over the 6-year transition period prescribed in the 2018 legislated GST distribution arrangements, assessed relativities are blended with standard state relativities in each assessment year. The weighting that each receives is specified in the legislation. In the 2024 Update, standard state relativities have a weighting of two-thirds and assessed relativities have a weighting of one-third.

GST relativity floor

The GST relativity floor sets a minimum relativity, below which a state's per capita share of the GST pool cannot fall. In 2024–25, the floor is 0.75. If a state's blended relativity is below the floor, its GST relativity is adjusted up to the floor. To accommodate this, the relativities of other states are adjusted down on a population-share basis.

GST relativities

The final numbers are called GST relativities. The Commission recommends these to the Commonwealth Treasurer for the distribution of the GST pool.

Assessed relativities

The Commission uses a 3-year rolling average in its assessment of state fiscal capacities.⁶ Differences in state circumstances in the year falling out of the calculations, compared with the year coming into the calculations, contribute to changes in the distribution of GST. In addition, revisions to the data also contribute to changes.

Large differences in states' relative capacities to raise revenue from mining royalties continue to be a key driver of changes to the GST distribution. The very large increase in coal prices and changes in average royalty rates between 2019–20 and 2022–23 increased coal royalties. This reduced the assessed relativities for New South Wales and

⁶ In the 2023 Update the assessment years were 2019–20, 2020–21 and 2021–22. In the 2024 Update the assessment years were 2020–21, 2021–22 and 2022–23.

Queensland and increased the assessed relativities for the other states, in particular Victoria. The increase in Western Australia's assessed relativity was driven by strong growth in coal royalties in other states and slower growth in iron ore royalties.

The progressive release of the Australian Bureau of Statistics' (ABS) 2021 Census data has resulted in changes in the GST distribution since last year. In the 2024 Update, new population data have been used for estimates of First Nations populations, urban population density, and other location-based data.⁷ In the justice assessment, data on the First Nations populations were not updated. The [New Issues for the 2024 Update](#) provides further information on how the assessments were updated with ABS 2021 Census data, and why these data on First Nations populations were not used for the justice assessment.

The 2 largest 2021 Census-related data revisions were for urban transport (both in recurrent spending and investment) and the health assessments. Updating the population-weighted density and urban populations of significant urban areas using the ABS 2021 Census-based population and geography data increased the relativities of Victoria and the ACT while reducing the relativities of the other states. In aggregate, the use of the latest ABS 2021 Census data in the health assessment reduced the assessed need for spending in New South Wales and South Australia and increased the need for spending in other states. While at the national level, revisions to urban density and remoteness classifications were the main drivers of change from the use of new Census data, revisions to other Census data were a key driver of change for some states.

Variations between states in growth in land values and property transactions were key drivers of changes in states' capacities to raise revenue from land tax and stamp duty on conveyances. Both New South Wales (64% growth in per capita land values between 2019–20 and 2022–23) and Tasmania (48% growth over the same period) experienced well-above-average growth, reducing their assessed GST needs and increasing those of other states. National average growth in the per capita value of properties transferred was 36% over this period. Queensland (43% growth), Western Australia (86% growth), the ACT (69% growth), and the Northern Territory (45% growth) experienced above-average per capita growth and a reduction in assessed GST needs as a result.

Chapter 2 explains the key drivers of changes in assessed GST needs in more detail. Chapter 3 explains the drivers of change for each state.

Standard state relativities

On full implementation of the 2018 legislated GST distribution arrangements (that is, by 2026–27), no state's GST relativity can be less than the lower of New South Wales or Victoria. For each assessment year, should any state be fiscally stronger (and therefore have a lower assessed relativity) than the standard state, its relativity would be increased to the relativity of the standard state. Given the GST is distributed from a fixed funding pool, other states' relativities would then be reduced on a population-share basis to accommodate this increase. In the transition to the 2018 legislated arrangements, standard state relativities are an input to the calculation of GST relativities.

Victoria has been assessed as the standard state in the first assessment year for the 2024 Update (2020–21) and New South Wales for the second and third years (2021–22 and 2022–23).

Western Australia was the only state with an assessed relativity below the standard state in each assessment year. Western Australia's standard state relativity was aligned with Victoria's standard state relativity of 0.82485 in 2020–21 and with New South Wales' standard state relativities of 0.85384 in 2021–22 and 0.79322 in 2022–23.

⁷ Location-based data on where a person lives are used in several of the Commission's calculations of the drivers of different state spending needs, for example residence in remoteness areas, significant urban areas, small communities, remote communities and/or discrete First Nations communities. Location-based data are also used in socio-economic indexes and population density calculations.

Blended relativities and the GST relativity floor

The blended relativities of each state for the 3 assessment years are first averaged, and then any state with an average blended relativity below the 0.75 GST relativity floor has its GST relativity raised to the floor. Box 1-2 provides an illustration of the calculations.

Western Australia was the only state to have an average blended relativity below the GST floor. Its average blended relativity of 0.59005 was increased to 0.75 and the GST relativities of all other states were reduced on a population-share basis to accommodate this increase.

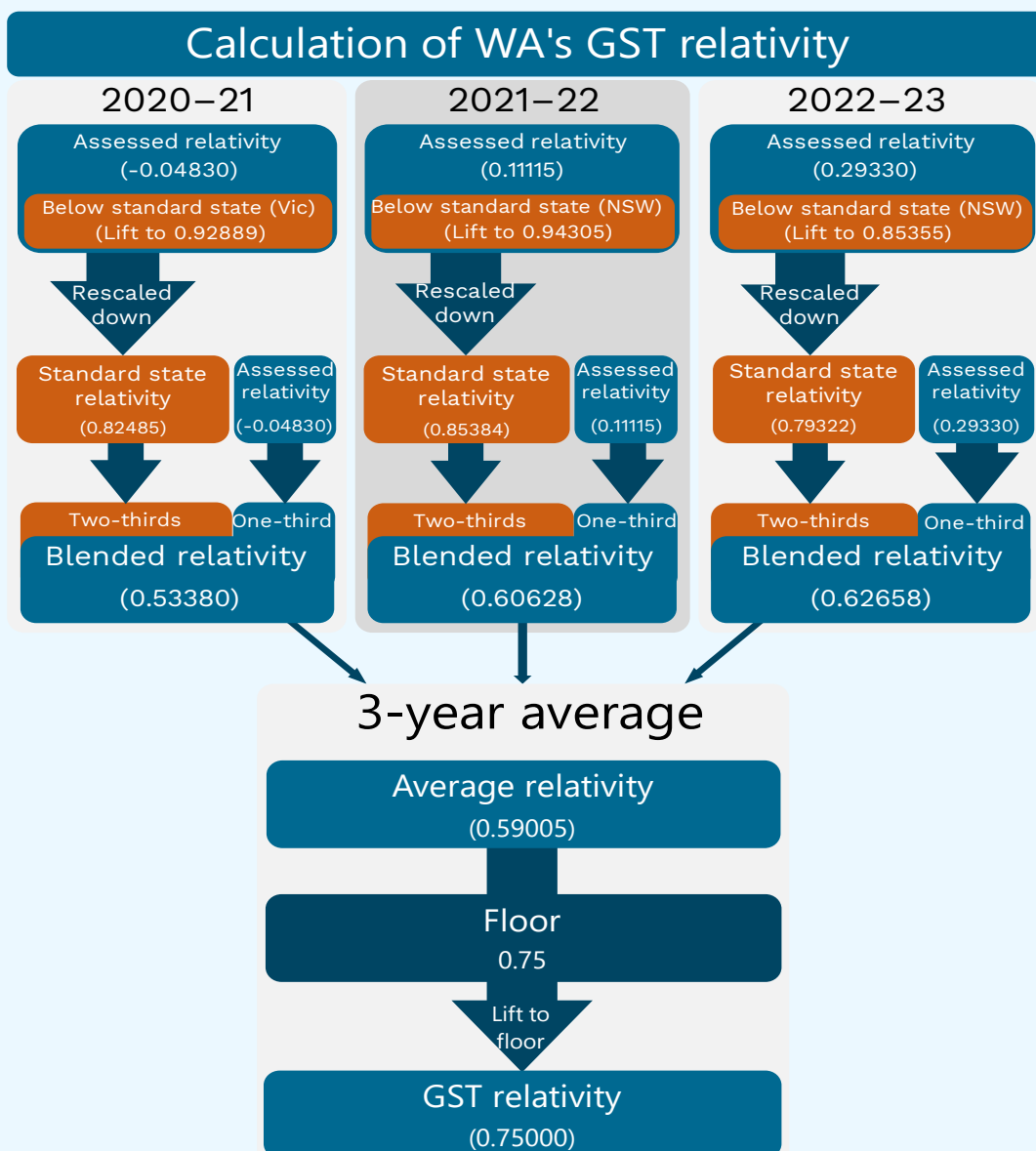
Box 1-2 Application of the GST relativity floor

Assessed, standard state and blended relativities are calculated for each of the 3 assessment years. Blended relativities for the 3 assessment years are then averaged and any state with an average blended relativity below the GST relativity floor has its GST relativity raised to the floor.

Western Australia has an assessed relativity below the standard state in all 3 years of the 2024 Update assessment period, so its relativity is lifted to that of the standard state in all years. The relativities of all states, including Western Australia and the standard state, are then scaled down, to ensure the reduction to relativities resulting from lifting Western Australia's relativity is shared on an equal per capita basis between all states.

As a final step, because Western Australia's average blended relativity is below the GST relativity floor, it is raised to the 0.75 GST floor.

The following diagram illustrates the steps in calculating Western Australia's GST relativity.



Movements in the GST distribution

This section identifies how changes in population shares, the GST pool and GST relativities contributed to the estimated change in GST distribution for 2024–25 (see Table 1-4).

Table 1-4 Change in GST distribution from 2023–24 to 2024–25 (excludes no worse off payments)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Estimated 2023–24 distribution	24,535	18,541	17,929	6,419	8,214	3,257	1,778	4,002	84,675
Estimated 2024–25 distribution	24,224	22,227	17,460	7,257	8,671	3,476	1,889	4,257	89,462
Change	-310	3,686	-469	838	457	219	111	256	4,787
Change caused by new:									
Population (a)	-44	85	23	12	-31	-24	3	-23	0
Pool (b)	1,384	1,053	1,015	364	463	183	101	225	4,787
GST relativities (c)	-1,650	2,548	-1,506	462	25	60	8	53	0
Change (\$m)	-310	3,686	-469	838	457	219	111	256	4,787
Change (\$pc)	-36	524	-84	283	242	377	231	995	175

(a) Effects on the distribution of 2023–24 GST pool of using estimated state populations as at December 2024 instead of December 2023, with 2023 Update relativities.

(b) Effects of applying the 2023 Update relativities to the estimated 2024–25 GST pool.

(c) Effects on the distribution of the 2024–25 GST pool of using the 2024 Update relativities instead of 2023 Update relativities.

Source: 2023–24 GST and 2024–25 pool estimates were taken from the *Mid-year Economic and Fiscal Outlook 2023–24*. December 2023 and 2024 population estimates were provided by the Commonwealth Treasury from the same source.

Changes in estimated GST payments between 2023–24 and 2024–25 are driven by a combination of growth in the GST pool, changes in state population shares and changes in GST relativities.

- The estimated 2024–25 GST distribution is based on the Commonwealth *Mid-year Economic and Fiscal Outlook 2023–24* estimates of state populations for 2024–25, which reflect forecast population changes between 2023–24 and 2024–25.
 - Slower forecast population growth between these years in New South Wales, South Australia, Tasmania and the Northern Territory reduced their estimated GST payments. Faster projected population growth in Victoria, Queensland, Western Australia and the ACT increased their estimated GST payments.
- The size of the estimated GST pool in 2024–25 has increased since last year. Growth in the pool is distributed among states using their population shares weighted by their GST relativity.
 - All states are expected to benefit from the anticipated growth in the GST pool in 2024–25. States with a higher relativity, in particular the Northern Territory, but also Tasmania and South Australia, would benefit more (on a per capita basis) than states with a lower relativity.
- The estimated 2024–25 GST distribution is based on the relativities recommended in the 2024 Update, whereas the 2023–24 distribution is based on the 2023 Update relativities.
 - The recommended GST relativities for 2024–25 would increase the GST payments to Victoria, Western Australia, South Australia, Tasmania, the ACT and the Northern Territory compared with 2023–24.

Movements in the GST distribution of this magnitude for some states are in keeping with historical trends. Attachment A provides an analysis of how the GST distribution has changed since the introduction of the GST in 2000–01. It shows that state shares of the GST pool can vary over time as their relative fiscal circumstances change. Movement over

this time period has largely been driven by changes in mining royalties and property sales, which were also key drivers of movement in the GST distribution between the 2023 and 2024 updates.

Relativities to determine no worse off payments

The 2024 Update Terms of Reference ask the Commission to provide the relativities that would have applied had the 2018 legislated arrangements not been enacted. These relativities are used by the Commonwealth to determine whether there is a requirement for it to make no worse off payments to a state under the transitional arrangements.

The no worse off relativities for 2024–25 are shown in Table 1-5.

Table 1-5 No worse off relativities, 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
2024–25	0.94324	1.04203	1.02852	0.11467	1.48279	1.91045	1.28237	5.16929	1.00000

Source: Commission calculation.

The calculation of the 2024–25 no worse off relativities includes adjustments to remove the impact of the Commonwealth’s legislated top-ups to the GST pool. In the 2021 and 2022 updates, there were no pool top-ups in the relevant assessment years, so no adjustments were required. For this reason, assessed relativities and no worse off relativities were the same in those years. This is not the case for the 2023 and 2024 updates. A pool top-up of \$600 million was available to states in 2021–22 and following the annual indexation of top-up payments, \$672 million in 2022–23. These are the last 2 years of the assessment period for the 2024 Update.

In calculating the no worse off guarantee, the total amount of financial assistance a state has received since 2021–22 is compared with the total amount of GST it would have received. The total amount of financial assistance a state has received since 2021–22 includes GST distributions from the topped-up pool and previous no worse off payments. The total amount of GST a state would have received is based on no worse off relativities applied to a GST revenue-only pool. The Commonwealth will make a no worse off payment equal to any cumulative shortfall. Where a state is better off in a year, this is taken into account in calculating a no worse off payment in a subsequent year.

By the end of 2026, the Productivity Commission will report on the fiscal implications of the 2018 legislated arrangements and whether they are operating efficiently, effectively and as intended.

Impact of the 2018 legislated GST distribution arrangements

This section compares the estimated distribution from the GST pool (including pool top-ups but excluding no worse off payments) in 2024–25 with the Commission’s estimate of what each state would have received if the 2018 legislated arrangements had not been enacted (see Table 1-6).

Western Australia is estimated to receive \$6.2 billion in additional GST payments in 2024–25 and all others less than under the previous arrangements. The difference between the total estimated distribution in 2024–25 and the estimated distribution under the previous arrangements (i.e. \$972 million) reflects the Commonwealth’s top-up to the GST pool.

Table 1-6 Impact of 2018 legislated arrangements on the distribution of the GST pool, 2024–25 (excludes no worse off payments)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Estimated GST pool distribution	24,224	22,227	17,460	7,257	8,671	3,476	1,889	4,257	89,462
Distribution under previous arrangements	26,058	23,740	18,652	1,098	9,063	3,593	1,990	4,296	88,490
Difference	-1,833	-1,513	-1,192	6,159	-393	-117	-101	-39	972

Source: Commission calculation.

The Commission has provided indicative estimates of total payments from the GST pool and no worse off payments (see Table 1-7).

Changes in the no worse off payments for 2024–25 reflect the additional GST Western Australia receives as a result of the GST relativity floor increasing from 0.70 to 0.75. Funding this from the GST pool has reduced all other states' GST shares and therefore increased their no worse off payments compared with last year.

These indicative estimates are illustrative. Actual no worse off payments for 2024–25 will be calculated by the Commonwealth and will be based on the actual GST pool, pool top-ups and population for 2024–25, which will be determined after the end of that year.

All states except Western Australia are estimated to receive a no worse off payment in 2024–25. In 2024–25, New South Wales and Queensland are estimated to receive less in total GST and no worse off payments than they received in 2023–24.

Table 1-7 Estimated total payments to the states from GST distribution and no worse off payments

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2023–24									
Total GST distribution	24,535	18,541	17,929	6,419	8,214	3,257	1,778	4,002	84,675
No worse off payments	1,711	1,417	1,108	0	368	110	94	37	4,844
Total	26,245	19,958	19,036	6,419	8,582	3,367	1,873	4,039	89,519
2024–25									
Total GST distribution	24,224	22,227	17,460	7,257	8,671	3,476	1,889	4,257	89,462
No worse off payments	1,833	1,513	1,192	0	393	117	101	39	5,188
Total	26,058	23,740	18,652	7,257	9,063	3,593	1,990	4,296	94,649
Difference									
GST distribution	-310	3,686	-469	838	457	219	111	256	4,787
No worse off payments	122	96	85	0	25	7	7	2	344
Total (\$m)	-188	3,782	-384	838	481	226	118	258	5,131
Total (\$pc)	-22	537	-69	283	255	389	245	1,003	188

Source: Commission calculation.

2. Drivers of GST distribution

Key points

- Changes in state revenue raising capacities had the largest influence on assessed GST needs in 2024–25 compared with 2023–24. An increase in the value of coal production significantly reduced the assessed GST needs of New South Wales and Queensland and increased those of other states. Additionally, slower growth in the value of iron ore production contributed to an increase in Western Australia's assessed GST needs. Above-average growth in taxable land values in New South Wales and Tasmania reduced their assessed GST needs. Above-average growth in property sales in Queensland, Western Australia and the ACT reduced their assessed GST needs.
- A range of factors, some offsetting, affected states' assessed GST needs for urban transport expenditure. New data from the 2021 Census on urban centre characteristics increased the assessed GST needs of Victoria and the ACT and reduced the assessed GST needs of other states. Queensland's population and population-weighted density grew faster than the national average between 2019–20 and 2022–23, so when 2019–20 data were replaced with 2022–23 data, its assessed GST needs increased. Relatively slow growth in recurrent urban transport expenditure reduced the assessed GST needs of New South Wales and Victoria. A large downward revision in investment for 2021–22 reduced the assessed GST needs of New South Wales and Victoria, but this was partly offset by a large increase in investment between 2019–20 and 2022–23.
- The release of new data from the 2021 Census also resulted in revisions. This particularly affected the expenditure drivers of population dispersion and socio-economic status.
- Under the 2018 legislated arrangements, this is the fourth year in which the blending of assessed and standard state relativities is used to calculate GST relativities. It is the first year in which the GST relativity floor will be 0.75. The blending of relativities from the previous and current arrangements, together with the floor of 0.75, has a significant impact on GST distribution outcomes.

Why GST shares have changed

In this update, the Commission has used the latest available data to estimate the fiscal capacities of states. As required by the terms of reference, it has applied the methods developed in the 2020 Review and used in subsequent updates. It has continued the phased implementation of the 2018 legislated arrangements.

Changes in states' assessed GST needs mainly related to changes in revenue raising capacity, which tends to be more volatile than expenditure needs (see Table 2-1).

Table 2-1 Composition of estimated changes in GST distribution, 2023–24 to 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Expense needs	-336	430	182	-10	-203	-36	-29	2	613
Investment needs	-82	555	-7	-237	-211	3	18	-39	576
Net borrowing	-45	-70	44	12	20	38	3	-3	118
Revenue raising capacity	-1,149	1,642	-1,754	565	468	124	19	84	2,903
Commonwealth payments	63	74	95	-155	-29	-62	2	11	245
Change in assessed relativities	-1,551	2,633	-1,442	178	46	67	13	56	2,992
Blended relativities and GST floor	-99	-85	-65	285	-21	-6	-6	-2	285
Change in GST relativities	-1,650	2,548	-1,506	462	25	60	8	53	3,156

Source: Commission calculation.

Changes in states' GST shares occurred for 3 reasons.

- Since the 2023 Update some data have been revised. Most notably, data revisions in this update include revised demographic and geographic data from the 2021 Census.
- States' economic and socio-demographic circumstances change over time. The 2024 Update assessed states' GST needs using an average of data for the 3 years 2020–21 to 2022–23. The 2023 Update assessed states' GST needs using an average of data for the 3 years 2019–20 to 2021–22. Differences in state circumstances between the year brought into the 3-year average (2022–23) and the year removed (2019–20) changed states' relative needs.
- Legislated arrangements for GST distribution are also being phased in. The transition to using standard state relativities is now two-thirds complete, with blended relativities based on two-thirds standard state relativities and one-third assessed relativities. Each state's GST relativity must also be at least 0.75.

Data revisions and changes in state circumstances changed the assessed GST needs of states in 2024–25 compared with 2023–24 (see Table 2-2). The main drivers are discussed below.

Table 2-2 Change in assessed GST needs by source of change, 2023–24 to 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Data revisions	-527	403	146	-38	-217	94	54	85	782
Census revisions	-544	835	87	-250	-286	63	47	50	1,081
Other revisions (a)	17	-432	59	212	69	31	7	36	432
Changes in state circumstances (b)	-1,022	2,228	-1,586	215	263	-27	-40	-30	2,706
Total	-1,551	2,633	-1,442	178	46	67	13	56	2,992

(a) Includes both the revisions in relative state circumstances and revisions in how much states collectively spend or raise.

(b) Includes both the changes in relative state circumstances and changes in how much states collectively spend or raise.

Source: Commission calculation.

See Box 2-1 for an overview of the changes in urban transport expenditure, which involve both data revisions and changes in state circumstances.

Box 2-1 Urban transport expenditure: an overview

Collectively, states spend around \$30 billion on urban transport investment and recurrent expenses, mostly in New South Wales and Victoria. In the 2024 Update, there were several significant data changes affecting states' assessed GST needs for urban transport. Two of these were data revisions and three were changes in circumstances.

- Urban transport needs are assessed using 'urban centre characteristics', which include population and population-weighted density. Following the release of new data from the 2021 Census, the Commission updated urban populations and population-weighted density in each state. This increased the assessed GST needs of Victoria and the ACT and reduced the assessed GST needs of other states including New South Wales. This is discussed in Box 2-2.
- After applying the 2021 Census data, the Commission incorporates the changes in state circumstances. It replaces the 2019–20 year with the 2022–23 year. As Queensland's population and population-weighted density grew faster than the national average between these years, its assessed GST needs increased. This is discussed in the section on Change in circumstances: Urban centre characteristics.
- There was relatively slow growth in urban transport recurrent expenditure between 2019–20 and 2022–23, which reduced the impact of urban centre characteristics in this update. This reduced the relative spending needs for urban transport in New South Wales and Victoria. This is discussed in the section on Change in circumstances: Urban centre characteristics.
- There was a large downward revision to national urban transport investment for 2021–22. This reduced the assessed GST needs of New South Wales and Victoria. This is discussed in the section on Data revisions: Revisions to investment data.
- There was a large increase in national urban transport investment between 2019–20 and 2022–23. This resulted in higher assessed GST needs for urban transport investment in New South Wales and Victoria. This is discussed in the section on Change in circumstances: Capital improvements.

The combined effects of all changes affecting states' assessed GST needs for urban transport are shown below. This includes changes not outlined above, such as those relating to wages and construction costs.

Table 2-3 Changes in assessed GST needs for urban transport, 2023–24 to 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Total change for urban transport expenditure	-251	619	107	-285	-212	-7	33	-3	759

Source: Commission calculation.

Data revisions

Since the 2023 Update, data providers have released updated data. The Commission has revised its assessments using the latest available data. This section describes the impact of replacing data used in the 2023 Update with the latest available data (see Table 2-4).

Table 2-4 Major effects of data revisions, 2023–24 to 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Census revisions									
Investment in urban transport	-148	451	-27	-186	-115	-5	35	-5	486
Urban transport	-73	251	-38	-79	-52	-5	-1	-3	251
Admitted patients	-142	14	111	-1	-59	39	8	29	202
Other revisions	-181	118	41	16	-60	34	4	28	241
Total	-544	835	87	-250	-286	63	47	50	1,081
Non-Census revisions									
Investment in urban transport	-156	-105	125	50	39	25	12	10	261
Stamp duty on conveyances	219	-62	-77	-35	-22	-9	-10	-4	219
Admitted patients	172	-58	-79	0	27	-23	-2	-36	198
Natural disaster relief	-48	109	-40	1	-16	-3	-2	-1	110
Other minerals	-4	-6	-39	95	-13	-11	0	-22	95
Other revisions	-165	-310	170	101	55	52	9	89	475
Total	17	-432	59	212	69	31	7	36	432
Total revisions	-527	403	146	-38	-217	94	54	85	782

Source: Commission calculation.

Census revisions

Revisions to Census data impacted GST distribution through a variety of drivers. The largest impact was on urban transport expenditure (both recurrent and investment) and health expenditure. See Box 2-2 for an explanation on how revisions from the 2021 Census affected the individual drivers of the distribution of GST revenue.

Revisions to investment data

Data provided by states for the 2023 Update estimated investment in urban transport for 2021–22 at \$19 billion. In this update, these estimates were replaced with an ABS estimate of \$16 billion. The revision reduced the assessed GST needs for urban transport investment in New South Wales and Victoria and increased the assessed GST needs of other states.

Revisions to investment data were also significantly impacted by new 2021 Census data (see Box 2-2).

Revisions to health data

The Commission's health assessment uses hospital activity data. There is a one-year lag in receiving the latest year's data. The most recent assessment year in each update, therefore, re-uses the data from the previous assessment year. For the 2023 Update, 2020–21 data were used for both 2020–21 and 2021–22. Because of this, updating these data with the latest available data (2021–22) affects GST distribution through both a revision to previous data, and a change in circumstances.

Replacing state-provided expense data for 2021–22 with ABS expense data for the same year resulted in a significant upward revision to community and public health expenses. This reduced assessed GST needs of New South Wales and Victoria and increased assessed GST needs of the other states.

Revising state expense data, combined with revising hospital activity data, resulted in an increase to the assessed GST needs of New South Wales, Western Australia and South Australia, and a reduction in the assessed GST needs of the other states.

New 2021 Census data also resulted in revisions to health data (see Box 2-2).

Revisions to stamp duty data

In the 2023 Update, a 2021–22 transaction of a New South Wales major state asset was not separately identified from New South Wales' other conveyances transactions. It was subsequently included in its assessed revenue base in the stamp duty on conveyances assessment. In the 2024 Update, the transaction was reclassified as a sale of a major state asset and assessed equal per capita in the other revenue category, resulting in a downward revision to New South Wales' value of property transferred in 2021–22. This downward revision, along with other minor revisions to the value of property transferred for other states, increased the assessed GST needs of New South Wales, and reduced the assessed GST needs of the other states.

Revisions to other expenses data

Revisions to states' natural disaster relief data resulted in changes to assessed GST needs. Most notably, a revision to Victoria's natural disaster relief data increased its assessed GST needs for natural disaster relief.

Revisions to mining revenue data

The Commission makes a mineral by mineral assessment of state mining royalties. Under this approach, a mineral is separately assessed if it is material to do so (moves more than \$35 per capita in GST for any state). Minerals that are not separately assessed are assessed together (in 'other minerals').

In this update, a separate assessment of nickel became material. It was split from other minerals and assessed separately. This resulted in a lower rate of royalty being applied to nickel royalties in all 3 assessment years in this update. This change reduced the assessed revenue raising capacity of Western Australia, increasing its assessed GST needs and reducing the assessed GST needs of the other states.

Box 2-2 2021 Census data and drivers of GST distribution

The 2021 Census was conducted in August 2021 and data have become progressively available. In the 2023 Update, the following census-based data were updated: state total estimated resident populations, social housing use rates in the housing assessment, and client base data for the regional costs assessment in the services to industries assessment. For the 2024 Update, the data discussed below were updated.

Urban centre characteristics

- New data had a significant impact on the recurrent urban transport and investment assessments. This was primarily driven by changes in population-weighted density, with both revised population and revised Statistical Area Level 1 boundaries. The new data showed that Victoria and the ACT had higher population-weighted density. The ACT also had a large increase in its urban population. Using these data resulted in an increase in the assessed GST needs of Victoria and the ACT (see Table 2-5).

Table 2-5 Change in assessed GST needs due to census revisions in urban centre characteristics, 2023–24 to 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Urban transport	-73	251	-38	-79	-52	-5	-1	-3	251
Investment in urban transport	-148	451	-27	-186	-115	-5	35	-5	486
Total	-222	702	-65	-265	-167	-11	35	-7	737

Source: Commission calculation.

First Nations population

- Between the 2016 and 2021 censuses, there was a significant increase in the number of people identifying as First Nations, especially in urban areas of New South Wales and Victoria. The socio-demographic profile of newly identifying First Nations people was different to that of the previously identifying First Nations population. The resulting change in assessed expenditure on First Nations people was small. It ranged from a decrease of \$15 per capita in South Australia to an increase of \$20 per capita in Tasmania.

Population dispersion

- New Census data resulted in some locations being reclassified as more or less remote. For example, Mount Gambier and Devonport changed from inner regional to outer regional, increasing assessed GST needs. Areas around Coffs Harbour changed from outer regional to inner regional, decreasing assessed GST needs.

Socio-economic status

- Among the non-Indigenous population, an increase in the level of disadvantage in Queensland, Western Australia, the ACT and the Northern Territory led to a \$398 million increase in assessed GST needs in those states and a decrease in other states, especially New South Wales.

Other geographic classifications

- In the services to communities assessment, data on the populations of small isolated communities were updated. These were used in assessing spending needs on water subsidies, electricity subsidies and First Nations development.

Changes in state circumstances

This section describes the main changes in state circumstances since the 2023 Update – that is, the changes that occurred when revised 2019–20 data were replaced with 2022–23 data (see Table 2-6 and Table 2-7).

Table 2-6 Composition of changes in state circumstances, 2023–24 to 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Expense needs	-18	209	155	-54	-126	-89	-41	-36	364
Investment needs	340	233	-136	-80	-115	-87	-58	-97	573
Net borrowing	-17	-18	-36	-5	22	41	14	0	77
Revenue raising capacity	-1,357	1,726	-1,663	506	510	144	37	97	3,020
Commonwealth payments	29	79	94	-151	-27	-36	8	5	215
Total	-1,022	2,228	-1,586	215	263	-27	-40	-30	2,706

Source: Commission calculation.

Table 2-7 Change to assessed GST needs due to changes in state circumstances, 2023–24 to 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Mining production	-872	1,307	-1,734	608	388	121	89	93	2,606
Capital improvements	241	256	-191	-95	-89	-52	-6	-64	497
Taxable land values	-409	139	128	138	6	-4	3	0	413
Property sales	3	227	-62	-194	32	31	-40	1	295
Wage costs	50	102	45	-53	-92	-62	-35	45	243
Commonwealth payments	29	79	94	-151	-27	-36	8	5	215
Urban centre characteristics	-128	-83	108	36	29	20	10	9	211
Other changes in circumstances	65	201	25	-74	17	-45	-69	-119	307
Total	-1,022	2,228	-1,586	215	263	-27	-40	-30	2,706

Source: Commission calculation.

Mining production

Total mining revenues have been growing strongly. Table 2-8 outlines the estimated aggregate effect of changes in the value of mining production on the distribution of GST in the 2024 Update. The GST effects of each of the components of the mining revenue assessment varied across states.

Table 2-8 Change to assessed GST needs due to changes in value of mineral production, 2023–24 to 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Grants in lieu of royalties	59	49	39	-170	13	4	3	3	170
Iron ore	-167	-138	-110	474	-36	-10	-9	-5	474
Coal	-962	1,229	-1,352	518	335	103	85	45	2,314
Gold	-7	-2	-9	24	-4	-2	-1	1	25
Copper	-1	-4	5	7	-6	0	0	0	13
Other minerals	206	175	-307	-246	86	26	11	48	553
Total	-872	1,307	-1,734	608	388	121	89	93	2,606

Source: Commission calculation based on annual data provided by states.

In this update, coal royalties have grown particularly strongly. They surpassed iron ore royalties in 2021–22 and reached a new high in 2022–23. This was largely driven by strong growth in metallurgical coal prices. There was also a large increase to Queensland’s coal royalty rates from 1 July 2022, which increased national average coal royalty rates. The increase in coal royalties significantly reduced the assessed GST needs of New South Wales and Queensland, and significantly increased the assessed GST needs of the other states.

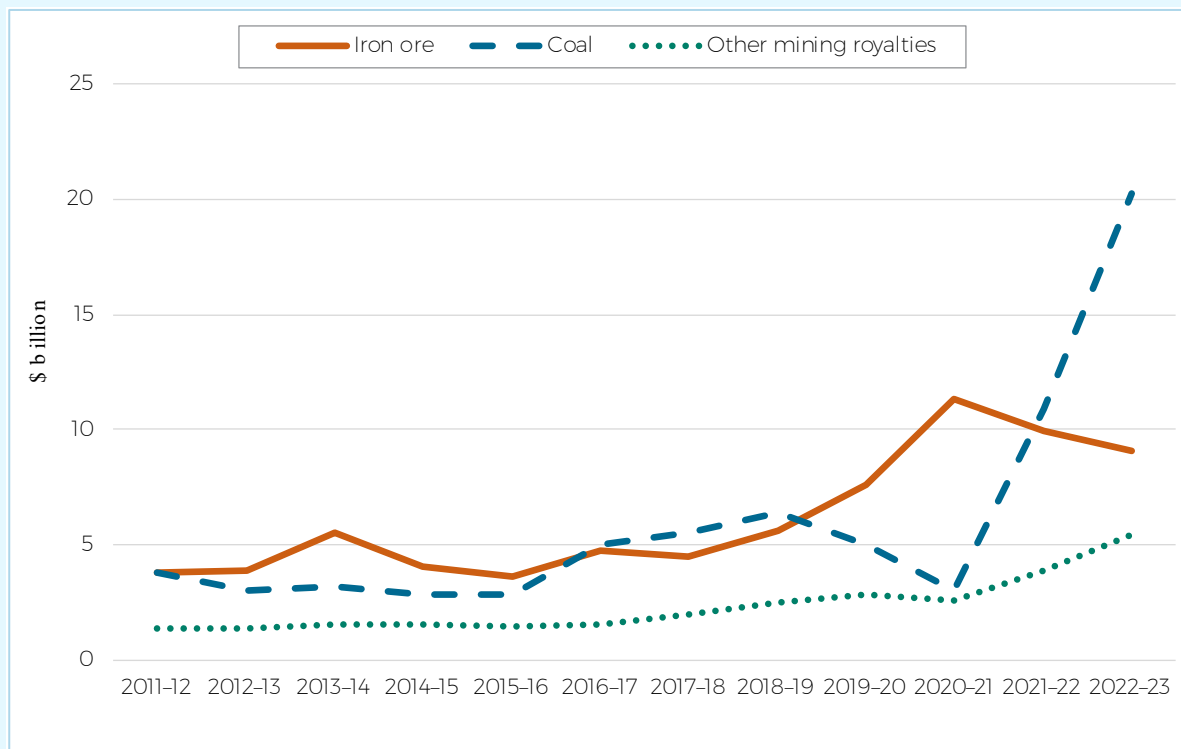
After reaching a peak in 2020–21, iron ore royalties fell slightly in 2021–22 and 2022–23. This added to the increase in Western Australia’s assessed GST needs related to the strong growth in coal royalties.

Royalties from other minerals reached their highest level in 2022–23. In this update, nickel royalties rose to \$138 million, making a separate assessment of them material for the first time since the 2019 Update. Additionally, lithium royalties rose to \$1 billion and onshore oil and gas royalties exceeded \$2 billion in 2022–23. These changes reduced the assessed GST needs of Queensland and Western Australia and increased the needs of the other states.

Box 2-3 Mining and GST distribution

While all mining royalties have grown over the last decade (see Figure 2-1), the strongest growth has been in coal and iron ore. Because mineral endowments are unevenly distributed across the states, this has resulted in divergence and volatility in states' fiscal capacities.

Figure 2-1 Royalty revenue by mineral, 2011–12 to 2022–23



Source: Commission calculation based on annual data provided by states.

While there has been a cyclical element in the price of commodities, the mining expansion is largely long term and structural. It has transformed the fiscal capacity of Western Australia, whose royalties have grown from \$0.6 billion to \$11 billion per year since the early 2000s. Throughout most of the 20th century, Western Australia had received above-average per capita Commonwealth funding under fiscal equalisation arrangements. However, it has been assessed as the fiscally strongest state since 2008–09, primarily mirroring the increase in iron ore production and associated royalties.

In recent years, mining has also transformed the fiscal capacity of Queensland. Since 2019–20, its coal royalties have grown from \$3.5 billion to \$15.4 billion, driven by higher prices, particularly for metallurgical coal, and royalty rates. This growth has significantly increased its assessed fiscal capacity. In the same period New South Wales also experienced an increase in its assessed fiscal capacity. Its coal royalties grew from \$1.4 billion to \$4.8 billion per year. This has been driven by increased prices and production.

The changing composition of royalties is also important. It influences the minerals that are separately assessed by the Commission. Minerals that are not separately assessed are combined and assessed together (in 'other minerals'). In this update, nickel royalties rose to \$138 million, making a separate assessment of them material for the first time since the 2019 Update.

Capital improvements

Capital improvements refer to increases in the value, quality, and quantity of the physical capital assets owned by states to deliver services. Examples include removing rail level crossings and clean energy transition investment. There were significant changes to the GST distribution from capital improvements, mainly due to a \$10.5 billion increase in the amount states collectively invested in urban transport between 2019–20 and 2022–23. Urban transport investment increased in most states over this period. In particular, it nearly doubled in New South Wales, nearly tripled in Victoria and more than tripled in Western Australia and the ACT. In total, New South Wales and Victoria contributed almost 88% of the increased investment.

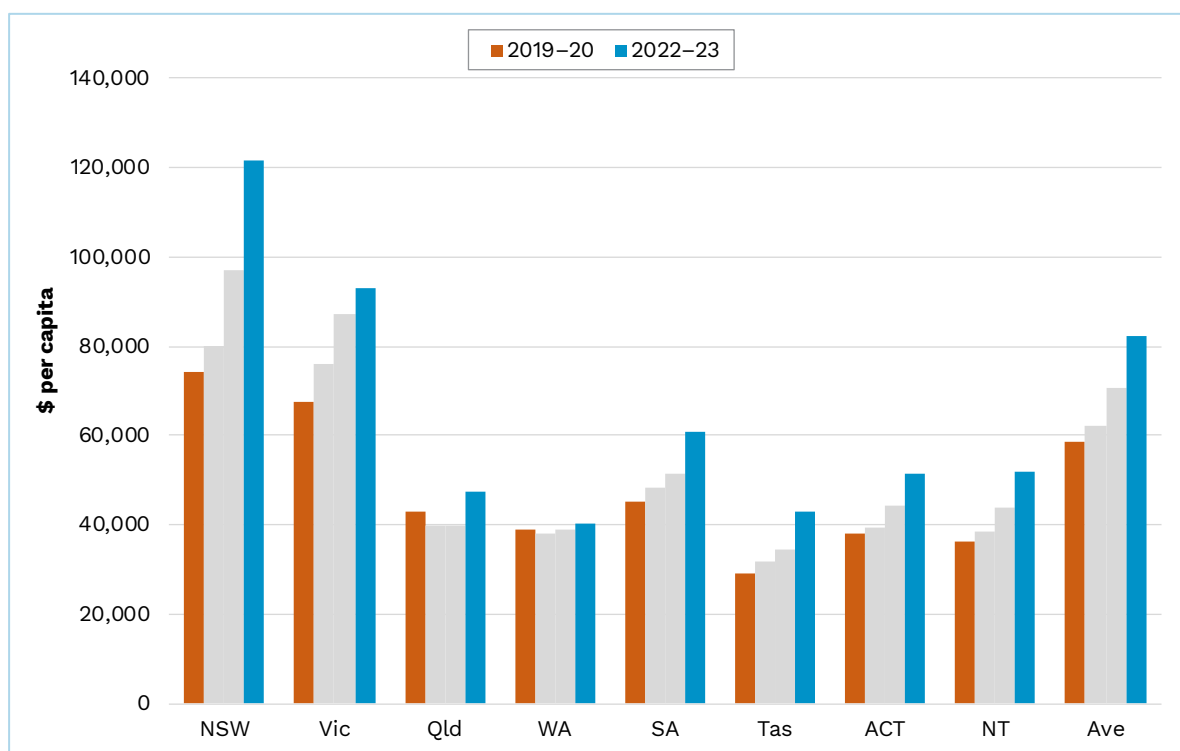
The 119% increase in investment in urban transport between 2019–20 and 2022–23 increased the assessed GST needs of New South Wales and Victoria, which have above-average investment needs in this area, and decreased the assessed GST needs of the other states.

Taxable land values

Cycles in property markets change state land values and, as a result, their capacities to raise land tax. Between 2019–20 and 2022–23, per capita taxable land values increased by 41% nationally. New South Wales and Tasmania experienced above-average growth over the period (see Figure 2-2). This reduced the assessed GST needs of those states.

Western Australia experienced the slowest growth in its taxable land values. This resulted in a substantial increase to its assessed GST needs.

Figure 2-2 Taxable land value per capita, 2019–20 to 2022–23



Source: Commission calculation based on annual data provided by states.

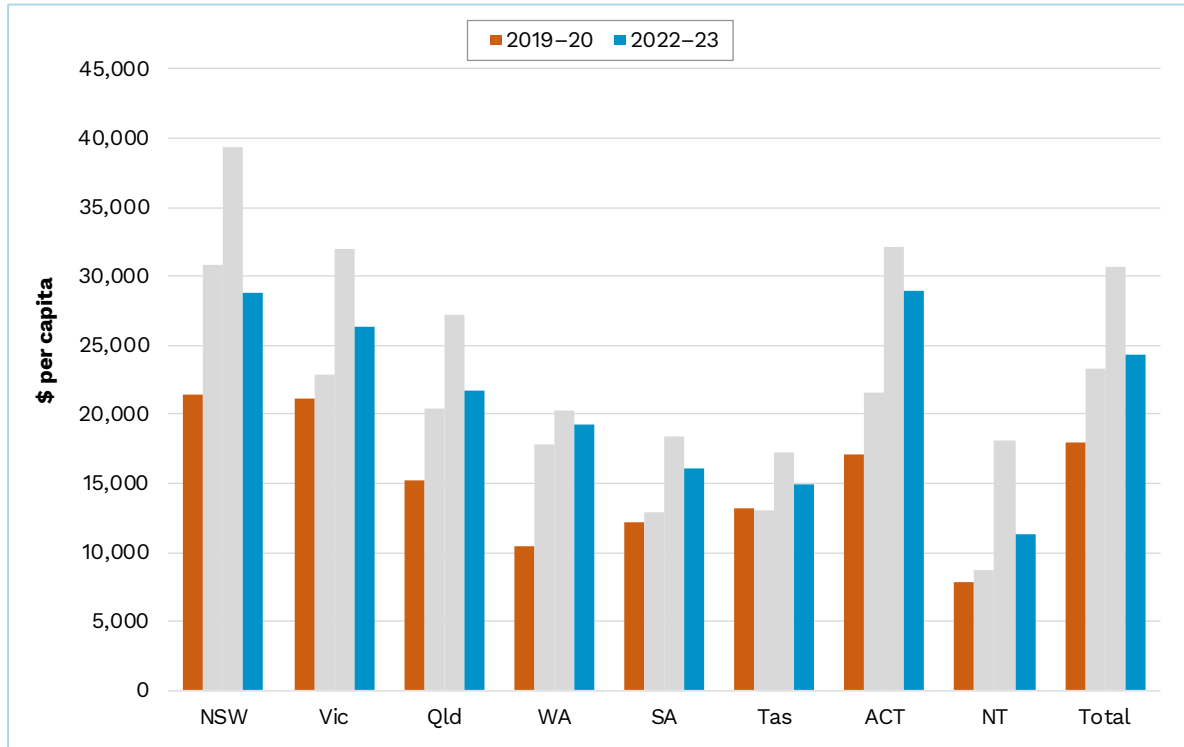
Property sales

Stamp duties raised from the transfer of property are volatile. Property market cycles can lead to large changes across years and states. This can have marked effects on states' revenue raising capacities.

Total stamp duty revenue grew between 2019–20 and 2022–23. This reduced the assessed GST needs of states with an above-average capacity to raise stamp duties (New South Wales and Victoria) and increased the assessed GST needs of the other states.

Every state experienced a decrease in the per capita value of property transferred between 2021–22 and 2022–23. However, compared with the assessment year removed from the 3-year average (2019–20), there was a 36% increase nationally. Queensland, Western Australia and the ACT experienced above-average growth over this period (see Figure 2-3). This reduced their assessed GST needs and increased the assessed GST needs of other states.

Figure 2-3 Value of property transfers per capita, 2019–20 to 2022–23



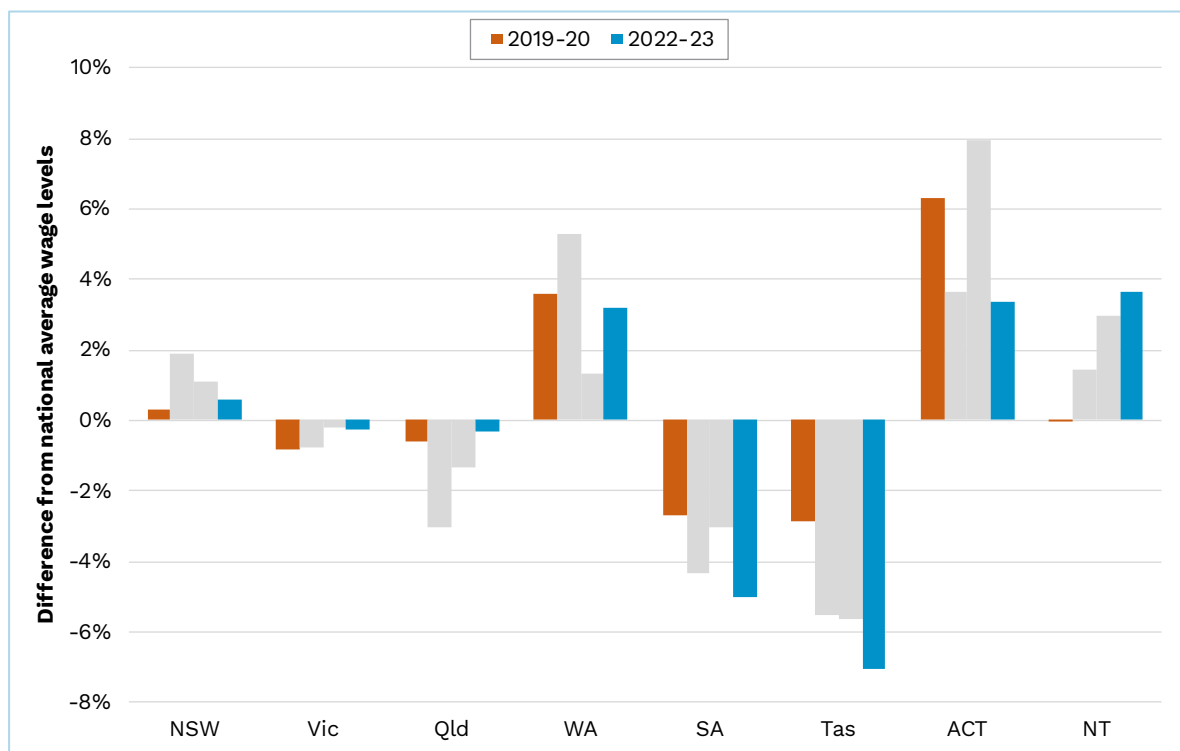
Source: Commission calculation based on annual data provided by states.

Wage costs

Assessed wage costs between 2019–20 and 2022–23 grew faster than the national average in New South Wales, Victoria, Queensland, and the Northern Territory (see Figure 2-4). This increased their assessed GST needs.

Assessed wage costs between these 2 years grew more slowly than average in other states, which reduced their assessed GST needs.

Figure 2-4 Assessed relative wage costs, 2019–20 to 2022–23



Source: Commission calculation.

Commonwealth payments

The Commonwealth makes payments to states for specific purposes. If a payment is for a state-type service for which the Commission assesses needs, then this revenue is included when assessing how much GST a state requires.

For some Commonwealth payments, the terms of reference specify whether they should be excluded from the Commission’s assessment of GST needs. The 2024 Update Terms of Reference directed the Commission to exclude several Commonwealth payments to states. Of these, payments relating to the Social Housing Accelerator program were relevant to the 2024 Update.⁸ The Commission continues to exclude Commonwealth payments that were quarantined in earlier terms of reference.

To the extent that a state receives above-average per capita amounts of assessed Commonwealth payments, it is assessed to require less GST per capita. Conversely, if a state receives below-average amounts, it is assessed to require more GST per capita.

Between 2019–20 and 2022–23, there were changes in the interstate distribution of some payments for specific purposes, particularly for rail infrastructure, road infrastructure, national health reform and education. This had flow-on effects for GST pool distribution. New and ceased payments for specific purposes in 2022–23 also affected GST distribution.

Western Australia, South Australia and Tasmania received greater shares of assessed Commonwealth payments in 2022–23 than in 2019–20, reducing their assessed GST needs. The other states received smaller shares of Commonwealth payments in 2022–23 than in 2019–20, increasing their assessed GST needs (see Table 2-9).

⁸ The 2024 Update Terms of Reference also specified payments for *Energy Bill Relief Fund*, *sporting venue infrastructure for the Brisbane 2032 Olympic and Paralympic games* (Queensland), and *On-Country Learning* (Northern Territory) should not impact the relativities. These payments have not yet entered the Commission’s assessment period.

Table 2-9 Changes in the estimated GST distribution due to changes in Commonwealth payments, 2022–23 to 2023–24

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Building Australia Fund - Rail	-168	78	90	-80	63	7	4	6	248
Infrastructure investment - National network roads	73	29	48	-46	-66	-28	3	-14	154
National health reform funding	-28	58	-32	23	11	-25	2	-10	94
Quality schools (government schools)	39	-47	23	-32	-1	9	-4	14	85
Infrastructure Growth Package - Western Sydney Infrastructure Plan	75	-28	-22	-12	-8	-2	-2	-1	75
Infrastructure investment - Other roads	36	7	-25	7	-39	-8	1	21	72
Skilling Australians Fund	25	-22	-17	7	4	2	1	1	39
Urban Congestion Fund	-18	32	-7	0	-4	-1	-1	-1	32
Other	-5	-29	36	-19	13	11	3	-10	63
Total	29	79	94	-151	-27	-36	8	5	215

Source: Commission calculation.

Urban centre characteristics

The characteristics of urban centres, including population and population-weighted density, contribute to states' urban transport spending needs. As previously mentioned, the population-weighted density for all years has been revised following the release of new 2021 Census data. When comparing the revised 2019–20 population-weighted density with the 2022–23 population-weighted density, New South Wales and Victoria had below-average growth and Queensland had above-average growth. Further, relatively slow growth in recurrent urban transport spending from 2019–20 to 2022–23 reduced the impact of urban centre characteristics in this update. These reduced the relative spending needs for urban transport in New South Wales and Victoria and increased the relative spending needs for the other states.

Why GST shares differ

The previous sections in this chapter focus on the factors driving the GST distribution outcomes in the 2024 Update compared with the 2023 Update. This section focuses on the factors that determine whether a state has an above-average or below-average fiscal capacity.

States' circumstances affect their revenues and expenditures, and their resulting fiscal capacities. The Commission takes this into account when assessing how much GST each state needs. A state with above-average assessed GST needs receives more than an equal per capita allocation (see Table 2-10). Over the 3-year assessment period for the 2024 Update, Victoria, Queensland, South Australia, Tasmania, the ACT and the Northern Territory were assessed to have above-average GST needs, with an average assessed relativity above one. New South Wales and Western Australia had below-average needs, with an assessed relativity below one.

New South Wales, Queensland and Western Australia had above-average capacity to raise revenue. New South Wales' revenue raising capacity reflected its strength in property sales, land values and payroll. For Queensland and Western Australia, mining production was the key driver, and Western Australia also had a strong payroll tax base.

Queensland, Western Australia, Tasmania and the Northern Territory had above-average expense needs. Population dispersion was a key reason for the higher expense needs of these states as it costs more to provide services in more remote regions. On average, it costs more to provide services to First Nations people because of greater complexity of needs and higher use of services. This, along with socio-economic status, drove above-average expense needs for these states. South Australia's low socio-economic status and older age profile increase its expense needs, but low wage costs and urban centre characteristics more than offset this, giving it below-average expense needs overall. While the ACT had high expense needs from administrative scale, its small non-state sector provision of health services and high wage costs, these were more than offset by its socio-demographic composition.

Queensland, Western Australia, Tasmania and the ACT had above-average investment needs resulting from higher population growth over the period 2019–20 to 2022–23. New South Wales, Victoria and the Northern Territory had above-average investment needs due to capital improvements. This includes major urban transport projects in New South Wales and Victoria and projects across a range of services for the Northern Territory. The cost of construction resulted in above-average investment needs in New South Wales, Western Australia, the ACT and the Northern Territory.

The 2018 legislated arrangements prescribe the blending of assessed and standard state relativities and the application of the GST relativity floor. These reduced GST revenue for all states except Western Australia.

Table 2-10 Drivers of difference from an equal per capita distribution of GST, 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
REVENUE RAISING CAPACITY									
Mining production	4,058	7,632	-3,056	-11,407	1,656	530	541	46	14,463
Property sales	-2,776	-323	780	980	912	301	-33	160	3,132
Taxable land values	-2,160	-677	1,370	533	550	196	144	44	2,837
Taxable payrolls	-550	5	866	-1,200	547	258	66	7	1,749
Other revenue effects	93	114	-71	-57	-150	-2	58	15	280
TOTAL REVENUE	-1,335	6,751	-112	-11,150	3,515	1,283	776	271	12,597
COMMONWEALTH PAYMENTS	685	1,400	-1,310	-344	52	-116	154	-521	2,291
EXPENSE NEEDS									
Socio-demographic composition (SDC)									
Population dispersion	-2,353	-1,875	1,163	781	125	747	-327	1,739	4,556
Indigenous status	344	-2,534	1,095	236	-241	162	-113	1,052	2,889
Non-Indigenous disadvantage	-112	-324	444	-140	406	150	-328	-96	1,000
Age	285	-126	-199	-87	257	-19	-36	-75	542
Other SDC	-64	-207	136	45	22	-21	-34	121	325
Total SDC	-1,900	-5,067	2,639	836	569	1,019	-838	2,742	7,805
Urban centre characteristics	1,177	641	-690	-346	-385	-239	-54	-103	1,818
Wage costs	709	-197	-634	708	-559	-292	155	111	1,682
Administrative scale	-677	-472	-282	70	201	366	379	415	1,431
Non-state sector	-534	-150	198	416	-42	-24	167	-31	782
Natural disaster relief	131	-251	311	-76	-61	-20	-24	-11	442
Other expenses	-271	-608	123	541	201	20	-138	133	1,018
TOTAL EXPENSES	-1,366	-6,104	1,664	2,149	-76	830	-354	3,257	7,900
INVESTMENT									
Population growth	-1,134	-755	1,195	681	-65	11	78	-11	1,965
Capital improvements	938	194	-438	-128	-411	-240	-233	316	1,449
Cost of construction	371	-710	-191	445	-56	-54	36	158	1,011
TOTAL INVESTMENT	176	-1,271	565	999	-532	-283	-118	464	2,204
NET BORROWING	272	177	-278	-179	6	8	-18	12	475
Total effect of assessed relativities (a)	-1,570	956	528	-8,524	2,965	1,721	441	3,483	10,094
Blending relativities	-1,593	-1,315	-1,046	4,558	-354	-110	-90	-50	4,558
Floor applied	-542	-447	-356	1,548	-120	-37	-30	-16	1,548
TOTAL	-3,705	-806	-874	-2,419	2,491	1,575	320	3,417	7,803

Note: This table shows the drivers that lead to each state receiving more or less than an equal per capita share of GST in 2024–25.

(a) Assessed relativities reflect the GST each state needs to have the same capacity to provide services as the other states. Legislation specifies how these are adjusted to derive GST relativities, which determine GST distribution.

Source: Commission calculation.

3. State by state changes

Key points

- All states except New South Wales and Queensland are expected to receive more revenue from the GST pool in 2024–25 than they received in 2023–24.
- The estimated increases in GST distribution in 2024–25 are Victoria \$3,686 million (\$524 per capita), Western Australia \$838 million (\$283 per capita), South Australia \$457 million (\$242 per capita), Tasmania \$219 million (\$377 per capita), the ACT \$111 million (\$231 per capita) and the Northern Territory \$256 million (\$995 per capita).
- The estimated decreases in GST distribution in 2024–25 are New South Wales \$310 million (\$36 per capita) and Queensland \$469 million (\$84 per capita).
- The reductions in GST payments for New South Wales and Queensland were largely driven by stronger assessed mining revenue capacity. For New South Wales, strong growth in taxable land values also contributed to the reduction in its GST payment. The reductions occurred even though each state benefits from growth in the GST pool. In 2024–25, New South Wales and Queensland would receive less in total GST and no worse off payments than they did in 2023–24.
- The \$3.69 billion increase in Victoria’s expected GST payment is largely driven by its reduced relative capacity to raise mining revenue, updated data that increased its assessed GST needs for urban transport and GST pool growth.
- This is the fourth year in a 6-year transition away from distributing the GST based solely on the Commission’s assessment of states’ relative fiscal capacities. For 2024–25, the GST relativity floor is 0.75, compared with 0.70 in 2023–24.
- The estimates in this chapter do not include no worse off payments.

This chapter sets out the major drivers of change in each state's GST distribution since the 2023 Update. In addition to changes in assessed GST needs and the combined impact of blended relativities and the GST relativity floor, states' estimated GST distributions are affected by changes in state populations in the year of distribution, and changes in the size of the GST pool (including Commonwealth top-up payments as part of the 2018 legislated arrangements).

Australia's GST arrangements are transitioning from assessed relativities to relativities based on a benchmark of the fiscally stronger of New South Wales or Victoria. In the 2024 Update, Victoria was assessed as the fiscally stronger in 2020–21 and New South Wales in 2021–22 and 2022–23.

New South Wales

New South Wales' share of the GST pool is estimated to decrease from 29.0% to 27.1%. Its estimated GST distribution in 2024–25 would decrease by \$310 million (\$36 per capita), or 1.3%.

- New South Wales' assessed GST needs decreased largely due to:
 - an increase in its capacity to raise coal royalties
 - above-average growth in taxable land values
 - revisions to socio-demographic composition and urban population data from the latest 2021 Census release
 - a large downward revision to national urban transport investment in 2021–22.
- New South Wales' decrease in assessed GST needs was partly offset by revisions to the value of property transfers and strong growth in national urban transport investment between 2019–20 and 2022–23. This strong growth occurred despite the large downward revision to urban transport investment in 2021–22.
- Estimated growth in the GST pool was insufficient to offset the reduction in New South Wales' assessed GST needs.
- Compared with 2023–24, blended relativities and the GST floor resulted in a reduction (\$99 million) in New South Wales' GST distribution.

Table 3-1 Change in estimated GST distribution from 2023–24 to 2024–25, New South Wales (excludes no worse off payments)

	\$m	\$pc
Change in population	-44	-5
Growth in GST pool	1,384	162
Changes in assessed GST needs		
Revised populations from Census	-544	-64
Other data revisions	17	2
State circumstances	-1,024	-120
Total	-1,551	-182
Blended relativities and GST floor	-99	-12
Total change	-310	-36

Note: Table may not add due to rounding.

Source: Commission calculation.

Figure 3-1 New South Wales: main changes in assessed GST needs, 2024 Update

Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
Mining production	-872	-102	A large increase in coal prices and average royalty rates between 2019–20 and 2022–23, and an increase in New South Wales’ coal production, increased its relative mining revenue capacity.
Taxable land values	-409	-48	Above-average growth in taxable land values increased New South Wales’ relative revenue raising capacity.
Capital improvements	241	28	Strong growth in national urban transport investment between 2019–20 and 2022–23 increased the urban transport investment needs of states with large, densely populated cities, including New South Wales. Weak growth in national investment in rural roads, for which New South Wales has a below-average requirement, also increased its assessed GST needs.
Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Census – socio-demographic composition data	-281	-33	Revised population data from the 2021 Census show New South Wales’ population is now relatively less dispersed and its non-Indigenous population is relatively less disadvantaged. These changes reduced its assessed needs for a range of services and infrastructure, particularly health and social housing.
Census – urban centre characteristics	-222	-26	Incorporating 2021 Census data show the population and population-weighted density of Sydney grew more slowly than the national average. This reduced its assessed GST needs for urban transport services and infrastructure.
Property sales	219	26	A large downward revision to the value of property transferred in 2021–22 (due to the reclassification of the sale of a major state asset) reduced New South Wales’ assessed revenue raising capacity.
Capital improvements	-140	-16	A large downward revision to national urban transport investment in 2021–22 reduced the assessed urban transport needs of states with above-average needs, including New South Wales.

Source: Commission calculation.

Victoria

Victoria's share of the GST pool is estimated to increase significantly from 21.9% to 24.8%. Taking into account growth in the GST pool, Victoria's estimated GST distribution in 2023–24 would increase by \$3,686 million (\$524 per capita), or 19.9%.

- Victoria's assessed GST needs increased largely due to:
 - a reduced relative capacity to raise mining revenue
 - strong growth in national urban transport investment between 2019–20 and 2022–23
 - below-average growth in the value of its property sales and taxable land values
 - revisions to urban population and population-weighted density from the latest 2021 Census release, which increased its assessed GST needs for urban transport
 - upwards revisions to its natural disaster expenses.
- Victoria's increase in assessed GST needs was partly offset by a large downward revision to national urban transport investment in 2021–22.
- The increase to its assessed GST needs was augmented by expected strong growth in the GST pool.
- Compared with 2023–24, blended relativities and the GST floor resulted in a reduction (\$85 million) in Victoria's GST distribution.

Table 3-2 Change in estimated GST distribution from 2023–24 to 2024–25, Victoria (excludes no worse off payments)

	\$m	\$pc
Change in population	85	12
Growth in GST pool	1,053	150
Changes in assessed GST needs		
Revised populations from Census	835	119
Other data revisions	-432	-61
State circumstances	2,230	317
Total	2,633	374
Blended relativities and GST floor	-85	-12
Total change	3,686	524

Note: Table may not add due to rounding.

Source: Commission calculation.

Figure 3-2 Victoria: main changes in assessed GST needs, 2024 Update

Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
Mining production	1,307	186	A large increase in coal prices and average royalty rates between 2019–20 and 2022–23 increased coal royalties and the revenue raising capacity of the main coal producing states, Queensland and New South Wales. This reduced Victoria's relative mining revenue capacity.
Capital improvements	256	36	Strong growth in national urban transport investment between 2019–20 and 2022–23 increased the urban transport investment needs of states with large, densely populated cities, including Victoria. Weak growth in national investment in rural roads, for which Victoria has below-average needs, also increased its assessed GST needs.
Property sales	227	32	Below-average growth in property sales decreased Victoria's relative revenue raising capacity.
Taxable land values	139	20	Below-average growth in taxable land values decreased Victoria's relative revenue raising capacity.
Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Census – urban centre characteristics	702	100	Incorporating 2021 Census data led to large upward revisions to Victoria's population-weighted density. This increased its assessed GST needs for urban transport services and infrastructure. ²²
Capital improvements	-158	-22	A large downward revision to national urban transport investment for 2021–22 reduced the assessed urban transport needs of states with above-average needs, including Victoria.
Natural disaster relief	109	16	Upward revisions to Victoria's natural disaster relief out-of-pocket expenses increased its assessed GST needs.

Source: Commission calculation.

Queensland

Queensland's share of the GST pool is estimated to decrease from 21.2% to 19.5%. Its estimated GST distribution in 2024–25 would decrease by \$469 million (\$84 per capita), or 2.6%.

- Queensland's assessed GST needs decreased largely due to:
 - an increase in its capacity to raise coal royalties (a result of a large increase in coal prices and an increase in average coal royalty rates)
 - a decrease in its requirement for investment in urban transport
 - a decrease in its requirement for investment in rural roads.
- Queensland's decrease in assessed GST needs was partly offset by:
 - revisions to national urban transport investment
 - revisions to socio-demographic composition data from the latest 2021 Census release
 - a reduction in its relative capacity to raise revenue from taxable land
 - strong growth in urban population and population-weighted density, as well as slow growth in recurrent spending on urban transport services
 - below-average growth in other Commonwealth payments.
- Estimated growth in the GST pool was insufficient to offset the reduction in Queensland's assessed GST needs.
- Compared with 2023–24, blended relativities and the GST floor resulted in a reduction (\$65 million) in Queensland's GST distribution.

Table 3-3 Change in estimated GST distribution from 2023–24 to 2024–25, Queensland (excludes no worse off payments)

	\$m	\$pc
Change in population	23	4
Growth in GST pool	1,015	181
Changes in assessed GST needs		
Revised populations from Census	87	16
Other data revisions	59	11
State circumstances	-1,588	-283
Total	-1,442	-257
Blended relativities and GST floor	-65	-12
Total change	-469	-84

Note: Table may not add due to rounding.

Source: Commission calculation.

Figure 3-3 Queensland: main changes in assessed GST needs, 2024 Update

Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
Mining production	-1,734	-309	A large increase in coal prices and average coal royalty rates between 2019–20 and 2022–23 increased coal royalties. This increased Queensland’s relative mining revenue capacity.
Capital improvements	-191	-34	Strong growth in national urban transport investment reduced the relative needs of states with below-average needs for urban transport, including Queensland. Weak growth in national investment in rural roads, for which Queensland has above-average needs, also reduced its assessed GST needs.
Taxable land values	128	23	Below-average growth in taxable land values decreased Queensland’s relative revenue raising capacity.
Urban centre characteristics	108	19	Above-average growth in Queensland’s urban population and population-weighted density between 2019–20 and 2022–23 increased its assessed urban transport expenses. Slow growth in national recurrent spending on urban transport, for which Queensland has below-average needs, further increased its assessed GST needs.
Commonwealth payments	94	17	Queensland received a smaller share of assessed Commonwealth payments in 2022–23 than in 2019–20, increasing its assessed GST needs.
Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Capital improvements	141	25	A large downward revision to national urban transport investment in 2021–22 increased the assessed GST needs of states with below-average urban transport needs, including Queensland.
Census – socio-demographic composition data	125	22	New 2021 Census data showed Queensland’s population to be relatively more dispersed and its non-Indigenous population relatively more disadvantaged than in the 2016 Census. These changes increased Queensland’s assessed GST needs for a range of services and infrastructure, particularly health and social housing.

Source: Commission calculation.

Western Australia

Western Australia’s share of the GST pool is estimated to increase from 7.6% to 8.1%. Taking into account growth in the GST pool, Western Australia’s estimated GST distribution in 2024–25 would increase by \$838 million (\$283 per capita), or 13%.

- Western Australia’s GST relativity is set to the GST relativity floor, which has increased from 0.70 in 2023–24 to 0.75 in 2024–25. In 2024–25, it is estimated to receive \$462 million more from the operation of the floor than in 2023–24.
- Western Australia’s assessed GST needs increased due to:
 - a relative decline in its capacity to raise mining revenue (a result of the strong growth in coal royalties relative to iron ore royalties)
 - below-average growth in the value of its taxable land values
 - a separate assessment of nickel royalties.
- Western Australia’s increase in assessed GST needs was partly offset by changes arising from:
 - stronger property sales
 - above-average growth in other Commonwealth payments
 - a decrease in its needs for investment in urban transport and rural roads
 - revisions to urban population data from the latest 2021 Census release.
- Western Australia’s estimated GST distribution also increased due to expected growth in the GST pool.

Table 3-4 Change in estimated GST distribution from 2023–24 to 2024–25, Western Australia (excludes no worse off payments)

	\$m	\$pc
Change in population	12	4
Growth in GST pool	364	123
Blended relativities and GST floor	462	156
Total change	838	283

Note: Table may not add due to rounding.
 Source: Commission calculation.

Figure 3-4 Western Australia: main changes in assessed GST needs, 2024 Update

Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
Mining production	608	206	A large increase in coal prices and average coal royalty rates between 2019–20 and 2022–23 increased the relative revenue raising capacity of the major coal-producing states. Combined with moderation in the growth of iron ore royalties, this reduced Western Australia's relative mining revenue capacity, increasing its assessed GST needs.
Property sales	-194	-65	Above-average growth in property sales increased Western Australia's relative revenue raising capacity.
Commonwealth payments	-151	-51	Western Australia received a greater share of assessed Commonwealth payments in 2022–23 than in 2019–20, reducing its assessed GST needs.
Taxable land values	138	47	Below-average growth in taxable land values reduced Western Australia's relative revenue raising capacity.
Capital improvements	-95	-32	Strong growth in national urban transport investment reduced the relative needs of states with below-average needs for urban transport, including Western Australia. Weak growth in national investment in rural roads, for which Western Australia has above-average needs, also reduced its assessed GST needs.
Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Census – urban centre characteristics	-265	-90	Incorporating 2021 Census data led to downward revisions to Western Australia's urban population share and below-average growth in its urban population-weighted density. This reduced its assessed GST needs for urban transport services and associated investment.
Mining production	91	31	A separate assessment of nickel became material. This resulted in a lower royalty rate in all 3 assessment years, reducing Western Australia's relative revenue raising capacity.

Source: Commission calculation.

South Australia

South Australia's share of the GST pool is estimated to remain steady at 9.7%. Taking into account growth in the GST pool, South Australia's estimated GST distribution in 2024–25 would increase by \$457 million (\$242 per capita), or 5.6%.

- South Australia's assessed GST needs increased largely due to:
 - a reduction in its relative capacity to raise mining revenue
 - below-average growth in taxable payrolls
 - revisions to national urban transport investment spending.
- South Australia's increase in assessed GST needs was partly offset by revisions to socio-demographic composition and urban population data from the latest 2021 Census release, below-average wage costs growth and strong growth in national urban transport investment.
- South Australia's estimated GST distribution also increased due to expected growth in the GST pool.
- Compared with 2023–24, blended relativities and the GST floor resulted in a reduction (\$21 million) in South Australia's GST distribution.

Table 3-5 Change in estimated GST distribution from 2023–24 to 2024–25, South Australia (excludes no worse off payments)

	\$m	\$pc
Change in population	-31	-16
Growth in GST pool	463	245
Changes in assessed GST needs		
Revised populations from Census	-286	-151
Other data revisions	69	37
State circumstances	263	139
Total	46	25
Blended relativities and GST floor	-21	-11
Total change	457	242

Note: Table may not add due to rounding.

Source: Commission calculation.

Figure 3-5

South Australia: main changes in assessed GST needs, 2024 Update

Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
Mining production	388	205	A large increase in coal prices and average coal royalty rates between 2019–20 and 2022–23 increased the revenue raising capacity of the coal producing states. This reduced South Australia's relative mining revenue capacity.
Wage costs	-92	-49	Below-average growth in South Australia's assessed wage costs between 2019–20 and 2022–23 decreased its assessed service delivery costs.
Capital improvements	-89	-47	Strong growth in national urban transport investment reduced the relative needs of states with below-average needs for urban transport, including South Australia.
Taxable payrolls	79	42	Below-average growth in South Australia's taxable wages and salaries per capita decreased South Australia's relative revenue raising capacity.
Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Census – urban centre characteristics	-167	-88	Incorporating 2021 Census data led to downward revisions to South Australia's urban population share and below-average growth in its urban population-weighted density. This reduced its assessed needs for urban transport.
Census – socio-demographic composition data	-106	-56	New 2021 Census data showed South Australia's non-Indigenous population is relatively less disadvantaged compared with the 2016 Census. This decreased South Australia's assessed GST needs.
Capital improvements	37	19	A downward revision to national investment in urban transport in 2021–22 increased the GST needs of states with below-average urban transport needs, including South Australia.

Source: Commission calculation.

Tasmania

Tasmania's share of the GST pool is estimated to increase slightly, from 3.8% to 3.9%. Taking into account growth in the GST pool, Tasmania's estimated GST distribution in 2024–25 would increase by \$219 million (\$377 per capita), or 6.7%.

- Tasmania's assessed GST needs increased largely due to:
 - a reduced relative capacity to raise mining revenue
 - below-average growth in property sales
 - revisions to socio-demographic composition data from the latest 2021 Census release
 - revisions to health activity data.
- Tasmania's increase in assessed GST needs was partly offset by slower growth in assessed wage costs, strong growth in national urban transport investment and above-average growth of other Commonwealth payments.
- Tasmania's estimated GST distribution also increased due to expected growth in the GST pool.
- Compared with 2023–24, blended relativities and the GST floor resulted in a reduction (\$6 million) in Tasmania's GST distribution.

Table 3-6 Change in estimated GST distribution from 2023–24 to 2024–25, Tasmania (excludes no worse off payments)

	\$m	\$pc
Change in population	-24	-42
Growth in GST pool	183	315
Changes in assessed GST needs		
Revised populations from Census	63	108
Other data revisions	31	54
State circumstances	-27	-46
Total	67	115
Blended relativities and GST floor	-6	-11
Total change	219	377

Note: Table may not add due to rounding.

Source: Commission calculation.

Figure 3-6 Tasmania: main changes in assessed GST needs, 2024 Update

Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
Mining production	121	208	A large increase in coal prices and average coal royalty rates between 2019–20 and 2022–23 increased the revenue raising capacity of the main coal producing states. This reduced Tasmania’s relative mining revenue capacity.
Wage costs	-62	-107	Assessed wage costs in Tasmania grew more slowly than the national average between 2019–20 and 2022–23, decreasing its assessed GST needs.
Capital improvements	-52	-89	Strong growth in national urban transport investment reduced the relative needs of states with below-average needs for urban transport, including Tasmania.
Commonwealth payments	-36	-62	Tasmania received a greater share of assessed Commonwealth payments in 2022–23 than in 2019–20, reducing its assessed GST needs.
Property sales	31	54	Below-average growth in property sales decreased Tasmania’s relative revenue raising capacity.
Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Census – socio-demographic composition data	49	85	Incorporating 2021 Census data resulted in upward revisions to Tasmania’s share of people living in more remote areas, increasing its assessed needs for health services and infrastructure.
Population growth	34	59	There was an upward revision to growth in Tasmania’s health user population, increasing its assessed need for health investment.

Source: Commission calculation.

Australian Capital Territory

The ACT's share of the GST pool is estimated to remain steady at 2.1%. Taking into account growth in the GST pool, the ACT's estimated GST distribution in 2024–25 would increase by \$111 million (\$231 per capita), or 6.2%.

- The ACT's assessed GST needs increased largely due to:
 - increased capacity to raise mining revenue in coal producing states
 - revisions to urban population data from the latest 2021 Census release.
- The ACT's increase in assessed GST needs was partly offset by above-average growth in property sales, below-average wage costs growth, below-average population growth, slow growth in administrative scale expenses relative to the GST pool and revisions to the additional costs for low socio-economic status students.
- The ACT's estimated GST distribution also increased due to expected growth in the GST pool.
- Compared with 2023–24, blended relativities and the GST floor resulted in a reduction (\$6 million) in the ACT's GST distribution.

Table 3-7 Change in estimated GST distribution from 2023–24 to 2024–25, ACT (excludes no worse off payments)

	\$m	\$pc
Change in population	3	5
Growth in GST pool	101	210
Changes in assessed GST needs		
Revised populations from Census	47	97
Other data revisions	7	15
State circumstances	-40	-84
Total	13	28
Blended relativities and GST floor	-6	-12
Total change	111	231

Note: Table may not add due to rounding.

Source: Commission calculation.

Figure 3-7 ACT: main changes in assessed GST needs, 2024 Update

Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
Mining production	89	185	A large increase in coal prices and average coal royalty rates between 2019–20 and 2022–23 increased the revenue raising capacity of coal producing states. This reduced the ACT's relative mining revenue capacity.
Property sales	-40	-83	Above-average growth in property sales increased the ACT's relative revenue raising capacity.
Wage costs	-35	-74	Wage costs in the ACT grew more slowly than the national average between 2019–20 and 2022–23, decreasing its assessed service delivery costs.
Population growth	-35	-72	The ACT's population growth rate increased more slowly than the national average between 2019–20 and 2022–23, reducing its assessed GST needs for investment.
Administrative scale	-32	-67	Assessed administrative scale expenses grew relatively slowly between 2019–20 and 2022–23, reducing their relative size. This reduced the assessed GST needs of states with high administrative scale expenses, including the ACT.
Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Census – urban centre characteristics	35	72	Incorporating 2021 Census data led to large upward revisions to the ACT's urban population and population-weighted density. This increased its assessed GST needs for urban transport services and infrastructure.
Socio-economic disadvantage in schools	-19	-39	An upward revision to the cost weight for school students from low socio-economic status backgrounds led to a decrease in assessed expenses for states with below-average shares of these students, including the ACT.

Source: Commission calculation.

Northern Territory

The Northern Territory's share of the GST pool is estimated to increase from 4.7% to 4.8%. Taking into account growth in the GST pool, the Northern Territory's estimated GST distribution in 2024–25 would increase by \$256 million (\$995 per capita), or 6.4%.

- The Northern Territory's assessed GST needs increased largely due to:
 - the increased capacity to raise mining revenue in coal producing states
 - above-average growth in assessed wage costs
 - revisions to disaggregated socio-demographic population data in the latest 2021 Census release
 - revisions to investment data.
- These changes were partly offset by strong growth in national urban transport investment and slow growth in investment in health and rural roads. There was also slow growth in national spending on First Nations people, and in administrative scale expenses.
- The Northern Territory's estimated GST distribution also increased due to expected growth in the GST pool.
- Compared with 2023–24, blended relativities and the GST floor resulted in a reduction (\$2 million) in the Northern Territory's GST distribution.

Table 3-8 Change in estimated GST distribution from 2023–24 to 2024–25, Northern Territory (excludes no worse off payments)

	\$m	\$pc
Change in population	-23	-89
Growth in GST pool	225	876
Changes in assessed GST needs		
Revised populations from Census	50	193
Other data revisions	36	139
State circumstances	-30	-116
Total	56	216
Blended relativities and GST floor	-2	-8
Total change	256	995

Note: Table may not add due to rounding.

Source: Commission calculation.

Figure 3-8 Northern Territory: main changes in assessed GST needs, 2024 Update

Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
Mining production	93	362	A large increase in coal prices and average coal royalty rates between 2019–20 and 2022–23 increased the revenue raising capacity of coal producing states. This reduced the Northern Territory's relative mining revenue capacity.
Capital improvements	-64	-249	Relatively slow growth in national investment in health and rural roads, for which the Northern Territory has above-average needs, reduced its assessed GST needs. Strong growth in national urban transport investment, for which the Northern Territory has a below-average requirement, also reduced its assessed GST needs.
Wage costs	45	177	Above-average growth in the Northern Territory's assessed wage costs increased its assessed service delivery costs.
Indigenous status	-31	-120	National spending per person on school and health services grew faster for non-Indigenous people than for First Nations people, reducing the Northern Territory's assessed GST needs.
Administrative scale	-30	-118	Assessed administrative scale expenses grew relatively slowly between 2019–20 and 2022–23, reducing their relative size. This reduced the assessed GST needs of states with high relative administrative scale expenses, including the Northern Territory.
Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Census – new socio-demographic composition data	71	276	New 2021 Census data showed the Northern Territory's non-Indigenous population to be relatively more disadvantaged and its population more dispersed than in the 2016 Census. These changes increased the Northern Territory's assessed GST needs, especially for health and housing.
Capital improvements	37	143	Downward revisions to investment in urban transport (below-average needs) and upward revisions to health, justice and rural roads capital expenditure (above-average needs) increased assessed investment needs.

Source: Commission calculation.

Attachment A: GST distribution since 2000–01

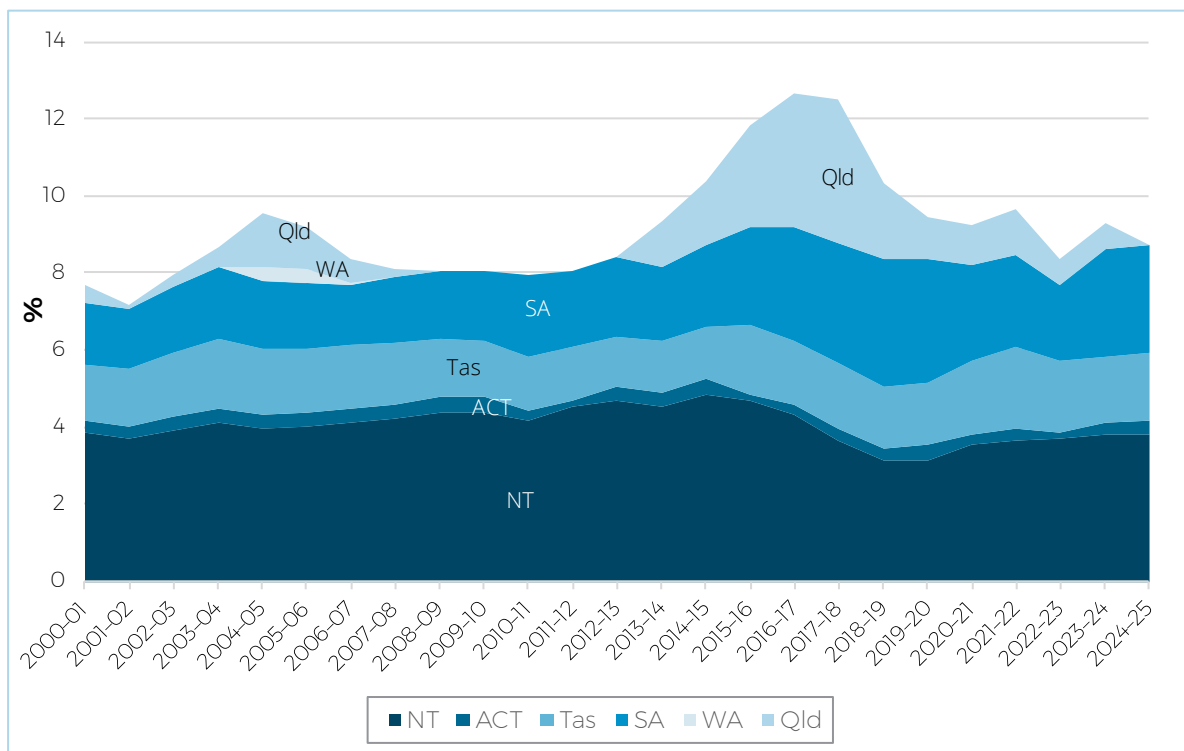
This attachment provides an overview of the longer-term trends in how states’ GST shares compare with each other over time. A state’s GST share is primarily driven by its relative fiscal capacity, with a lower relative fiscal capacity resulting in a greater (per capita) share of GST revenue. The 2018 legislated arrangements have also affected GST shares.⁹

Figure A-1 and Figure A-2 show how each state’s proportion of the GST pool compares to its respective population shares over time.

- Figure A-1 shows when a state receives a larger proportion of the GST pool than if funds were allocated according to population shares. This occurs when a state is assessed as having a relatively low fiscal capacity, and therefore receives more than an equal per capita allocation, i.e. a GST relativity of above one.
- Figure A-2 shows when a state receives a smaller proportion of the GST pool relative to its population share. This occurs when a state is assessed as having a relatively high fiscal capacity, and therefore receives less than an equal per capita allocation, i.e. a GST relativity of below one.

For example, in 2000–01, the Northern Territory’s share of the GST pool exceeded its population share by roughly 3.8% and Victoria’s GST share was approximately 4% less than its population share.

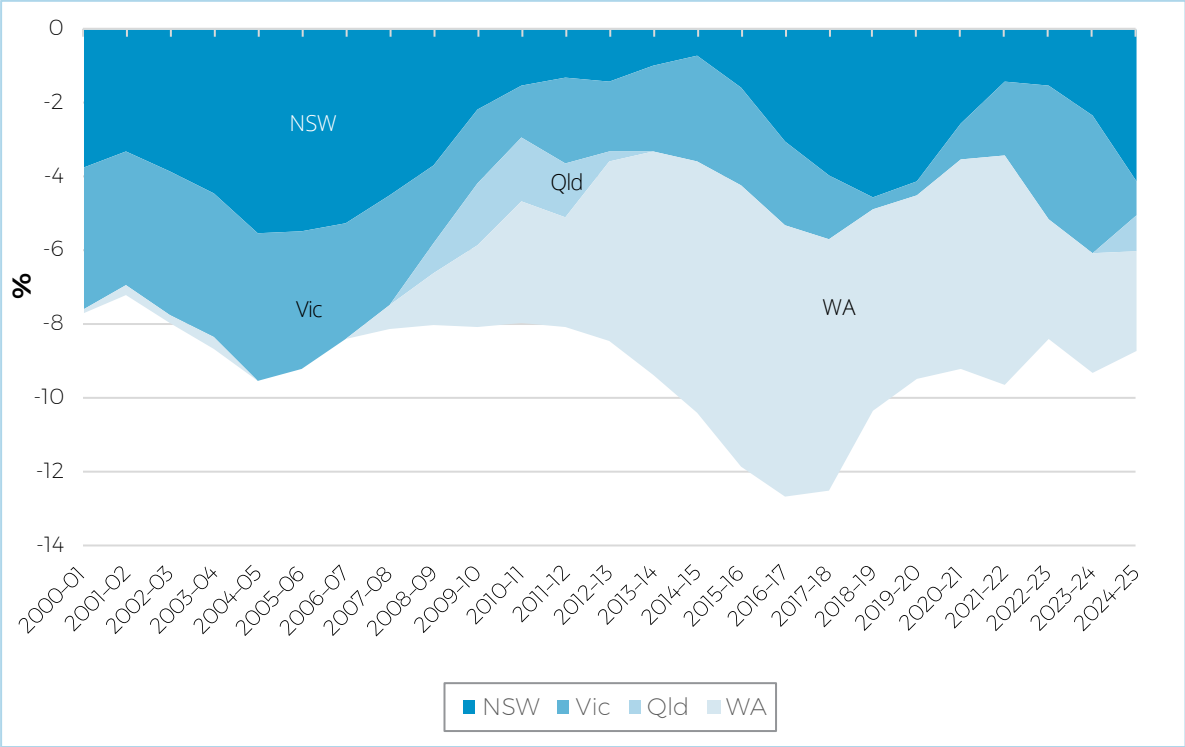
Figure A-1 Proportion of the GST pool in excess of a state’s population share, 2000–01 to 2024–25 (excludes no worse off payments)



Source: Commission calculation. Note that this refers to GST distribution, which has been different from assessed relativities since the legislated GST arrangements came into effect. It does not include no worse off payments.

⁹ For more information on the 2018 legislated arrangements see Commonwealth Grants Commission (CGC), [Occasional Paper No.4: New arrangements for distributing GST](#), CGC, Australian Government, 2023.

Figure A-2 Proportion of the GST pool less than a state's population share, 2000–01 to 2024–25 (excludes no worse off payments)



Source: Commission calculation. Note that this refers to GST distribution, which has been different from assessed relativities since the legislated GST arrangements came into effect. It does not include no worse off payments.

States with above-average GST needs

In 2024–25, 4 states have above-average GST needs (a GST relativity above one): South Australia, Tasmania, the ACT and the Northern Territory. These states have consistently had above-average GST needs since the introduction of the GST in 2000 (Figure A-1 and Table A-1).

- The Northern Territory has had a GST relativity of between 4.25816 and 5.66061. Its very high GST needs have been driven largely by the high costs of service delivery to disadvantaged and dispersed populations, particularly First Nations populations. As a result, the Northern Territory consistently receives a much higher GST share relative to its population than other states.
- Tasmania has had a GST relativity of between 1.58088 and 1.96067. This has been driven largely by below-average revenue raising capacity, particularly for property and mining. It also has high expenditure needs relating to many people living in regional areas.
- South Australia has had a GST relativity of between 1.19971 and 1.47727. This has been driven largely by its below-average revenue raising capacity, particularly for mining and property sales. It also has an above-average proportion of socio-economically disadvantaged people.
- The ACT has had a GST relativity of between 1.09250 and 1.27051. This has been driven largely by its below-average revenue raising capacity, particularly for mining and land tax.

States with below-average GST needs

In 2024–25, 4 states have below-average GST needs (a GST relativity below one).

Two of these states (New South Wales and Victoria) have consistently had below-average GST needs over this period (Figure A-2 and Table A-1).

- New South Wales has had a GST relativity of between 0.83468 and 0.97500. Its below-average GST relativity has been driven largely by its above-average capacity to raise revenue from property and payrolls. Below-average expenses (such as a relatively small proportion of the population living in regional or remote areas) have also contributed. In the mid-2000s a property market boom reduced New South Wales' GST needs further over this period.
- Victoria has had a GST relativity of between 0.83641 and 0.98670. Its below-average GST relativity has been driven largely by its compact size and the socio-demographic composition of its population. The strong property market in Victoria in the mid-2000s reduced its GST needs. In 2024–25, its assessed relativity would be above one for the first time. This largely reflects the high revenue raising capacity from mining royalties in other states.

Queensland and Western Australia have had a GST relativity above one in some years and below one in others (Figure A-1 and Figure A-2 and Table A-1).

- While Queensland's GST relativity has ranged from 0.91322 to 1.18769 it has mostly remained above one. Slower property market growth than other states has reduced its revenue raising capacity relative to other states. It also has higher-than-average costs of delivering services due to a more dispersed population. From 2008–09, it had a GST relativity below one for 5 years. This was largely related to its increased revenue raising capacity from mining royalties. Queensland's GST needs have been volatile relative to other states, partly reflective of the volatility in the mining sector, property sales and occurrence of natural disasters. For 2024–25, it has a GST relativity below one, largely driven by high assessed revenues from coal royalties.
- Western Australia's GST relativity has ranged from 0.29999 to 1.03811. It has mostly been below one. This has been driven largely by higher-than-average capacity to raise mining royalties and the strength of its payroll tax base. In general, changes in Western Australia's GST needs closely follow changes in iron ore royalties, which can be volatile but have generally increased over the past 2 decades. Beginning in 2004–05 and lasting for 3 years, it had a GST relativity above one. This was linked with the iron ore cycle, and also reflected the ongoing high expenditure needs relating to socio-demographic composition, such as a dispersed population and an above-average proportion of First Nations people.

GST relativities since 2000–01

Table A-1 lists GST relativities since 2000–01. The relativities for the last 3 years include the effect of introducing a GST relativity floor.

Table A-1 GST relativities, 2000–01 to 2024–25

Financial Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2000–01	0.88914	0.84510	1.02507	0.98692	1.20433	1.61016	1.17050	4.79406
2001–02	0.90228	0.85168	1.00625	0.97571	1.19971	1.60490	1.21100	4.61547
2002–03	0.88419	0.84227	1.01673	0.97612	1.21719	1.68200	1.22552	4.91642
2003–04	0.86533	0.84243	1.02495	0.96455	1.23997	1.75292	1.23351	5.13490
2004–05	0.83468	0.83641	1.06994	1.03811	1.23041	1.71466	1.21407	5.00304
2005–06	0.83571	0.84900	1.05700	1.03303	1.22712	1.70370	1.22837	5.00537
2006–07	0.84193	0.87451	1.03271	1.00778	1.20839	1.69599	1.22918	5.06502
2007–08	0.86380	0.88206	1.01143	0.93616	1.23141	1.68662	1.24724	5.09597
2008–09	0.88743	0.91347	0.96196	0.85797	1.23192	1.66348	1.25603	5.25758
2009–10	0.93186	0.91875	0.91556	0.78485	1.24724	1.62040	1.27051	5.25073
2010–11	0.95205	0.93995	0.91322	0.68298	1.28497	1.62091	1.15295	5.07383
2011–12	0.95776	0.90476	0.92861	0.71729	1.27070	1.59942	1.11647	5.35708
2012–13	0.95312	0.92106	0.98477	0.55105	1.28472	1.58088	1.19757	5.52818
2013–14	0.96576	0.90398	1.05624	0.44581	1.26167	1.61454	1.22083	5.31414
2014–15	0.97500	0.88282	1.07876	0.37627	1.28803	1.63485	1.23600	5.66061
2015–16	0.94737	0.89254	1.12753	0.29999	1.35883	1.81906	1.10012	5.57053
2016–17	0.90464	0.90967	1.17109	0.30330	1.41695	1.77693	1.15648	5.28450
2017–18	0.87672	0.93239	1.18769	0.34434	1.43997	1.80477	1.19496	4.66024
2018–19	0.85517	0.98670	1.09584	0.47287	1.47727	1.76706	1.18070	4.25816
2019–20	0.87013	0.98273	1.05370	0.51842	1.46552	1.75576	1.23759	4.26735
2020–21	0.91808	0.95992	1.04907	0.44970	1.35765	1.89742	1.15112	4.76893
2021–22	0.95617	0.92335	1.05918	0.41967	1.34719	1.96067	1.16266	4.79985
2022–23	0.95065	0.85861	1.03377	0.70000	1.28411	1.85360	1.09250	4.86988
2023–24	0.92350	0.85169	1.03118	0.70000	1.39463	1.79080	1.19540	4.98725
2024–25	0.86736	0.96502	0.95232	0.75000	1.40312	1.82832	1.20419	5.06681

Source: Commission calculation.

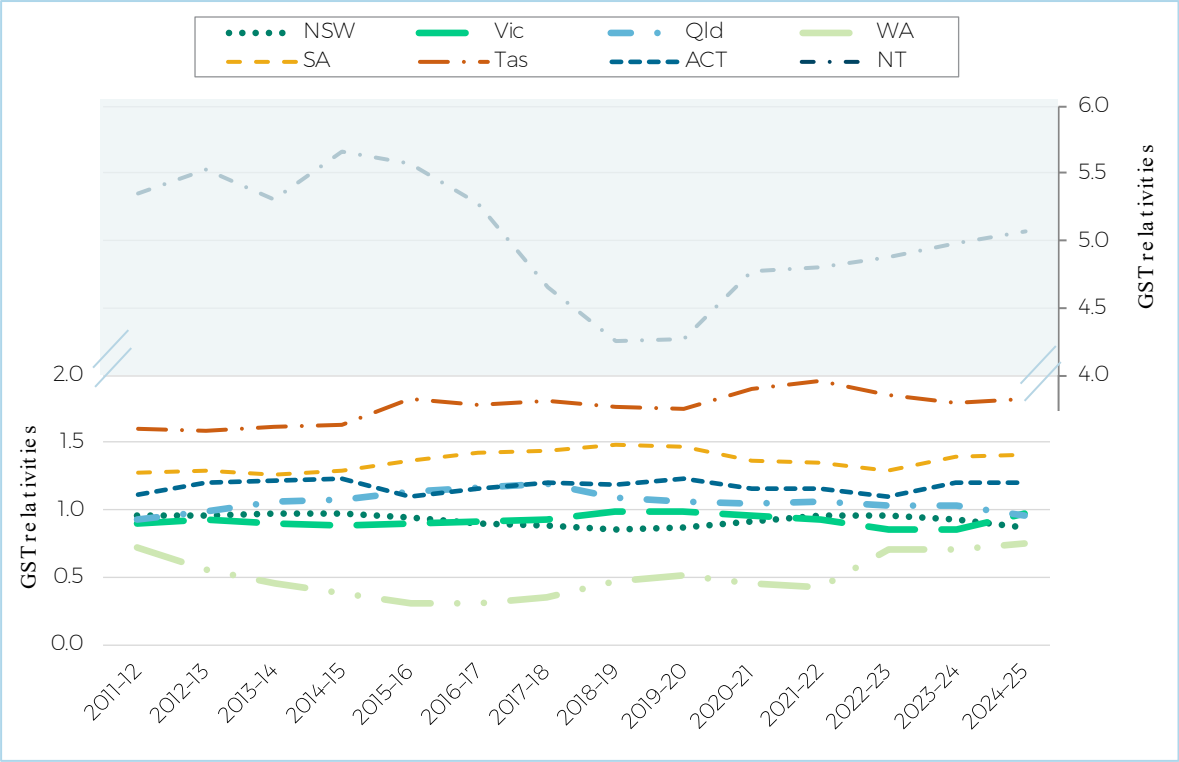
Note: Prior to 2009–10, the Commission was asked to provide relativities to distribute a pool of GST revenue and Health Care Grants. The relativities shown are those applicable for distributing a GST only pool.

Note: The 2018 legislated arrangements introduce blended relativities from 2021–22. Since 2022–23, the GST relativity floor has been funded from within the GST pool.

Another way of visualising states' GST relativities over time is provided in Figure A-3. This highlights:

- the large and volatile GST needs of the Northern Territory (use right-side axis)
- the low and volatile GST needs of Western Australia, and the convergence of its GST relativity with other states following the 2018 legislated arrangements
- the relative stability in the GST needs of the other states.

Figure A-3 GST relativities, 2000–01 to 2024–25



Note: Excludes no worse off payments.
 Source: Commission calculation.

Attachment B: Quality assurance

This attachment reports on the quality assurance procedures applied in this update. These procedures aim to ensure:

- data used in the Commission's assessments are fit for purpose and of the best possible quality
- analysis is accurate
- reporting of the Commission's findings and reasoning is accurate and transparent.

Checking calculations

The Commission completed a rigorous internal audit of all calculations. For each assessment, internal checks were performed and signed off by the assessment officer, another officer not involved in the original calculation, and the assessment director.

The Commission also engaged officers from the Commonwealth Treasury with the relevant technical expertise to check calculations. This was completed after internal checks.

Reporting of methods, decisions and results

Transparency and accuracy in reporting assessment methods, decisions and results are important in ensuring high quality outputs.

The Commission undertook a comprehensive program of proofreading and checking of tables and results to ensure they aligned with the original calculations.

The Commission has posted this update, consultation on new issues, and a range of supporting documents on the Commission website (<https://www.cgc.gov.au>).