

Other revenue

Overview

- 1 On 6 October 2023, the Commission issued a [consultation paper](#) on the other revenue assessment. On 19 October 2023, it issued a [consultation paper](#) on the gambling taxation assessment. In both papers the Commission proposed retaining the 2020 Review assessment method.
- 2 A summary of state and territory (state) responses to each consultation question is included below, as well as the Commission's draft position and the draft 2025 Review assessment method.
- 3 State submissions can be viewed [here](#).

Consultation questions

Q1. Do states agree with the revenues classified to the other revenue category?

State views

- 4 States noted the other revenue category comprises revenues for which needs are not assessed. All states agreed this treatment was appropriate for a revenue if:
 - states are assessed to have the same per capita capacity to raise the revenue
 - either an assessment method or sufficiently reliable data are not available to support an assessment
 - a differential assessment would not be material.
- 5 States supported using these 3 criteria to determine the revenues classified to the category.

Commission response

- 6 As there have been no substantial developments since the last review that warrant a change in the criteria, the Commission will continue to apply those criteria.

Commission draft position

- 7 The Commission proposes to retain the composition of the revenues (including gambling) classified to this category.

Q2. Do states agree that other revenue should be assessed equal per capita?

State views

8 All states supported assessing other revenue equal per capita.

Commission response

9 As there have been no substantial developments since the last review that warrant a change in the assessment method, the Commission proposes to continue to assess other revenues equal per capita.

Commission draft position

10 The Commission proposes to assess the revenues in this category using an equal per capita assessment method.

Gambling taxation

Consultation questions

Q1. Do states agree there is no reliable method of differentially assessing gambling taxes? If not, what do states consider to be a reliable method of assessing gambling taxes?

State views

- 11 States said none of the approaches outlined in the consultation paper would provide a reliable way of assessing gambling taxes. Those approaches were:
- an activity-based approach for each gambling tax, based on gambling turnover or gambling expenditure¹
 - a population-based approach for each gambling tax, based on the propensity of different population groups to participate in that form of gambling
 - a broad revenue approach for all gambling taxes, such as household disposable income.
- 12 States cited the pervasiveness of state policy differences and the limited evidence of the socio-demographic characteristics that drive gambling activity. They also noted the regression analysis of gambling expenditure and state household income undertaken by the Commission found no statistical relationship between the

¹ Gambling turnover is the amount wagered. Gambling expenditure is the net amount lost by gamblers (the amount wagered less the amount won). By definition, gambling expenditure is the gross profit of the gambling operator.

2 variables at either the national or state level. They said the regression analysis did not provide support for a broad revenue assessment using household income.

- 13 While states agreed none of the approaches provided a reliable way of assessing gambling taxes, 2 states suggested other possible assessment options.
- While supporting an equal per capita assessment, Western Australia suggested assessing its capacity equal per capita and assessing the capacity of other states using an activity-based approach.
 - South Australia suggested assessing wagering and lottery taxes using an activity-based approach. It supported an equal per capita assessment if this option was not material.
- 14 The Northern Territory said wagering activity data are not reliable. The introduction of point of consumption taxes in states other than the Northern Territory had a large impact on state shares of national wagering activity. The impact of COVID-19 also affected their shares. The latest 2 years of Australian Gambling Statistics has the Northern Territory's share of national wagering activity falling from 42% to 1%, with large increases in the shares of New South Wales, Queensland and Western Australia. The Northern Territory suggested wagering activity data may not become reliable before the 2030 Review.

Commission response

- 15 The option proposed by Western Australia would imply Western Australia's gambling taxes were materially affected by policy influences, but those of other states are not. State policy influences may not be limited to one state and can be widespread. For example, Victoria noted the difference in gaming machine caps between New South Wales and itself.
- 16 An activity-based assessment of lottery tax revenue, as proposed by South Australia, would be material. However, this approach would differentially assess lottery taxes but not differentially assess other forms of gambling and therefore not account for any substitutability between different forms of gambling. An activity-based assessment of lottery taxes would have the biggest negative impact on Western Australia. This might suggest the propensity of Western Australians to participate in lotteries may be influenced by the state's prohibition on community gaming machines.
- 17 The Commission does not propose to assess gambling taxes using either of the state proposed assessment options. The Commission accepts the state policy differences that affect gambling taxes impact all states. It does not consider wagering activity-based data are sufficiently reliable to support an assessment and it does not favour differentially assessing one form of gambling but not others because of the potential for substitutability between the different forms of gambling.

Commission draft position

- 18 The Commission proposes to assess gambling taxes equal per capita.

Q2. Do states agree that gambling taxes should be assessed equal per capita in the other revenue category?

State views

19 All states, apart from South Australia, supported assessing gambling taxes equal per capita in the other revenue category.

Commission response

20 As there as there has been no substantial developments since the last review that warrant a change in the assessment method, the Commission proposes retaining an equal per capita assessment for gambling taxes.

Commission draft position

21 The Commission proposes to assess gambling taxes equal per capita in the other revenue category.

Draft 2025 Review assessment method

22 Following consideration of state views, the Commission proposes to retain the 2020 Review assessment method.

Table 1 Proposed structure of the other revenue assessment

Category	Driver	Influence measured by driver	Change since 2020 Review?
Other revenue	Population	Revenues in this category are assessed equal per capita. They do not differentially affect states' relative fiscal capacities.	No

Indicative distribution impacts

23 No method changes are proposed for this assessment.