



**ACT**  
Government

# COMMONWEALTH GRANTS COMMISSION 2025 REVIEW OF GST REVENUE SHARING RELATIVITIES

*NEW ISSUES PAPER*

ACT Government Submission

NOVEMBER 2024

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# ABBREVIATIONS

<b>Term</b>	<b>Definition</b>
ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AIHW	Australian Institute of Health and Welfare
APRA	Australian Prudential Regulation Authority
CGC	Commonwealth Grants Commission
COFOG-A	Classification of the Functions of Government Australia
ERP	Estimated Resident Population
GST	Goods and Services Tax
ToR	Term of Reference
2025 Review	2025 Methodology Review

# INTRODUCTION

The Commonwealth Grants Commission (CGC) has released a Discussion Paper, *GST Relativities 2025-26: New issues discussion paper*, to the states and territories for comment. The paper sets out the new issues and Commonwealth payments identified by the CGC as relevant to the 2025 Methodology Review (2025 Review). The CGC proposed recommendations to these issues and treatments of Commonwealth payments have been prepared in the absence of supplementary terms of reference (ToR) for the 2025 Review.

The ACT welcomes the opportunity to comment on the issues and the CGC's recommendations outlined in the paper. The ACT notes that recommendations outlined in the paper may change following the direction requested by the supplementary terms of reference for the 2025 Review.

Overall, the ACT is broadly supportive of the CGC's recommendations for the 2025 Review. The ACT's position on each issue and the CGC's recommendations are provided below.

## ISSUES FOR THE 2025 REVIEW

### DATA ISSUES FOR CONSIDERATION

#### WELFARE – ESTIMATED RESIDENT POPULATION

In the Welfare assessment, the CGC uses the Australian Bureau of Statistics (ABS) Estimated Resident Population (ERP) to assess states' and territories' need for spending on child protection and family services. For the 2020 review, due to the unavailability of ERP data for children aged 15–17 years, the CGC used ERP for ages 0–14 years. However, the Australian Institute of Health and Welfare (AIHW) child protection substantiations are for children aged 0-17 years.

The CGC now has access to ERP data for ages 0–17 years. The CGC proposes to update the ERP used in the Child Protection and Family Services assessment to include people aged 15–17 years.

#### **ACT Position**

The ACT supports the CGC's proposal as this will align ERP data and child protection substantiations data used in the child protection and family services assessment.

#### INSURANCE TAX – MISSING DATA FOR SEPTEMBER QUARTER 2023

The CGC uses quarterly data from the Australian Prudential Regulation Authority (APRA) on insurance premiums by state and territory to assess states and territories' capacity to raise insurance tax. These data are not available for the September quarter of 2023 due to changes in APRA's reporting framework.

The CGC proposes to impute these missing data using the September quarter proportion of taxable premiums in each state on average over the previous 5 years. The CGC staff advised that this is calculated by averaging the September quarter proportion of the sum taxable premiums from the December to June quarters (3 quarters) for each relevant financial year over the period 2018-19 to 2023-24. The average September quarter proportions for each state and territory is then used to estimate the missing values of

taxable premiums for the September quarter 2023. The CGC states this method will capture the upward trend and seasonal pattern in the data.

### **ACT Position**

The ACT broadly supports the CGC's proposed method to impute the September quarter 2023 missing data. The ACT acknowledges there is unlikely to be another dataset that could replace the data collected by APRA and notes that this proposal is for consistency with the 2025 Review draft report position for no method changes in the insurance tax assessment. While the proposed method seems uncommon, the results only marginally differ from that calculated based on the average September quarter proportions of total financial year values. The ACT also notes that the proposed method captures the upward trend and seasonal pattern in the data.

## **OTHER ISSUES FOR CONSIDERATION**

### **MINING REVENUE – NICKEL ROYALTIES**

In the Mining Revenue assessment, the CGC assesses a mineral separately if it materially affects a state or territory's GST outcome by \$40 per capita or more (mineral-by-mineral approach). The CGC determined a separate assessment of nickel was material in 2023-24 due to an increase in Western Australia's nickel royalties.

The CGC proposes to retain this mineral-by-mineral approach and may continue to assess nickel separately pending the results of their materiality test.

### **ACT Position**

The ACT continues to support the mineral-by-mineral approach and will continue to support a separate assessment of nickel in the Mining Revenue assessment if it is material.

### **STATE BUDGET TREATMENT OF SELECTED PAYMENTS**

The CGC is seeking advice from the states and territories on whether the following expenses are included in expense data provided to the Commission:

- Private Hospital Viability Payments made under the National Partnership on COVID-19 Response; and
- Disadvantaged Independent Schools payments.

### **ACT Position**

The ACT notes that the two payments are included in the ACT's expenses data and will separately provide the Classification of the Functions of Government Australia (COFOG-A) to the CGC of those payments.

### **REVISED TREATMENT OF EXISTING COMMONWEALTH PAYMENTS**

The CGC proposed changes to some expense assessments in the 2025 Methodology Review Draft Report, where previously spending needs were not assessed but are now proposed to be assessed. As a result, the following existing Commonwealth payments will now be treated as impacting GST revenue distribution:

- Hospital Services Payments made under the National Partnership on COVID-19 Response;
- State Public Health Payments made under the National Partnership on COVID-19 Response;
- Support for businesses impacted by COVID-19;
- Social Impact Investments/People at risk of homelessness payment; and
- Perth City Deal/Homelessness projects.

### **ACT Position**

The ACT supports the proposed changes to how these payments are treated. However, we note that the proposed change to Social Impact Investments/People at risk of homelessness payments is related to the new Homelessness Services assessment – the proposed new assessment for the 2025 Review that we do not support due to ongoing data concerns.

### **NEW COMMONWEALTH PAYMENTS**

The CGC has examined new Commonwealth payments commencing in 2023-24, as listed in the Commonwealth Final Budget Outcome. The CGC considers whether these payments should impact GST revenue distribution based on whether the payments support state services for which expenditure needs are assessed. If this is the case, these payments will impact GST distribution.

The proposed treatment of new Commonwealth payments could also change if directed in any supplementary terms of reference.

The proposed treatments for the following Commonwealth payments are either no impact on GST distribution or out of scope:

- National Critical Care and Trauma Response Centre;
- General funding under the Housing Support Program – Priority Works;
- Disadvantaged independent schools (pending input from states and territories);
- Cairns Regional Development;
- Central Australia Plan – Community Infrastructure Package;
- Pilbara Ports Common User Upgrades;
- Disaster Ready Fund – Round 1;
- North Queensland Strata Title Resilience Pilot Program;
- Reef 2050 Plan – Paddock to Reef Monitoring, Modelling and Reporting Program;
- Saving native species;
- Urban Rivers and Catchments Program; and
- Restoring integrity to our protection system.

### **ACT Position**

The ACT supports the CGC's proposed treatment of new Commonwealth payments commencing in 2023-24 listed in Table 2 and Table 3 of the *GST Relativities 2025-26: New issues discussion paper*.