

NOVEMBER 2024
CM REF: D24/246880

Response to New Issues Discussion Paper for 2025-26 GST relativities

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Introduction

On 10 October 2024 the Commonwealth Grants Commission (CGC) provided Victoria with its New Issues Discussion Paper for 2025-26 GST relativities (the discussion paper).

Victoria appreciates the opportunity to provide input on issues raised by the CGC and looks forward to engaging with the CGC on these issues ahead of the release of the 2025 Methodology Review.

Summary of Victoria's views

Topic raised by CGC staff	CGC recommendation	Victoria's recommendation
Welfare – update to estimated resident population	Update estimated resident population used in the child protection and family services assessment to include people aged 15-17, due to improved data availability.	Support
Insurance tax – missing data for September quarter 2023	Impute missing data for the September quarter of 2023 using the September quarter proportion of taxable premiums in each state on average over the previous 5 years.	Support
Mining revenue – separate assessment of nickel royalties	Separately assess nickel royalties depending on a materiality test.	Support
Commonwealth payments – <ul style="list-style-type: none">• new treatment of existing Commonwealth payments (those impacted by method changes proposed in the 2025 Methodology Review Draft Report)• the treatment of new Commonwealth payments.	Change the treatment of Commonwealth payments from 'no impact' to 'impact', where the related expenditure is for a service assessable under the 2025 Review methodology. Proposed treatments of new Commonwealth payments.	Support Support

Data issues for consideration

Welfare – update to estimated resident population

CGC preliminary views and Victoria's position

The Commission's preliminary view is to update the estimated resident population used in the child protection and family services assessment to include people aged 15–17.

Victoria supports the proposed approach.

Insurance tax – missing data for September quarter 2023

CGC preliminary views and Victoria’s position

The Commission’s preliminary view is to impute data for the September quarter of 2023 using the September quarter proportion of taxable premiums in each state on average over the previous 5 years.

Victoria supports the proposed approach.

Other issues

Mining revenue – separate assessment of nickel royalties

The discussion paper notes that Western Australia has advised that nickel royalties have fallen in 2023–24 and a separate assessment of nickel royalties is unlikely to be material in the 2025 Review if the proposed \$40 per capita materiality threshold is applied.

The Commission will retest the materiality of nickel royalties after states have provided their 2023–24 mining data and apply the materiality threshold to determine whether a separate assessment of nickel is required.

Under the assumption that the mining revenue assessment methodology is as outlined in the CGC 2025 Methodology Review Draft Report, Victoria considers the approach outlined in this discussion paper appropriate.

CGC preliminary views and Victoria’s position

The assessment of nickel royalties will depend on the result of a materiality test. Pending the outcome of that test, the Commission will exercise its judgement on whether equalisation would be improved by a separate assessment of nickel royalties or by changing the structure of the mining assessment and assessing nickel royalties in the other minerals component.

Victoria supports the assessment of nickel royalties as outlined in the methodology – separately if the materiality threshold is reached, or combined with other minerals if it is not.

Commonwealth payments

State budget treatment of selected payments

The CGC sought state advice on whether expenses associated with two Commonwealth payments were included in expense data provided by states to the CGC.

Victoria advises that the payment “private hospital viability payments made under the National Partnership on COVID-19 Response” is included in the reported Victorian health expenditure data.

Similarly, the ‘disadvantaged independent schools payments’ data is included in the reported Victorian education expenditure data.

Revised treatment of existing Commonwealth payments

The 2025 Methodology Review Draft Report proposes to assess COVID-19 related health and business support expenditure separately. As a result, the CGC states that certain Commonwealth payments funding services that will be assessed under that methodology should be assessed as 'impact', rather than 'no impact'.

Those payments are:

- COVID-19 public health response (except for the Private Hospital Financial Viability Payment)
- Support for businesses impacted by COVID-19

Victoria supports the CGC's proposal to change the treatment of those payments, should the final methodology reflect that outlined in the 2025 Methodology Review Draft Report. Conversely, should the final methodology not separately assess COVID-19 health and business support expenditure, then the treatment of those payments should remain 'no impact'.

The CGC also proposed changes to the treatment of two payments related to homelessness services. As noted in its previous submission to the 2025 Methodology Review, Victoria does not support the proposed separate assessment of homelessness.¹ However, should the CGC ultimately assess homelessness services separately, Victoria considers it appropriate to assess Commonwealth payments funding services assessed under that methodology to be treated as 'impact'.

Commonwealth payments commenced in 2023-24

Victoria supports the CGC's proposed treatments for Commonwealth payments commencing in 2023-24, as outlined in Table 2 of the discussion paper.²

Victoria's position

Victoria supports the CGC's proposal to change the treatment of the specified Commonwealth payments from 'no impact' to 'impact', on the basis that the related expenditure is for a service assessable under the 2025 Review methodology.

Victoria supports the CGC's proposed treatments for Commonwealth payments commencing in 2023-24.

¹ <https://www.cgc.gov.au/sites/default/files/2024-03/Victorian%20response%20to%202025%20Review%20Tranche%20%20papers%20-%20final.pdf>

² <https://www.cgc.gov.au/reports-for-government/2025-methodology-review/gst-relativities-2025-26-new-issues>

