Australian Government
Commonwealth Grants Commission

GST Relativities 2025–26: Overview

The Commonwealth Grants Commission provides independent advice to the Australian Government on how to share GST revenue among the states and territories (states). The aim of the GST distribution arrangements is to provide all states with the fiscal capacity to provide a broadly comparable standard of services to their residents.

The GST distribution varies from year to year due to relative changes in states' economic and socio-demographic circumstances, state populations, data revisions and the size of the GST pool. For 2025–26, the relativities used as the basis for distributing GST also reflect changes from the 2025 Methodology Review. Around every 5 years, the Commission receives terms of reference from the Treasurer to conduct a methodology review. The Commission examines, in consultation with the states, the appropriateness of its assessment methods and identifies where improvements can be made to better capture differences in relative state GST needs. In addition, the GST distribution can change from year to year due to the effects of the 2018 legislative changes to the GST distribution arrangements.[1]

Table 1 sets out the distribution of estimated GST revenue in 2025–26, based on the Commission's recommended GST relativities. These estimates do not include no worse off payments. All states except Queensland are estimated to receive an increase in their GST distribution in 2025-26. On a per person basis, Victoria and the Northern Territory would receive the largest increases. A summary of each state's GST distribution is available in State Snapshots.

Table 1 Estimated GST distribution, 2024–25 and 2025–26

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
GST relativities									
2024-25	0.86736	0.96502	0.95232	0.75000	1.40312	1.82832	1.20419	5.06681	1.00000
2025-26	**0.86034**	**1.06722**	**0.84571**	**0.75000**	**1.38876**	**1.84053**	**1.17223**	**5.15112**	**1.00000**
GST shares (%)									
2024-25	27.1	24.8	19.6	8.2	9.7	3.8	2.1	4.7	100
2025-26	**26.8**	**27.5**	**17.4**	**8.2**	**9.5**	**3.8**	**2.0**	**4.8**	**100**
GST distribution ($m)									
2024-25	24,540	22,491	17,751	7,435	8,753	3,484	1,899	4,279	90,631
2025-26	**25,482**	**26,147**	**16,562**	**7,830**	**9,032**	**3,635**	**1,934**	**4,527**	**95,150**
Difference	**942**	**3,657**	**-1,189**	**395**	**279**	**151**	**35**	**248**	**4,519**
GST distribution ($pc)									
2024-25	2,832	3,137	3,098	2,434	4,599	6,030	3,933	16,639	3,255
2025-26	**2,940**	**3,647**	**2,890**	**2,563**	**4,746**	**6,290**	**4,006**	**17,605**	**3,418**
Difference	**109**	**510**	**-208**	**129**	**147**	**261**	**73**	**966**	**162**

Note: The actual GST distribution each state receives in 2025–26 will be based on state populations and the GST pool determined after the 2025–26 Final Budget Outcome. The actual distribution could be significantly different from the estimated distribution.
This table excludes no worse off payments provided by the Australian Government under the 2018 GST distribution legislation. Information on no worse off payments is provided at the end of this paper.
Source: Commonwealth Grants Commission (CGC), *GST Relativities 2025–26*, CGC, Australian Government, 2025.

[1] *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of the GST) Act 2018* (Cth).

Victoria's GST distribution is estimated to increase significantly from last year. This is largely driven by its lower capacity to raise mining revenue (relative to the main mining states), and its higher relative state population growth, which increased its infrastructure spending needs. Victoria's assessed GST needs also increased substantially because of the change in the method for assessing COVID-19 health and business support expenses and Victoria's above-average spending in these areas.

Queensland's GST distribution is estimated to fall. Higher coal prices and a higher average coal royalty rate significantly increased its capacity to raise revenue from coal royalties, substantially reducing its assessed GST needs. The increase in prices and royalties had a larger impact for Queensland than the other main coal producing state (New South Wales) because Queensland had a larger share of high-value coal. The change in the method for assessing COVID-19 health and business support expenses also reduced Queensland's GST distribution relative to states with higher COVID-19 expenses.

Western Australia continues to have low assessed GST needs, driven by its capacity to raise iron ore royalties. However, its assessed GST needs increased from 2024–25. This is because iron ore prices fell over the assessment period, while coal royalties in other states increased. While Western Australia's GST relativity was lifted to the GST relativity floor of 0.75, the increase in its assessed GST needs meant that this lift was smaller than in 2024–25.

The Northern Territory is estimated to receive a significant increase in per capita terms. This is largely due to the estimated growth in the GST pool and an increase in its assessed GST needs flowing from increased expenses for community health, and family services.

Reasons for the changes

States' circumstances have changed

Changes to state economic and socio-demographic conditions are the main reason for changes in the GST distribution. The Commission uses a 3-year rolling average assessment period, so its updated recommendations involve replacing data from 2020–21 with data from 2023–24.

A significant increase in coal prices and in the national average coal royalty rate reduced the assessed GST needs of New South Wales and Queensland and increased those of the other states. A decline in the value of iron ore production over the same period increased Western Australia's assessed GST needs, reducing those of the other states. Changes in states' shares of taxable land values, taxable payrolls, and property transfers also had large impacts on GST distribution.

Strong growth in Victoria's population relative to other states increased its need to invest in infrastructure to support service delivery, such as public transport in Melbourne. This increased Victoria's estimated GST distribution.

The Commission's overall approach is designed so that the GST distribution should not be influenced by individual state policy decisions. This means that a state would not get more GST if it chooses to spend more than average on services or raise less tax than average.

In addition to the effect of changes in state circumstances, there have been revisions to data previously used to reflect state circumstances. Notably, New South Wales recently finalised natural disaster relief expenses in 2022–23 for floods in the Northern Rivers region. The revisions increased New South Wales' estimated GST distribution.

The Commission has recently changed some of its methods

Changes to the Commission's methods made as a part of the 2025 Methodology Review were another key influence on the change in the GST distribution for 2025–26.

The 2025 Review provided the opportunity for the Commission's assessment method to better reflect the costs to the states of the COVID-19 pandemic. The change to the method for measuring the effects of the COVID-19 pandemic on state budgets significantly increased the GST distribution of New South Wales and Victoria. These states needed to spend more than the other states on hospitals, public health measures and business support during the pandemic. The Commission considered state responses to the COVID-19 pandemic largely reflected circumstances outside of state control rather than being predominantly driven by state policy decisions. The Commission also considered that the National Partnership Agreements between the Commonwealth and the states, which co-funded COVID-19 health and business support, introduced a degree of consistency in policy approach. While there were differences in state policy settings at various stages of the pandemic, these often reflected different state circumstances. Overall, the Commission considers the unpredictable and varying impacts of the pandemic were similar in nature to the impacts of a natural disaster. The change in assessment method better recognises the higher costs incurred by New South Wales and Victoria due to the pandemic.

Wages for teachers, nurses, police and other state government employees are a significant component of total state spending. The 2025 Review incorporated refinements to the method for assessing differences in wages costs between the states, which increased the GST distribution of Victoria, South Australia, Tasmania and the ACT. The refinements improve the measurement of interstate wage differences and reduce volatility in the GST distribution.

The GST pool is larger and state populations have changed

Between 2024–25 and 2025–26 the GST pool is forecast to increase by $4.5 billion to $95 billion. All states will benefit from this growth in the pool.

The GST distribution changes as state populations grow and population shares change. Victoria, Queensland and Western Australia are forecast to grow more quickly during 2025–26 than the other states, and this will increase their GST distribution.[2]

The 2018 legislation affects GST distribution and results in no worse off payments

The 2018 GST distribution legislation includes a GST floor of 0.75.[3] If a state's relativity is below 0.75, it is lifted to this floor, reducing the GST distribution of the other states. A state that is worse off in the distribution of GST in 2025–26, compared with the previous GST distribution arrangements, will receive a no worse off payment from the Australian Government. The Commission calculates the no worse off relativities used by the Australian Government to determine the no worse off payments, and also provides indicative estimates of the no worse off payments.

The 2018 legislation, including the GST floor of 0.75, increases Western Australia's GST distribution by almost $6 billion, compared with what it would have received prior to

[2] The actual GST distribution each state receives in 2025–26 will be based on state populations and the GST pool determined after the 2025–26 Final Budget Outcome.

[3] For more information, see Commonwealth Grants Commission (CGC), Occasional Paper #4 New arrangements for distributing GST, CGC, Australian Government, 2021.

the legislation. The legislation results in a smaller increase for Western Australia than it did in 2024–25, because Western Australia's assessed GST needs have increased.

For this assessment period (2021–22 to 2023–24), Queensland was assessed to be the second fiscally strongest state, after Western Australia. This means that, under the 2018 legislation, it will not be as affected as other states by raising Western Australia's GST relativity to the GST floor. Overall, Queensland is still worse off than under the previous GST distribution arrangements and therefore is expected to receive a no worse off payment, albeit a significantly smaller one than last year.

The remaining states will each receive a larger no worse off payment because the legislation reduced their GST distributions by more than in 2024–25. All states except Queensland are estimated to receive more in total GST and no worse off payments than they received in 2024–25 (Table 2).

Table 2 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	$m
2024-25									
Total GST distribution	24,540	22,491	17,751	7,435	8,753	3,484	1,899	4,279	90,631
No worse off payments	1,879	1,551	1,228	0	404	120	103	43	5,328
Total	**26,419**	**24,042**	**18,979**	**7,435**	**9,157**	**3,604**	**2,002**	**4,322**	**95,959**
2025-26									
Total GST distribution	25,482	26,147	16,562	7,830	9,032	3,635	1,934	4,527	95,150
No worse off payments	2,234	1,841	47	0	486	146	124	61	4,938
Total	**27,716**	**27,988**	**16,608**	**7,830**	**9,518**	**3,781**	**2,058**	**4,588**	**100,088**
Difference									
GST distribution	942	3,657	-1,189	395	279	151	35	248	4,519
No worse off payments	355	290	-1,181	0	81	26	21	18	-391
Total ($m)	**1,297**	**3,946**	**-2,371**	**395**	**361**	**177**	**56**	**267**	**4,128**
Total ($pc)	**150**	**550**	**-414**	**129**	**190**	**306**	**116**	**1,037**	**148**

Note: These indicative estimates are illustrative. Actual no worse off payments for 2025–26 will be calculated by the Australian Government and will be based on the actual GST pool, pool top ups and population for 2025–26, which will be determined after the end of that year. Final pool and population figures may differ significantly from the estimates.

Source: Commonwealth Grants Commission (CGC), *GST Relativities 2025–26*, CGC, Australian Government, 2025.