

GST DISTRIBUTION

254. Hon COLIN TINCKNELL to the minister representing the Treasurer:

- (1) Is the Treasurer aware of media reports that the Treasurer of New South Wales is complaining that New South Wales is to receive only 79 per cent of its proportionate share of the goods and services tax?
- (2) Will the Treasurer remind the Treasurer of New South Wales that Western Australia is subjected to a much more serious level of exploitation, receiving less than 35 per cent of its proportionate share of GST as the result of horizontal fiscal equalisation?
- (3) Will the Treasurer announce that horizontal fiscal equalisation is nothing more than a bad habit and that there is no legislative or contractual reason horizontal fiscal equalisation should not be immediately abolished?
- (4) Will the Treasurer call upon his federal counterpart to instruct the Commonwealth Grants Commission that horizontal fiscal equalisation is abolished, and Western Australia must henceforth receive not less than 70 per cent of its proportionate share of GST?

Hon STEPHEN DAWSON replied:

I thank the honourable member for some notice of the question. The following information has been provided by the Treasurer.

- (1) We are aware that New South Wales has been complaining about its declining GST share; however, its 79 per cent GST relativity is nothing like the 30 per cent GST relativity that Western Australia received in 2015–16 and again in 2016–17, at 30.3 per cent. In 2017–18, WA's share will remain a paltry 34.4 per cent. The only positive of New South Wales receiving a declining share is that it gives WA a potential ally in pushing for GST reform.
- (2) Given any opportunity, the government will continue to argue for GST reform and an increase in Western Australia's abominable GST share. For example, at the Council of Australian Governments meeting in early June, the Premier highlighted how WA's GST share was subsidising new buildings for the people of Tasmania, and that despite having five times the population of Tasmania, WA receives less GST revenue. WA's submission to the Productivity Commission will be a key platform for arguing the case for GST reform and an increase in the state's GST revenue.
- (3) Although there is some justification for horizontal fiscal equalisation to ensure a reasonable level of services across states, the way in which HFE is currently practised in Australia not only fails to achieve its aims, but also creates perverse incentives in the process. Despite its complex approach, the system is not, and cannot be made to be, comprehensive nor accurate—it is not transparently equitable. At the same time, the current implementation of HFE perversely disincentivises states from undertaking fiscal reforms or developing their economies and makes it extremely difficult for states with volatile revenues to manage their budgets.
- (4) Firstly, the question is somewhat contradictory in that if horizontal fiscal equalisation were abolished, Western Australia would receive 100 per cent of its population share of GST. Nonetheless, setting a floor under the GST is one proposal for Western Australia receiving a fairer share of GST revenue. Various proposals to reform the GST redistribution and horizontal fiscal equalisation have been asserted. WA's submission to the Productivity Commission will outline these measures to reform the GST redistribution. This document will be made public in due course; however, it will not be publicly disclosed until all states have submitted to the Productivity Commission.