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Treasurer

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EVERY STATE AND TERRITORY BETTER OFF UNDER GST PLAN

The Coalition Government is committed to delivering a fairer and more sustainable distribution of the Goods and Services Tax (GST) that ensures every state and territory is better off.

The current GST distribution system is not working, with Western Australia recently receiving just 30 cents in the dollar, while other states and territories with far smaller populations received more.

This is not only unfair and unsustainable, but it threatens the integrity of the GST system. That's why we asked the Productivity Commission to review the GST distribution system.

The Government will introduce legislation to reform the GST distribution system this week.

Our reforms include establishing a more stable and predictable equalisation standard based on the fiscal capacity of the stronger of New South Wales or Victoria, introducing a GST relativity floor of 75 cents and permanently boosting the GST pool with direct Commonwealth cash injections.

This will deliver an additional \$9 billion in extra untied funding to the states and territories over 10 years and from 2026-27 an additional \$1 billion each year in perpetuity for the states and territories.

In addition, we will provide a guarantee that every state and territory will be better off. During the transition period between 2021-22 and 2026-27, states and territories will get the better of the old or the new system over the period.

At the end of the transition, the Productivity Commission will conduct an inquiry to assess whether the updated system is working efficiently and operating as intended.

This is a good outcome for the states and territories, and a good outcome for the nation that ensures every Australian is better off, no matter their postcode.

Delivering a fairer and more sustainable GST distribution system is part of our plan for a stronger economy helping to deliver the essential services Australians rely on.

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