

Media Release

Mr Tim Pallas MP

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INDEPENDENT REPORT: ONLY WA WINS IN UNFAIR GST CARVE-UP

Evidence is mounting against the Commonwealth Government's unfair distribution of critical GST funds with a new independent assessment supporting Victoria's call for an immediate overhaul of the inequitable system.

Victoria and other states have called out the Morrison Government's preferential treatment of resources-rich Western Australia in the distribution of billions of dollars of GST revenue needed to build hospitals, roads and schools.

Following the release of a bipartisan Victorian parliamentary committee report that found Victoria stood to lose up to \$1.2 billion a year if no action was taken by Canberra, an independent report commissioned by the South Australian Government has reached similar conclusions.

The report by consultants PwC found a failure to extend the "no worse off" guarantee beyond 2026-27 would have disastrous economic consequences for all states except WA.

The PwC report's base-case modelling shows that without the "no worse off" assurance in 2026-27, Victoria faces losing \$1 billion, with NSW losing \$1.1 billion, Queensland \$700 million, South Australia \$200 million and Tasmania \$100 million – while Western Australia would gain \$4.2 billion.

Victoria's Legislative Assembly Economy and Infrastructure Committee report also condemned the Commonwealth's GST revenue carve-up and lack of adequate investment in vital Victorian infrastructure projects.

The Committee had examined the adequacy of Victoria's GST share under the "no worse off" guarantee legislated by the Commonwealth in 2018, and impact of the guarantee's expiration in 2026-27.

The Andrews Labor Government's stance is that the original GST distribution arrangement provided a much fairer outcome for all jurisdictions and should never have been changed.

The new GST distribution system was introduced in 2018 and in response to criticism by states including Victoria, the Commonwealth agreed to introduce the "no worse off" guarantee, although only until 2026-27.

When these reforms were introduced in 2018, the Commonwealth Government predicted that all jurisdictions would be better off financially, even without the need for a safety net. PwC reported that there has been a significant disparity between Federal Treasury forecasts in 2018 and what has actually happened.

Victoria and NSW have also called on the Commonwealth to recognise their out-sized pandemic spending in the GST distribution. With no change, Department of Treasury and Finance estimates put Victoria's potential disadvantage at \$3 billion over four years.

Quotes attributable to Treasurer Tim Pallas

"This report reinforces the inequity of Canberra's GST carve-up."

"The system stands to cost Victorians billions of dollars – that's money we should have available to build schools and hospitals and pay wages for teachers and nurses."

"We want the Commonwealth to treat all of the states fairly, rather than favouring one state just to try and win seats in the west."

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