

STATEMENT OF ESTIMATED PAYMENTS TO THE STATES AND TERRITORIES

PROVIDED TO THE

MINISTERIAL COUNCIL FOR COMMONWEALTH-STATE FINANCIAL RELATIONS

26 MARCH 2004

Under the terms of the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999* (the Act), the States and Territories (the States) will receive all of the revenue raised by the goods and service tax (GST) from 1 July 2000. GST revenues will be distributed amongst the States on the basis of horizontal fiscal equalisation (HFE) principles.

Chart 1 shows each jurisdiction's share of GST revenue in 2004-05. Table A shows each State's share of GST revenue since the introduction of *The New Tax System* in 2000-01. This table also shows the increase in GST revenue to each State over the five years, reflecting the fact that the GST is a stable and growing source of revenue for the States. Total GST revenue estimates are 2003-04 MYEFO estimates of GST, although State shares have been revised due to updated population estimates and the recommended new CGC relativities.

Tables 1 and 2 show the latest available estimates of the Guaranteed Minimum Amount (GMA), GST revenue entitlement, Budget Balancing Assistance (BBA) and States' gains from tax reform for 2003-04 and 2004-05 respectively. These estimates will be subject to revision to account for parameter or estimate changes in the 2004-05 Australian Government Budget. In June 2004 the Australian Government Treasurer will determine the GMA for 2003-04 and the Commissioner of Taxation will determine GST revenue for 2003-04.

On the basis of the estimates provided in this report, only New South Wales and Victoria require BBA in 2003-04. All other States are estimated to benefit from gains from tax reform in 2003-04 of more than \$590 million, as their share of GST revenue exceeds their GMA in 2003-04. New South Wales is the only State estimated to require BBA in 2004-05. All other States will benefit from gains from tax reform in 2004-05 as their share of GST will exceed their GMA by a total of nearly \$1.0 billion.

Tables 3 and 4 show estimated BBA instalment amounts in 2003-04 and 2004-05. Table 3 also shows the amounts by which Victoria and South Australia have been overpaid BBA in 2003-04. Consistent with last year, this overpayment will be recovered through payments under the Act in 2004-05.

Tables 5 and 6 provide further detail on the estimation of the GMA for each State in 2003-04 and 2004-05 respectively.

Table 7 provides details of GST revenue and General Revenue Assistance to the States in 2003-04 and 2004-05, including National Competition Policy Payments.

Tables 8 and 9 provide further details of the distribution of GST revenue. The incorporation of the relativities recommended by the CGC should not be interpreted as an endorsement of those relativities by the Australian Government Treasurer. In accordance with the Intergovernmental Agreement, the final relativity factors for each State and Territory will be determined by the Australian Government Treasurer after consultation with each State and Territory.

Tables 10 and 11 show MYEFO consistent estimates of Specific Purpose Payments (SPPs) for 2003-04 and 2004-05 on a no-policy-change basis. Detailed estimates of the proposed level of SPPs and their distribution amongst the States in 2003-04 and 2004-05 will be included in the Australian Government's 2004-05 Budget Papers.

Table 12 provides a summary of the States' total payments for 2003-04 and 2004-05.

Attachment A shows the latest available estimates of the GMA, GST revenue entitlement, BBA and States' gains from tax reform for 2003-04, 2004-05, 2005-06 and 2006-07. On the basis of these estimates, no State will require BBA in 2006-07 as each State's share of GST revenue will exceed its GMA, with a total gain from tax reform of nearly \$1.4 billion.

Note: numbers in the tables in this report may not add due to rounding.

Chart 1: GST Revenue Provision to the States 2004-05

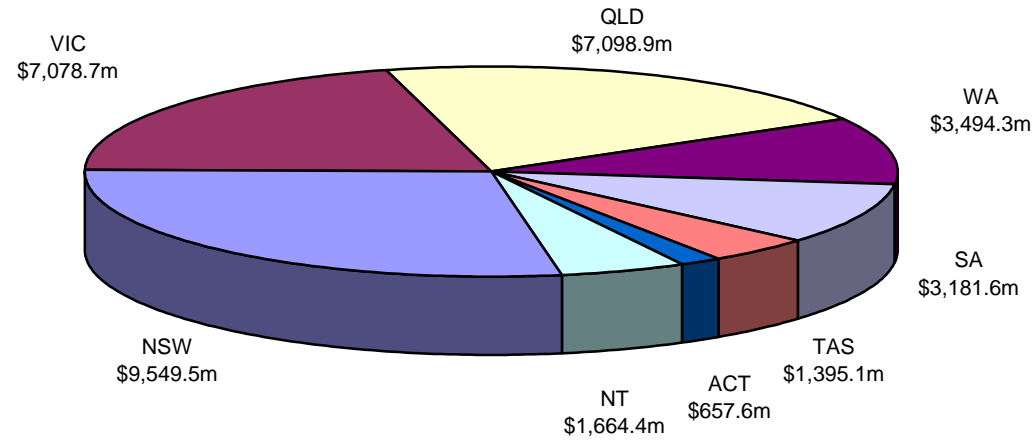


Table A: GST Revenue Provision to the States (\$m)

	2000-01	2001-02	2002-03	2003-04	2004-05	Increase from 2000-01 to 2004-05	% Increase	Average annual % increase
NSW	7,257.6	8,132.0	9,080.2	9,438.3	9,549.5	2,291.9	31.6	7.2
VIC	5,099.3	5,593.1	6,365.1	6,792.2	7,078.7	1,979.4	38.8	8.6
QLD	4,658.2	5,018.6	5,887.6	6,410.5	7,098.9	2,440.7	52.4	11.2
WA	2,374.6	2,518.1	2,910.2	3,079.6	3,494.3	1,119.7	47.2	10.2
SA	2,278.9	2,476.6	2,859.1	3,076.4	3,181.6	902.6	39.6	8.8
TAS	988.1	1,059.8	1,246.7	1,366.9	1,395.1	406.9	41.2	9.1
ACT	472.6	543.9	615.7	645.1	657.6	185.0	39.2	8.8
NT	1,225.6	1,289.8	1,514.5	1,648.0	1,664.4	438.8	35.8	8.1
Total	24,354.9	26,632.0	30,479.1	32,457.0	34,120.0	9,765.1	40.1	8.9

Table 5: Calculation of the Guaranteed Minimum Amount 2003-04 (\$m)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
State Revenues Forgone									
Financial Assistance Grants	5,398.2	4,003.7	4,217.7	1,803.2	2,166.7	1,032.5	443.1	1,386.8	20,451.8
Revenue Replacement Payments	2,542.6	1,701.4	1,542.1	1,062.3	661.3	224.5	113.1	143.5	7,990.8
Financial Institutions Duty	703.0	398.3	na	150.7	100.1	24.2	20.0	16.7	1,413.0
Marketable Securities Duty	456.0	236.5	27.0	29.3	15.6	0.8	24.8	1.1	791.1
Marketable Securities Duty Needs	-22.7	11.2	13.6	2.8	3.9	2.6	-12.2	0.9	0.0
Accommodation Taxes	82.0	na	na	na	na	na	na	9.0	91.0
plus Reduced Revenues									
Gambling Taxes	583.2	393.3	236.7	62.7	98.5	25.9	24.3	17.4	1,442.0
plus Interest Costs									
Interest Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
plus Additional Expenditures									
First Home Owners Scheme	268.9	206.7	194.4	103.6	61.7	24.2	13.8	8.1	881.5
GST Administration Costs	191.7	141.2	109.6	56.1	43.7	13.7	9.2	5.7	570.9
plus Other Items									
WST Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
minus Reduced Expenditures									
Off-road Diesel Subsidies	140.2	58.4	136.5	176.5	37.4	2.3	0.0	4.0	555.3
Savings from Tax Reform	179.1	122.9	101.6	60.6	44.1	14.9	10.1	14.8	548.0
Low Alcohol Beer Subsidies	25.3	17.5	4.9	8.0	4.7	1.7	1.0	1.2	64.4
minus Growth Dividend									
Remaining State Taxes	99.1	64.0	33.5	20.0	16.1	4.1	3.1	2.2	242.0
Plus Adjustments									
2002-03 BBA Adjustment	-4.4	6.4	0.0	-2.6	-0.6	2.1	0.3	0.0	1.2
Total Guaranteed Minimum Amount	9,755.0	6,836.0	6,064.6	3,003.0	3,048.6	1,327.5	622.1	1,566.9	32,223.7

Table 6: Calculation of the Guaranteed Minimum Amount 2004-05 (\$m)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
State Revenues Forgone									
Financial Assistance Grants	5,166.2	4,085.3	4,696.3	2,110.6	2,210.2	1,039.7	439.0	1,390.4	21,137.6
Revenue Replacement Payments	2,613.2	1,748.5	1,584.0	1,089.1	679.3	230.5	116.3	147.3	8,208.0
Financial Institutions Duty	737.0	410.2	na	155.8	103.7	24.8	20.5	18.2	1,470.2
Marketable Securities Duty	483.0	250.7	28.0	31.1	16.5	0.8	25.4	1.1	836.6
Marketable Securities Duty Needs	-29.1	12.4	13.8	3.9	2.4	2.8	-7.5	1.1	0.0
Accommodation Taxes	88.0	na	na	na	na	na	na	9.5	97.5
plus Reduced Revenues									
Gambling Taxes	608.2	415.3	250.7	63.7	102.5	26.2	24.9	18.2	1,509.7
plus Interest Costs									
Interest Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
plus Additional Expenditures									
First Home Owners Scheme	294.5	226.4	212.9	113.5	67.6	26.5	15.1	8.8	965.3
GST Administration Costs	194.9	143.9	112.9	57.4	44.3	14.0	9.3	5.7	582.3
plus Other Items									
WST Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
minus Reduced Expenditures									
Off-road Diesel Subsidies	141.9	59.2	140.0	179.7	37.7	2.3	0.0	4.0	564.8
Savings from Tax Reform	191.2	131.5	108.4	64.6	47.1	15.9	10.7	15.7	585.0
Low Alcohol Beer Subsidies	25.8	17.9	5.0	8.2	4.8	1.8	1.0	1.3	65.7
minus Growth Dividend									
Remaining State Taxes	122.9	79.3	41.5	24.7	19.9	5.1	3.9	2.7	300.0
Total Guaranteed Minimum Amount	9,674.1	7,004.8	6,603.7	3,347.8	3,117.0	1,340.3	627.4	1,576.6	33,291.7

Table 7: GST Entitlement and General Revenue Assistance (\$m)

	GST Entitlement	Budget Balancing Assistance	National Competition Policy Payments	Total		
				Level	Change \$m	%
2003-04						
New South Wales	9,438.3	316.7	203.5	9,958.5	-	-
Victoria	6,792.2	43.8	178.7	7,014.7	-	-
Queensland	6,410.5	0.0	87.9	6,498.4	-	-
Western Australia	3,079.6	0.0	33.6	3,113.2	-	-
South Australia	3,076.4	0.0	40.7	3,117.1	-	-
Tasmania	1,366.9	0.0	17.2	1,384.1	-	-
Australian Capital Territory	645.1	0.0	11.0	656.1	-	-
Northern Territory	1,648.0	0.0	5.9	1,653.9	-	-
Total	32,457.0	360.5	578.5	33,396.0	-	-
2004-05						
New South Wales	9,549.5	124.6	258.9	9,933.0	-25.5	-0.3
Victoria	7,078.7	0.0	191.1	7,269.7	255.1	3.6
Queensland	7,098.9	0.0	150.9	7,249.8	751.4	11.6
Western Australia	3,494.3	0.0	76.4	3,570.7	457.5	14.7
South Australia	3,181.6	0.0	59.0	3,240.5	123.5	4.0
Tasmania	1,395.1	0.0	18.8	1,413.8	29.7	2.1
Australian Capital Territory	657.6	0.0	12.4	670.0	13.8	2.1
Northern Territory	1,664.4	0.0	7.6	1,672.0	18.1	1.1
Total	34,120.0	124.6	775.0	35,019.6	1,623.6	4.9

Table 8: Distribution of GST Entitlements 2003-04

	Projected Population as at 31 December 2003	Per capita relativities	Weighted Populations (1) x (2)	Share of Weighted Population (%)	GST revenue/HCGs pool according to (4) (\$m)	Unquarantined Health Care Grants (\$m)	Distribution of GST Revenue (5) - (6) (\$m)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
New South Wales	6,718,063	0.89117	5,986,936	30.0	11,860.5	2,422.3	9,438.3
Victoria	4,947,771	0.87010	4,305,056	21.5	8,528.6	1,736.4	6,792.2
Queensland	3,841,027	1.01902	3,914,083	19.6	7,754.1	1,343.6	6,410.5
Western Australia	1,966,423	0.96946	1,906,368	9.5	3,776.6	697.0	3,079.6
South Australia	1,531,880	1.21215	1,856,868	9.3	3,678.6	602.2	3,076.4
Tasmania	480,149	1.59948	767,989	3.8	1,521.4	154.5	1,366.9
Australian Capital Territory	323,329	1.14979	371,760	1.9	736.5	91.4	645.1
Northern Territory	198,613	4.38638	871,192	4.4	1,725.9	77.9	1,648.0
Total	20,007,255	na	19,980,253	100.0	39,582.2	7,125.2	32,457.0

Table 9: Distribution of GST Entitlement 2004-05

	Projected Population as at 31 December 2004	Per capita relativities	Weighted Populations (1) x (2)	Share of Weighted Population (%)	GST revenue/HCGs pool according to (4) (\$m)	Unquarantined Health Care Grants (\$m)	Distribution of GST Revenue (5) - (6) (\$m)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
New South Wales	6,776,851	0.86750	5,878,918	29.1	12,084.4	2,534.9	9,549.5
Victoria	5,003,201	0.86534	4,329,470	21.4	8,899.4	1,820.8	7,078.7
Queensland	3,927,404	1.05504	4,143,568	20.5	8,517.3	1,418.4	7,098.9
Western Australia	1,996,095	1.03054	2,057,056	10.2	4,228.4	734.0	3,494.3
South Australia	1,539,177	1.20407	1,853,277	9.2	3,809.5	628.0	3,181.6
Tasmania	485,402	1.55939	756,931	3.7	1,555.9	160.9	1,395.1
Australian Capital Territory	324,575	1.12930	366,543	1.8	753.4	95.8	657.6
Northern Territory	199,107	4.26538	849,267	4.2	1,745.7	81.3	1,664.4
Total	20,251,812	na	20,235,030	100.0	41,594.1	7,474.1	34,120.0

Table 10: Estimates of Specific Purpose Payments (\$m)

	"To" the States	"Through" the States			Direct to Local Government	Total (including Direct to Local Government)
		Local Gov. FAGs	Other	Total		
2003-04						
New South Wales	5,769.6	486.8	1,479.8	1,966.6	113.7	7,849.9
Victoria	3,809.4	354.5	1,165.3	1,519.8	96.7	5,425.9
Queensland	3,145.3	284.9	801.3	1,086.3	72.2	4,303.8
Western Australia	1,912.8	173.4	437.1	610.5	54.3	2,577.5
South Australia	1,343.5	106.0	333.3	439.2	27.5	1,810.2
Tasmania	417.8	49.6	89.2	138.8	16.1	572.7
Australian Capital Territory (a)	274.8	31.9	96.1	128.0	5.0	407.8
Northern Territory	282.5	21.2	51.3	72.5	5.9	360.9
Total	16,955.7	1,508.4	4,453.3	5,961.7	391.4	23,308.8
2004-05						
New South Wales	5,983.3	497.2	1,580.3	2,077.5	100.3	8,161.1
Victoria	4,100.0	362.8	1,246.2	1,608.9	87.2	5,796.2
Queensland	3,282.3	293.3	856.4	1,149.7	61.0	4,493.0
Western Australia	2,043.9	177.6	467.0	644.7	47.0	2,735.6
South Australia	1,408.7	107.9	356.5	464.4	23.5	1,896.5
Tasmania	427.6	50.5	95.9	146.3	14.0	588.0
Australian Capital Territory (a)	271.9	32.6	102.7	135.3	4.2	411.4
Northern Territory	299.4	21.7	54.4	76.1	5.1	380.6
Total	17,817.2	1,543.6	4,759.4	6,303.0	342.2	24,462.3

(a) Specific Purpose Payments 'to' the Australian Capital Territory include the Commonwealth Grants Commission's recommended amount of Special Revenue Assistance

Table 11: Estimates of Selected Specific Purpose Payments (\$m) (a)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2003-04									
Health Care Grants	2,537.5	1,819.8	1,418.8	732.8	636.9	167.7	98.8	92.1	7,504.4
Government Schools	603.8	428.5	355.2	183.7	136.3	50.7	30.4	18.7	1,807.4
CSHA Block Assistance	240.1	176.5	131.7	69.7	55.7	21.6	16.7	13.2	725.2
Roads (b)	410.5	148.6	233.9	76.6	54.4	14.7	3.2	30.7	972.6
HACC & SAAP (c)	289.1	244.7	149.3	90.1	82.0	25.7	13.0	9.8	903.6
Disability Services	192.0	124.1	105.4	43.9	61.3	19.1	7.6	5.7	559.0
Debt Redemption Assistance	9.6	5.0	8.7	3.1	3.8	3.7	0.0	1.4	35.3
2004-05									
Health Care Grants	2,666.8	1,916.4	1,503.9	774.8	666.9	175.4	104.2	96.5	7,904.9
Government Schools	637.1	452.1	374.9	193.8	143.8	53.5	32.1	19.8	1,907.1
CSHA Block Assistance	242.9	178.5	133.2	70.5	56.3	21.9	17.0	13.4	733.8
Roads (b)	495.6	298.5	271.1	96.3	67.7	30.8	0.6	27.3	1,287.9
HACC & SAAP (c)	308.9	262.2	159.6	96.6	87.9	27.6	13.8	10.4	967.0
Disability Services	186.3	127.3	108.0	45.1	62.7	19.5	7.8	5.8	562.5
Debt Redemption Assistance	9.6	5.0	28.2	3.1	3.7	2.8	0.0	1.4	53.7

(a) These accrual based estimates provide a guide to the major components of Specific Purpose Payments and should not be taken as Commonwealth commitments.

There are further Commonwealth budget processes and various parameter changes that could affect program totals and the interstate distribution.

(b) Roads Programme and Road Safety Blackspots Programme

(c) Home and Community Care and Supported Accommodation Assistance Programme

Table 12: Total Payments (\$m)

	GST Entitlement	General Revenue Assistance	Specific Purpose Payments "To"	Total Payments "To" the States		Other Specific Purpose Payments		Total Payments				
				Change		Through	Direct to Local Government	Change				
				\$m	%			\$m	%			
2003-04												
New South Wales	9,438.3	520.3	5,769.6	15,728.1	-	-	1,966.6	113.7	17,808.4	-	-	
Victoria	6,792.2	222.5	3,809.4	10,824.1	-	-	1,519.8	96.7	12,440.5	-	-	
Queensland	6,410.5	87.9	3,145.3	9,643.7	-	-	1,086.3	72.2	10,802.1	-	-	
Western Australia	3,079.6	33.6	1,912.8	5,025.9	-	-	610.5	54.3	5,690.7	-	-	
South Australia	3,076.4	40.7	1,343.5	4,460.5	-	-	439.2	27.5	4,927.3	-	-	
Tasmania	1,366.9	17.2	417.8	1,801.9	-	-	138.8	16.1	1,956.8	-	-	
Australian Capital Territory	645.1	11.0	274.8	931.0	-	-	128.0	5.0	1,064.0	-	-	
Northern Territory	1,648.0	5.9	282.5	1,936.4	-	-	72.5	5.9	2,014.9	-	-	
Total	32,457.0	939.0	16,955.7	50,351.6	-	-	5,961.7	391.4	56,704.7	-	-	
2004-05												
New South Wales	9,549.5	383.5	5,983.3	15,916.3	188.2	1.2	2,077.5	100.3	18,094.1	285.7	1.6	
Victoria	7,078.7	191.1	4,100.0	11,369.8	545.7	5.0	1,608.9	87.2	13,065.9	625.4	5.0	
Queensland	7,098.9	150.9	3,282.3	10,532.1	888.4	9.2	1,149.7	61.0	11,742.8	940.7	8.7	
Western Australia	3,494.3	76.4	2,043.9	5,614.6	588.7	11.7	644.7	47.0	6,306.3	615.6	10.8	
South Australia	3,181.6	59.0	1,408.7	4,649.2	188.7	4.2	464.4	23.5	5,137.1	209.8	4.3	
Tasmania	1,395.1	18.8	427.6	1,841.5	39.6	2.2	146.3	14.0	2,001.8	45.0	2.3	
Australian Capital Territory	657.6	12.4	271.9	941.9	10.9	1.2	135.3	4.2	1,081.3	17.4	1.6	
Northern Territory	1,664.4	7.6	299.4	1,971.4	35.0	1.8	76.1	5.1	2,052.6	37.7	1.9	
Total	34,120.0	899.6	17,817.2	52,836.8	2,485.1	4.9	6,303.0	342.2	59,481.9	2,777.2	4.9	

Attachment A: Forward Estimates of Budget Balancing Assistance and State and Territory gains from tax reform

2003-04 (\$m)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Guaranteed Minimum Amount	9,755.0	6,836.0	6,064.6	3,003.0	3,048.6	1,327.5	622.1	1,566.9	32,223.7
(2) GST Revenue	9,438.3	6,792.2	6,410.5	3,079.6	3,076.4	1,366.9	645.1	1,648.0	32,457.0
(3) Budget Balancing Assistance (1) - (2) *	316.7	43.8	0.0	0.0	0.0	0.0	0.0	0.0	360.5
(4) State and Territory gains from tax reform (2) - (1) *	0.0	0.0	345.9	76.6	27.8	39.5	23.0	81.1	593.9

2004-05 (\$m)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Guaranteed Minimum Amount	9,674.1	7,004.8	6,603.7	3,347.8	3,117.0	1,340.3	627.4	1,576.6	33,221.7
(2) GST Revenue	9,549.5	7,078.7	7,098.9	3,494.3	3,181.6	1,395.1	657.6	1,664.4	34,120.0
(3) Budget Balancing Assistance (1) - (2) *	124.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	124.6
(4) State and Territory gains from tax reform (2) - (1) *	0.0	73.9	495.2	146.5	64.6	54.8	30.2	87.8	953.0

2005-06 (\$m)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Guaranteed Minimum Amount	10,275.8	7,544.1	7,196.2	3,502.8	3,267.6	1,418.0	658.8	1,649.1	35,512.4
(2) GST Revenue	10,156.7	7,572.5	7,519.8	3,606.4	3,323.8	1,467.6	686.9	1,736.3	36,070.0
(3) Budget Balancing Assistance (1) - (2) *	119.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	119.1
(4) State and Territory gains from tax reform (2) - (1) *	0.0	28.3	323.6	103.5	56.1	49.7	28.1	87.2	676.7

2006-07 (\$m)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Guaranteed Minimum Amount	10,606.9	7,927.6	7,456.4	3,541.0	3,386.7	1,465.5	676.1	1,720.7	36,780.9
(2) GST Revenue	10,751.8	8,142.4	7,951.4	3,727.6	3,506.1	1,540.3	716.8	1,813.6	38,150.0
(3) Budget Balancing Assistance (1) - (2) *	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(4) State and Territory gains from tax reform (2) - (1) *	144.9	214.8	495.0	186.6	119.3	74.8	40.7	92.9	1,369.1

(a) Projections will be affected by variations in Guaranteed Minimum Amount components, GST revenue growth and recommendations by the Commonwealth Grants Commission on the distribution of GST to each of the States and Territories in future years. See Budget Paper No. 3, *Federal Financial Relations 2003-04*, for details of the Guaranteed Minimum Amount and the distribution of GST revenue among the States and Territories.

(b) In accordance with the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations, Bank Account Debits tax is scheduled to be abolished by 1 July 2005. The revenue forgone by the States and Territories is included in each State's and Territory's Guaranteed Minimum Amount from 2005-06 to ensure the States are no worse off. Accordingly, the State and Territory gains from tax reform decrease in 2005-06 compared to 2004-05.

* Where the difference between the Guaranteed Minimum Amount and GST Revenue (and vice versa) is less than zero, the reported amount is zero.