

**STATEMENT OF ESTIMATED PAYMENTS TO THE STATES AND TERRITORIES  
MINISTERIAL COUNCIL FOR COMMONWEALTH-STATE FINANCIAL RELATIONS**

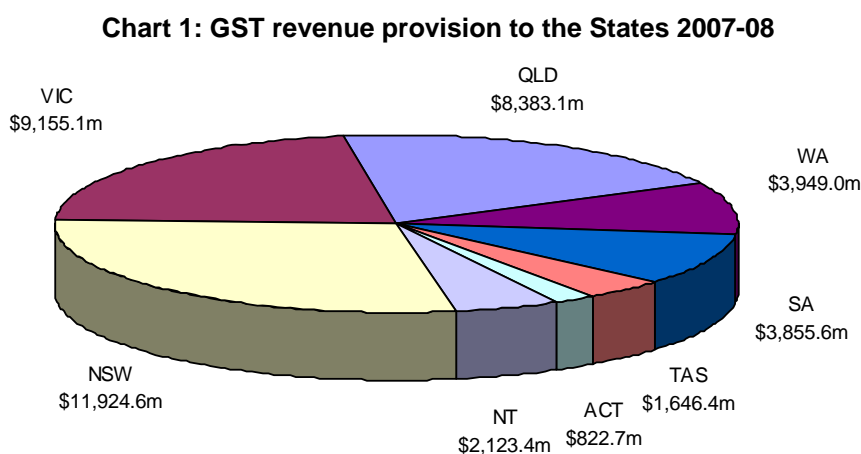
**30 MARCH 2007**

Under the terms of the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999* (the Act), the States and Territories (the States) receive all the revenue raised from the goods and service tax (GST) and the GST revenue is distributed among the States on the basis of horizontal fiscal equalisation (HFE) principles. The Australian Government also provides substantial funding to the States through general revenue assistance and specific purpose payments.

Total GST and other payments to the States are estimated to be \$67.6 billion in 2006-07 (an increase of 3.8 per cent over 2005-06) and \$71.7 billion in 2007-08 (an increase of 6.0 per cent).

**GST REVENUE TO THE STATES**

It is estimated that the States will receive GST revenue of \$39.3 billion in 2006-07 (an increase of 5.8 per cent over 2005-06) and \$41.9 billion in 2007-08 (an increase of 6.4 per cent). Each jurisdiction's share of GST revenue in 2007-08 is shown in Chart 1.



Each State's share of GST revenue since the introduction of *The New Tax System* in 2000-01 is shown in Table 1. The table also includes the increase in GST revenue to each State over the period and demonstrates that the GST is a stable and growing source of revenue for the States. Total GST revenue estimates are as at the Australian Government's Mid-Year Economic and Fiscal Outlook 2006-07 (MYEFO), although State shares have been revised since then due to updated population estimates and the recommendation of the Commonwealth Grants Commission (CGC) relativities for 2007-08.

**Table 1: GST revenue provision to the States (\$m)**

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Average annual % increase <sup>(a)</sup>
NSW	7,257.6	8,132.0	9,080.2	9,667.1	9,884.1	10,361.6	10,970.1	11,924.6	6.6
VIC	5,099.3	5,593.1	6,365.1	6,961.0	7,346.4	7,832.7	8,529.7	9,155.1	8.6
QLD	4,658.2	5,018.6	5,887.6	6,552.8	7,328.7	7,689.1	8,006.3	8,383.1	9.0
WA	2,374.6	2,518.1	2,910.2	3,157.9	3,623.9	3,803.7	3,958.1	3,949.0	7.9
SA	2,278.9	2,476.6	2,859.1	3,146.4	3,293.3	3,441.7	3,571.9	3,855.6	7.7
TAS	988.1	1,059.8	1,246.7	1,394.5	1,435.5	1,496.4	1,565.3	1,646.4	7.7
ACT	472.6	543.9	615.7	658.1	680.4	722.7	764.4	822.7	7.2
NT	1,225.6	1,289.8	1,514.5	1,680.9	1,730.4	1,833.7	1,975.9	2,123.4	8.8
<b>Total</b>	<b>24,354.9</b>	<b>26,632.0</b>	<b>30,479.1</b>	<b>33,218.7</b>	<b>35,322.7</b>	<b>37,181.6</b>	<b>39,341.7</b>	<b>41,860.0</b>	<b>7.9</b>

(a) As only 11 monthly activity statements, 3 quarterly activity statements and no annual activity statements were payable in 2000-01, the calculated annual increase uses 2001-02 as the base year.

Table 2 contains further details of the distribution of GST revenue. In accordance with the Act, the final relativity factors will be determined by the Australian Treasurer after consultation with each State.

**Table 2: Distribution of GST Revenue 2006-07 and 2007-08 (a)**

	Projected Population as at 31-Dec-07	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)
<b>2006-07</b>							
NSW	6,863,553	0.87332	5,994,078	28.9	13,757.5	2,787.4	10,970.1
VIC	5,128,419	0.89559	4,592,961	22.1	10,541.7	2,011.9	8,529.7
QLD	4,089,996	1.02387	4,187,624	20.2	9,611.3	1,605.1	8,006.3
WA	2,073,267	1.00480	2,083,219	10.0	4,781.4	823.3	3,958.1
SA	1,561,537	1.18862	1,856,074	8.9	4,260.0	688.1	3,571.9
TAS	490,427	1.54931	759,823	3.7	1,743.9	178.7	1,565.3
ACT	330,735	1.14575	378,940	1.8	869.7	105.3	764.4
NT	208,330	4.32755	901,558	4.3	2,069.2	93.3	1,975.9
Total	20,746,264	n/a	20,754,277	100.0	47,634.7	8,293.0	39,341.7
<b>2007-08</b>							
NSW	6,928,601	0.89079	6,171,928	29.4	14,858.4	2,933.7	11,924.6
VIC	5,198,499	0.90096	4,683,640	22.3	11,275.4	2,120.3	9,155.1
QLD	4,165,916	1.00607	4,191,203	19.9	10,089.9	1,706.8	8,383.1
WA	2,114,454	0.94747	2,003,382	9.5	4,823.0	873.9	3,949.0
SA	1,574,204	1.20791	1,901,497	9.0	4,577.7	722.1	3,855.6
TAS	493,242	1.54465	761,886	3.6	1,834.2	187.8	1,646.4
ACT	333,585	1.16293	387,936	1.8	933.9	111.2	822.7
NT	211,303	4.36824	923,022	4.4	2,222.1	98.7	2,123.4
Total	21,019,804	n/a	21,024,494	100.0	50,614.6	8,754.6	41,860.0

(a) The incorporation of per capita relativities should not be interpreted as an endorsement of these relativities by the Australian Treasurer.

## GENERAL REVENUE ASSISTANCE

In the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA), the Australian Government guaranteed that the financial position of each individual State would be no worse than it would have been had the reforms in the IGA not been implemented.

The Guaranteed Minimum Amount (GMA) is an estimate of the revenue that each State would have received under the previous system of financial assistance grants and if their own inefficient state taxes had not been abolished as part of the reforms. The Australian Government provides Budget Balancing Assistance (BBA) during the transitional period if a States' share of GST revenue is less than its GMA.

Table 3 contains the latest available estimates of the GMA, GST revenue entitlement, BBA and States' gains from tax reform for 2000-01 to 2009-10. These estimates are subject to revision in the 2007-08 Australian Government Budget and State data. In June 2007, the Australian Treasurer will determine the GMA for 2006-07 and the Commissioner of Taxation will determine GST revenue for 2006-07.

**Table 3: Historical and forward estimates GMA, GST, BBA, gains from tax reform (\$m) (a)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2000-01</b>									
(1) GMA(b)	8,264.7	5,769.8	5,121.1	2,587.6	2,546.7	1,087.2	517.8	1,278.0	27,173.0
(2) GST revenue	7,257.6	5,099.3	4,658.2	2,374.6	2,278.9	988.1	472.6	1,225.6	24,354.9
(3) BBA (1) - (2)	1,007.2	670.5	462.9	213.0	267.8	99.1	45.2	52.5	2,818.1
<b>2001-02</b>									
(1) GMA	9,709.2	6,570.2	5,543.0	2,869.8	2,841.2	1,197.7	607.0	1,387.7	30,725.8
(2) GST revenue	8,132.0	5,593.1	5,018.6	2,518.1	2,476.6	1,059.8	543.9	1,289.8	26,632.0
(3) BBA (1) - (2)	1,577.2	977.1	524.4	351.7	364.6	137.9	63.1	97.8	4,093.8
<b>2002-03</b>									
(1) GMA	9,678.9	6,591.7	5,811.6	2,954.3	2,946.8	1,279.4	619.7	1,504.6	31,387.1
(2) GST revenue	9,080.2	6,365.1	5,887.6	2,910.2	2,859.1	1,246.7	615.7	1,514.5	30,479.1
(3) BBA (1) - (2)	598.7	226.6	0.0	44.1	87.7	32.8	4.0	0.0	994.0
(4) States' revenue gain (2) - (1)	0.0	0.0	76.0	0.0	0.0	0.0	0.0	9.9	86.0
<b>2003-04</b>									
(1) GMA	9,735.9	6,834.4	6,049.3	3,001.3	3,047.2	1,325.0	619.3	1,569.3	32,181.5
(2) GST revenue	9,667.1	6,961.0	6,552.8	3,157.9	3,146.4	1,394.5	658.1	1,680.9	33,218.7
(3) BBA (1) - (2)	68.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	68.8
(4) States' revenue gain (2) - (1)	0.0	126.6	503.6	156.7	99.3	69.5	38.8	111.6	1,106.0
<b>2004-05</b>									
(1) GMA	9,675.6	7,050.4	6,559.7	3,374.0	3,118.1	1,329.4	624.8	1,589.5	33,321.5
(2) GST revenue	9,884.1	7,346.4	7,328.7	3,623.9	3,293.3	1,435.5	680.4	1,730.4	35,322.7
(3) BBA (1) - (2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(4) States' revenue gain (2) - (1)	208.5	296.0	768.9	249.9	175.2	106.1	55.7	140.9	2,001.2
<b>2005-06</b>									
(1) GMA	10,305.6	7,659.7	7,084.7	3,580.1	3,267.2	1,394.2	668.8	1,701.0	35,661.4
(2) GST revenue	10,361.6	7,832.7	7,689.1	3,803.7	3,441.7	1,496.4	722.7	1,833.7	37,181.6
(3) BBA (1) - (2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(4) States' revenue gain (2) - (1)	56.0	173.0	604.4	223.6	174.4	102.2	53.9	132.7	1,520.2
<b>2006-07</b>									
(1) GMA(b)	10,823.7	8,109.9	7,336.3	3,656.6	3,379.0	1,459.9	704.4	1,866.1	37,335.8
(2) GST revenue	10,970.1	8,529.7	8,006.3	3,958.1	3,571.9	1,565.3	764.4	1,975.9	39,341.7
(3) BBA (1) - (2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(4) States' revenue gain (2) - (1)	146.4	419.9	670.0	301.5	192.9	105.4	60.0	109.9	2,005.9
<b>2007-08</b>									
(1) GMA	11,240.8	8,409.0	7,517.1	3,521.5	3,575.8	1,525.6	737.6	1,998.9	38,526.2
(2) GST revenue	11,924.6	9,155.1	8,383.1	3,949.0	3,855.6	1,646.4	822.7	2,123.4	41,860.0
(3) BBA (1) - (2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(4) States' revenue gain (2) - (1)	683.8	746.1	866.1	427.6	279.7	120.8	85.1	124.5	3,333.8
<b>2008-09</b>									
(1) GMA	11,855.7	8,781.2	7,633.9	3,390.8	3,721.2	1,569.1	760.4	2,120.1	39,832.3
(2) GST revenue	12,958.5	9,878.9	8,683.4	3,945.5	4,090.9	1,708.9	863.7	2,250.2	44,380.0
(3) BBA (1) - (2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(4) States' revenue gain (2) - (1)	1,102.8	1,097.7	1,049.5	554.7	369.7	139.9	103.3	130.1	4,547.7
<b>2009-10</b>									
(1) GMA(c)	12,771.7	9,198.7	7,871.2	3,335.7	3,897.4	1,612.1	798.5	2,247.0	41,732.4
(2) GST revenue	14,006.3	10,400.2	8,921.3	3,921.9	4,307.8	1,762.1	907.7	2,392.5	46,620.0
(3) States' revenue gain (2) - (1)	1,234.6	1,201.6	1,050.1	586.2	410.4	150.0	109.3	145.5	4,887.6

(a) Estimates from 2006-07 will be affected by variations in GMA components and GST revenue. Estimates from 2008-09 will be affected by recommendations by the Commonwealth Grants Commission on the distribution of GST provided to each of the States. Where GST revenue exceeds the GMA, no BBA is payable. As part of the agreement with the States to abolish the majority of the state taxes listed for review under the Intergovernmental Agreement, the Australian Government has extended the transitional period (in which BBA may be paid) from 30 June 2006 to 30 June 2009. Revenue foregone from the abolition of a tax is only included in the calculation of GMA once all States have abolished the tax.

(b) As part of the agreement with the States to abolish the majority of the state taxes listed for review under the Intergovernmental Agreement, stamp duties on cheques, bills of exchange and promissory notes have been abolished in all States. The revenue foregone is included in the GMA from 2006-07.

(c) As part of the agreement with the States to abolish the majority of the state taxes listed for review under the Intergovernmental Agreement, all States will have abolished stamp duties on credit arrangements, instalment purchase arrangements, rental arrangements and leases by 1 July 2009. The revenue foregone is included in the GMA from 2009-10.

On the basis of the estimates provided in this report, the States' collective gains from tax reform are estimated at \$2.0 billion in 2006-07 and \$3.3 billion in 2007-08, with all States receiving GST revenue in excess of their GMA.

Further detail on the estimation of the GMA for each State in 2006-07 and 2007-08 is provided in Appendix A.

Table 4 is a reconciliation of the change in the GMA for each State since the March Heads of Treasuries Report.

**Table 4: Changes in Guaranteed Minimum Amount between HoTs and SEP (\$m)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2006-07</b>									
Heads of Treasuries Report	10,818.7	8,106.1	7,332.8	3,654.9	3,377.4	1,459.3	704.1	1,865.3	37,318.6
<i>Changes between HoTs and SEP</i>									
GST Administration costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Compensation for GST deferred	5.0	3.8	3.5	1.7	1.5	0.6	0.3	0.7	17.2
<b>Total variation</b>	<b>5.0</b>	<b>3.8</b>	<b>3.5</b>	<b>1.7</b>	<b>1.5</b>	<b>0.6</b>	<b>0.3</b>	<b>0.7</b>	<b>17.2</b>
Statement of Estimated Payments	10,823.7	8,109.9	7,336.3	3,656.6	3,379.0	1,459.9	704.4	1,866.1	37,335.8
<b>2007-08</b>									
Heads of Treasuries Report	11234.4	8404.2	7512.8	3519.4	3574.0	1524.8	737.2	1998.1	38504.9
<i>Changes between HoTs and SEP</i>									
GST Administration costs	1.0	0.8	0.6	0.3	0.2	0.1	0.0	0.0	3.1
Compensation for GST deferred	5.3	4.1	3.6	1.7	1.6	0.7	0.3	0.8	18.2
<b>Total variation</b>	<b>6.4</b>	<b>4.8</b>	<b>4.2</b>	<b>2.0</b>	<b>1.9</b>	<b>0.7</b>	<b>0.4</b>	<b>0.8</b>	<b>21.3</b>
Statement of Estimated Payments	11240.8	8409.0	7517.1	3521.5	3575.8	1525.6	737.6	1998.9	38526.2
<b>2008-09</b>									
Heads of Treasuries Report	11848.2	8775.5	7629.0	3388.5	3719.0	1568.3	760.0	2119.2	39807.7
<i>Changes between HoTs and SEP</i>									
GST Administration costs	1.8	1.4	1.1	0.6	0.4	0.1	0.1	0.1	5.5
Compensation for GST deferred	5.7	4.3	3.7	1.7	1.7	0.7	0.4	0.8	19.1
<b>Total variation</b>	<b>7.5</b>	<b>5.7</b>	<b>4.8</b>	<b>2.3</b>	<b>2.1</b>	<b>0.8</b>	<b>0.4</b>	<b>0.9</b>	<b>24.6</b>
Statement of Estimated Payments	11855.7	8781.2	7633.9	3390.8	3721.2	1569.1	760.4	2120.1	39832.3
<b>2009-10</b>									
Heads of Treasuries Report	12763.9	9192.8	7866.3	3333.5	3895.2	1611.3	798.0	2246.1	41707.2
<i>Changes between HoTs and SEP</i>									
GST Administration costs	2.0	1.5	1.2	0.6	0.4	0.1	0.1	0.1	6.0
Compensation for GST deferred	5.9	4.3	3.7	1.7	1.7	0.7	0.4	0.9	19.2
<b>Total variation</b>	<b>7.8</b>	<b>5.8</b>	<b>4.9</b>	<b>2.3</b>	<b>2.2</b>	<b>0.8</b>	<b>0.4</b>	<b>0.9</b>	<b>25.2</b>
Statement of Estimated Payments	12771.7	9198.7	7871.2	3335.7	3897.4	1612.1	798.5	2247.0	41732.4

Changes in the GMA are due to the suspension of the compensation for GST deferral amounts and revised estimates for the GST administration budget.

- The Australian Government provided payment to the States to fully offset the cost of allowing certain small businesses to pay GST annually. The suspension of the compensation payments is due to a significant overpayment compared to the latest estimates of the required compensation.
  - As the States received compensation for lower expected GST revenue, an equivalent amount was deducted from each State's GMA so that double compensation would not occur in the event that a State required payment of BBA.
  - The subsequent suspension of compensation payments therefore also requires the removal of this component from the calculation of GMA.

- Changes in the GMA also reflect revised estimates of GST administration costs. These revisions are agreed in consultation with each State, and are also subject to the Australian Government's own budget processes.

## SPECIFIC PURPOSE PAYMENTS

The States receive substantial specific purpose payments from the Australian Government to help fund areas such as education, health, social security, housing and transport. These payments are a financial contribution to important areas of state responsibility which the Australian Government makes to pursue its own objectives.

Table 5 contains MYEFO estimates of aggregate specific purpose payments for 2006-07 and 2007-08 on a no-policy change basis. Detailed estimates of the proposed level of specific purpose payments and their distribution among the States in 2006-07 and 2007-08 will be included in the Australian Government's budget papers.

**Table 5: Estimates of aggregate specific purpose payments by State (\$m)**

	"To" the States	"Through" the States			Direct to Local Government	Total SPPs
		Local Gov. FAGs	Other	Total		
<b>2006-07</b>						
New South Wales	6,658.3	541.7	1,792.7	2,334.4	146.8	9,139.5
Victoria	4,597.7	397.5	1,416.9	1,814.4	108.7	6,520.8
Queensland	3,949.8	327.3	1,070.5	1,397.9	99.5	5,447.2
Western Australia	2,638.6	196.1	539.9	736.1	61.9	3,436.6
South Australia	1,586.5	117.4	449.6	567.0	29.5	2,183.0
Tasmania	501.2	55.6	114.3	169.9	22.5	693.5
Australian Capital Territory	297.0	35.5	110.2	145.7	1.2	443.9
Northern Territory	332.6	23.9	50.8	74.8	13.5	420.9
Total	20,561.8	1,695.1	5,544.9	7,240.0	483.7	28,285.5
<b>2007-08</b>						
New South Wales	6,889.7	563.1	1,936.0	2,499.0	160.4	9,549.1
Victoria	4,790.1	413.7	1,523.7	1,937.4	123.9	6,851.5
Queensland	4,154.9	342.9	1,169.3	1,512.2	111.7	5,778.8
Western Australia	2,816.9	204.8	586.2	791.1	78.0	3,686.0
South Australia	1,658.7	121.7	473.3	595.0	36.3	2,290.0
Tasmania	524.7	57.7	123.1	180.8	19.1	724.5
Australian Capital Territory	296.5	36.8	119.9	156.8	0.0	453.3
Northern Territory	370.2	25.0	54.9	80.0	15.1	465.3
Total	21,501.8	1,765.8	5,986.5	7,752.3	544.4	29,798.5

Table 6 contains estimates of the major SPPs paid to the States.

**Table 6: Estimates of selected specific purpose payments to the States (\$m) (a)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2006-07</b>									
Health Care Grants	2,940.0	2,129.1	1,705.2	871.0	740.9	195.4	115.9	110.8	8,808.2
Government Schools	821.1	595.3	502.5	247.4	179.9	68.0	40.4	30.6	2,485.2
CSHA Block Assistance	245.3	182.1	144.2	73.1	55.7	21.8	17.0	13.4	752.6
Auslink	674.8	308.8	432.8	168.1	110.3	44.7	12.2	40.0	1,791.6
Home and Community Care	284.5	230.4	200.1	92.9	79.0	24.1	11.0	6.4	928.4
Supported Accommodation Assistance	59.4	37.7	30.4	18.2	17.3	7.8	6.0	5.2	182.0
Disability Services	206.1	139.6	118.2	50.0	67.1	20.8	8.7	6.5	616.9
Other	1,427.3	974.7	816.5	1,118.0	336.4	118.6	85.9	119.7	4,996.9
<b>Total</b>	<b>6,658.3</b>	<b>4,597.7</b>	<b>3,949.8</b>	<b>2,638.6</b>	<b>1,586.5</b>	<b>501.2</b>	<b>297.0</b>	<b>332.6</b>	<b>20,561.8</b>
<b>2007-08</b>									
Health Care Grants	3,089.7	2,237.8	1,806.9	922.7	769.5	204.5	119.6	116.7	9,267.5
Government Schools	779.9	572.8	475.5	234.2	170.1	64.6	38.5	29.0	2,364.5
CSHA Block Assistance	249.9	185.6	147.0	74.5	56.8	22.1	17.3	13.6	766.7
Auslink	754.3	418.9	599.8	266.9	142.3	55.6	6.2	55.6	2,299.6
Home and Community Care	313.5	253.7	229.7	104.2	88.6	27.9	13.0	8.0	1,038.7
Supported Accommodation Assistance	61.0	39.5	30.6	18.2	17.4	7.8	6.3	5.2	186.0
Disability Services	213.5	142.9	121.2	51.0	70.4	22.4	8.9	6.6	636.7
Other	1,428.0	938.9	744.3	1,145.1	343.5	119.7	86.9	135.7	4,942.1
<b>Total</b>	<b>6,889.7</b>	<b>4,790.1</b>	<b>4,154.9</b>	<b>2,816.9</b>	<b>1,658.7</b>	<b>524.7</b>	<b>296.5</b>	<b>370.2</b>	<b>21,501.8</b>

(a) These accrual based estimates provide a guide to the major components of specific purpose payments and should not be taken as Australian Government commitments. There are further Commonwealth budget processes and various parameter changes that could affect programme totals and the interstate distribution.

## TOTAL PAYMENTS TO THE STATES

Total payments to the States include GST revenue, specific purpose payments 'to' and 'through' the States and direct to local government, as well as additional payments classified under general revenue assistance. It is estimated that total payments to the States will be \$67.6 billion in 2006-07 (an increase of 3.8 per cent over 2005-06) and \$71.7 billion in 2007-08 (an increase of 6.0 per cent).

Table 7 is a summary of the States' total payments for 2006-07 and 2007-08.

**Table 7: GST revenue and Australian Government payments to the States, 2006-07 and 2007-08 (\$m)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2006-07</b>									
(1) GST revenue to the States	10,970.1	8,529.7	8,006.3	3,958.1	3,571.9	1,565.3	764.4	1,975.9	39,341.7
(2) General revenue assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(3) Specific purpose payments									
SPPs to the States	6,658.3	4,597.7	3,949.8	2,638.6	1,586.5	501.2	297.0	332.6	20,561.8
SPPs through the States	2,334.4	1,814.4	1,397.9	736.1	567.0	169.9	145.7	74.8	7,240.0
SPPs direct to local government	146.8	108.7	99.5	61.9	29.5	22.5	1.2	13.5	483.7
(4) Australian Government payments to the States and local govt (2) + (3)	9,139.5	6,520.8	5,447.2	3,436.6	2,183.0	693.5	443.9	420.9	28,285.5
(5) GST and total payments (1) + (4)	20,109.6	15,050.5	13,453.5	7,394.7	5,754.9	2,258.8	1,208.3	2,396.8	67,627.2
<b>2007-08</b>									
(1) GST revenue to the States	11,924.6	9,155.1	8,383.1	3,949.0	3,855.6	1,646.4	822.7	2,123.4	41,860.0
(2) General revenue assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(3) Specific purpose payments									
SPPs to the States	6,889.7	4,790.1	4,154.9	2,816.9	1,658.7	524.7	296.5	370.2	21,501.8
SPPs through the States	2,499.0	1,937.4	1,512.2	791.1	595.0	180.8	156.8	80.0	7,752.3
SPPs direct to local government	160.4	123.9	111.7	78.0	36.3	19.1	0.0	15.1	544.4
(4) Australian Government payments to the States and local govt (2) + (3)	9,549.1	6,851.5	5,778.8	3,686.0	2,290.0	724.5	453.3	465.3	29,798.5
(5) GST and total payments (1) + (4)	21,473.8	16,006.6	14,161.9	7,635.0	6,145.6	2,370.9	1,276.0	2,588.7	71,658.5

## STATE TAX REFORM

The first objective listed in the IGA was the elimination of inefficient taxes impeding economic activity. The States themselves nominated the inefficient taxes to be abolished. Some of these taxes have already been abolished and the States committed to review the need for the retention of other taxes listed in the IGA by 2005. The clear intent was that, if GST revenue proved to be sufficient at the time of the review, the States would abolish these taxes.

The Australian Government has now agreed with the States on a schedule for the next tranche of state tax reform. The schedule provides for the abolition of all but one of the remaining taxes listed for review in the IGA.

Table 8 indicates the value of State taxation revenue forgone from these reforms for 2006-07 and 2007-08.

**Table 8: State tax revenues foregone as a result of reform (a)**

<b>2006-07</b>	<b>NSW</b>	<b>VIC</b>	<b>QLD</b>	<b>WA</b>	<b>SA</b>	<b>TAS</b>	<b>ACT</b>	<b>NT</b>	<b>Total</b>
<i>Tranche 1</i>									
Financial Institutions Duty	808.7	435.4	na	166.4	111.2	26.0	21.5	21.5	1,590.7
Debits Tax	357.0	283.9	385.0	126.5	63.6	24.2	19.8	8.6	1,268.7
Marketable Securities Duty	544.9	281.8	30.1	34.8	18.6	0.8	26.6	1.2	938.8
Accommodation Taxes	104.7	na	na	na	na	na	na	10.5	115.3
<b>Total - Tranche 1</b>	<b>1,815.3</b>	<b>1,001.1</b>	<b>415.1</b>	<b>327.7</b>	<b>193.4</b>	<b>51.0</b>	<b>67.9</b>	<b>41.8</b>	<b>3,913.5</b>
<i>Tranche 2</i>									
Mortgage Duty	0.0	252.1	0.0	92.4	32.1	8.3	na	na	384.9
Rental Duty	0.0	26.2	54.1	15.1	3.6	4.3	0.0	0.0	103.4
Lease Duty	0.0	52.2	30.0	15.7	3.2	0.8	0.0	1.4	103.2
Non-quotable Marketable Securities Duty	0.0	24.4	10.3	9.6	0.0	1.1	0.0	0.5	45.9
Cheque Duty	na	na	na	6.0	3.4	na	na	3.0	12.5
<b>Total - Tranche 2</b>	<b>0.0</b>	<b>354.8</b>	<b>94.4</b>	<b>138.8</b>	<b>42.4</b>	<b>14.5</b>	<b>0.0</b>	<b>4.9</b>	<b>649.8</b>
<b>TOTAL TAXES ABOLISHED</b>	<b>1,815.3</b>	<b>1,355.9</b>	<b>509.5</b>	<b>466.5</b>	<b>235.8</b>	<b>65.5</b>	<b>67.9</b>	<b>46.8</b>	<b>4,563.3</b>
<b>2007-08</b>									
<i>Tranche 1</i>									
Financial Institutions Duty	847.1	448.5	na	171.9	115.2	26.6	22.0	23.5	1,654.9
Debits Tax	361.1	286.7	411.6	128.7	64.3	24.7	20.3	8.7	1,306.2
Marketable Securities Duty	578.7	298.8	31.2	36.8	19.7	0.8	27.2	1.2	994.5
Accommodation Taxes	114.2	na	na	na	na	na	na	11.1	125.4
<b>Total - Tranche 1</b>	<b>1,901.2</b>	<b>1,034.0</b>	<b>442.8</b>	<b>337.5</b>	<b>199.2</b>	<b>52.2</b>	<b>69.6</b>	<b>44.5</b>	<b>4,080.9</b>
<i>Tranche 2</i>									
Mortgage Duty	0.0	250.1	58.6	94.0	46.5	16.1	na	na	465.3
Rental Duty	73.3	69.2	73.7	37.6	4.8	4.3	3.3	4.9	271.2
Lease Duty	31.7	54.7	32.1	16.2	3.3	0.8	0.0	1.6	140.4
Non-quotable Marketable Securities Duty	0.0	30.8	16.7	9.9	0.0	1.2	0.0	0.6	59.2
Cheque Duty	na	na	na	6.0	3.4	na	na	3.3	12.8
Non-real business assets duty	0.0	na	0.0	0.0	0.0	0.0	1.4	0.0	1.4
<b>Total - Tranche 2</b>	<b>105.0</b>	<b>404.8</b>	<b>181.1</b>	<b>163.7</b>	<b>58.1</b>	<b>22.4</b>	<b>4.7</b>	<b>10.5</b>	<b>950.3</b>
<b>TOTAL TAXES ABOLISHED</b>	<b>2,006.2</b>	<b>1,438.8</b>	<b>623.9</b>	<b>501.2</b>	<b>257.3</b>	<b>74.6</b>	<b>74.3</b>	<b>55.1</b>	<b>5,031.2</b>

(a)A not applicable (na) indicates that the State did not levy that particular tax at the time of the IGA. A zero indicates that the State levies that particular tax, but has agreed to abolish it at a later date. Revenue foregone from the abolition of a tax is only included in the calculation of the GMA once all States have abolished the tax.

Under the IGA, stamp duty on conveyances of real non-residential property is also to be abolished, by a date to be determined jointly by the Australian Government and the States. As with the other abolished taxes, the Australian Government will guarantee that no State will be worse off in any year, compared with their likely financial position if tax reform had not occurred. This stamp duty is the last remaining tax listed in the IGA which all of the States have agreed to abolish, but none have so far set out its timetable.

## APPENDIX A

**Table A1: Calculation of the Guaranteed Minimum Amount 2006-07, 2007-08 (\$m)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2006-07</b>									
<b>State revenues forgone</b>									
Financial Assistance Grants	5,630.6	4,784.4	4,945.6	2,221.0	2,352.2	1,127.5	485.5	1,637.1	23,183.9
Revenue Replacement Payments	2,787.2	1,864.5	1,685.7	1,150.5	723.8	245.5	124.1	156.5	8,737.8
Financial Institutions Duty	808.7	435.4	na	166.4	111.2	26.0	21.5	21.5	1,590.7
Debits tax	357.0	283.9	385.0	126.5	63.6	24.2	19.8	8.6	1,268.7
Marketable Securities Duty	544.9	281.8	30.1	34.8	18.6	0.8	26.6	1.2	938.8
Marketable Securities Duty Needs	-24.7	12.6	13.2	2.4	1.0	2.9	-8.2	0.8	0.0
Accommodation Taxes	104.7	na	na	na	na	na	na	10.5	115.3
Cheque Duty	na	na	na	5.5	3.2	na	na	2.8	11.4
<b>plus reduced revenues</b>									
Gambling Taxes	662.5	424.6	279.5	80.5	109.6	28.1	23.8	33.0	1,641.5
<b>plus interest costs</b>									
Interest Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>plus additional expenditures</b>									
First Home Owners Scheme	306.9	273.9	201.9	113.8	71.3	19.8	18.0	9.6	1,015.3
GST Administration Costs	204.8	153.0	122.1	61.9	46.6	14.6	9.9	6.2	619.1
<b>plus other items</b>									
WST Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>minus reduced expenditures</b>									
Off-road Diesel Subsidies	142.3	60.1	144.3	184.8	37.9	2.3	0.0	4.1	575.8
Savings from Tax Reform	218.0	154.2	123.0	72.1	53.3	18.2	10.9	15.9	665.6
Low Alcohol Beer Subsidies	27.6	19.1	5.4	8.7	5.1	1.9	1.1	1.3	70.3
<b>minus growth dividend</b>									
Remaining State Taxes	174.0	112.3	58.8	35.0	28.2	7.2	5.5	3.9	424.8
<b>minus compensation payments</b>									
Compensation for GST deferred <sup>(a)</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>plus adjustments</b>									
2005-06 GMA Adjustment	2.8	-58.4	4.6	-6.0	2.5	0.0	0.8	3.5	-50.2
<b>Total Guaranteed Minimum Amount</b>	<b>10,823.7</b>	<b>8,109.9</b>	<b>7,336.3</b>	<b>3,656.6</b>	<b>3,379.0</b>	<b>1,459.9</b>	<b>704.4</b>	<b>1,866.1</b>	<b>37,335.8</b>
<b>2007-08</b>									
<b>State revenues forgone</b>									
Financial Assistance Grants	5,920.7	4,972.2	5,069.4	2,051.8	2,535.2	1,189.0	506.2	1,766.1	24,010.7
Revenue Replacement Payments	2,866.2	1,917.2	1,732.5	1,180.2	743.9	252.2	127.7	160.7	8,980.6
Financial Institutions Duty	847.1	448.5	na	171.9	115.2	26.6	22.0	23.5	1,654.9
Debits Tax	361.1	286.7	411.6	128.7	64.3	24.7	20.3	8.7	1,306.2
Marketable Securities Duty	578.7	298.8	31.2	36.8	19.7	0.8	27.2	1.2	994.5
Accommodation Taxes	114.2	na	na	na	na	na	na	11.1	125.4
Cheque Duty	na	na	na	6.0	3.4	na	na	3.3	12.8
<b>plus reduced revenues</b>									
Gambling Taxes	635.5	424.9	293.6	81.7	107.0	29.1	24.8	35.1	1,631.7
<b>plus interest costs</b>									
Interest Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>plus additional expenditures</b>									
First Home Owners Scheme	308.6	275.4	203.0	114.4	71.7	19.9	18.1	9.6	1,020.8
GST Administration Costs	209.6	157.3	126.0	64.0	47.6	14.9	10.1	6.4	636.0
<b>plus other items</b>									
WST Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>minus reduced expenditures</b>									
Off-road Diesel Subsidies	143.9	61.1	147.2	188.8	38.3	2.3	0.0	4.2	585.7
Savings from Tax Reform	232.5	164.5	131.2	76.9	56.8	19.4	11.6	17.0	710.0
Low Alcohol Beer Subsidies	28.2	19.5	5.5	8.9	5.3	1.9	1.1	1.4	71.8
<b>minus growth dividend</b>									
Remaining State Taxes	196.5	126.8	66.4	39.6	31.9	8.1	6.2	4.4	479.8
<b>minus compensation payments</b>									
Compensation for GST deferred <sup>(a)</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Guaranteed Minimum Amount</b>	<b>11,240.8</b>	<b>8,409.0</b>	<b>7,517.1</b>	<b>3,521.5</b>	<b>3,575.8</b>	<b>1,525.6</b>	<b>737.6</b>	<b>1,998.9</b>	<b>38,526.2</b>

(a) Zero amounts for compensation for GST deferred reflects the decision to suspend future payments as a result of revised cost estimates for prior years. GMA treatment of these amounts is yet to be determined.