



Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018

No. 143, 2018

***An Act to amend the *Commonwealth Grants
Commission Act 1973* and the *Federal Financial
Relations Act 2009*, and for related purposes***

Note: An electronic version of this Act is available on the Federal Register of Legislation
(<https://www.legislation.gov.au/>)

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***An Act to amend the *Commonwealth Grants
Commission Act 1973* and the *Federal Financial
Relations Act 2009*, and for related purposes***

[Assented to 29 November 2018]

The Parliament of Australia enacts:

*No. 143, 2018 Treasury Laws Amendment (Making Sure Every State and Territory
Gets Their Fair Share of GST) Act 2018*

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1 Short title

This Act is the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018*.

2 Commencement

- (1) Each provision of this Act specified in column 1 of the table commences, or is taken to have commenced, in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. Sections 1 to 3 and anything in this Act not elsewhere covered by this table	The day this Act receives the Royal Assent.	29 November 2018
2. Schedule 1	The day after this Act receives the Royal Assent.	30 November 2018

Note: This table relates only to the provisions of this Act as originally enacted. It will not be amended to deal with any later amendments of this Act.

- (2) Any information in column 3 of the table is not part of this Act. Information may be inserted in this column, or information in it may be edited, in any published version of this Act.

3 Schedules

Legislation that is specified in a Schedule to this Act is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this Act has effect according to its terms.

4 Review of this Act

- (1) As soon as the Productivity Minister considers appropriate, the Productivity Minister must, under Part 3 of the *Productivity Commission Act 1998*, refer to the Productivity Commission for inquiry the matter of the operation of this Act, including:
 - (a) whether the amendments made by this Act are operating efficiently, effectively and as intended; and
 - (b) the fiscal implications for each State, the Australian Capital Territory and the Northern Territory, of the amendments made by this Act.

Note: Among other things, the *Productivity Commission Act 1998* provides for the Productivity Commission to prepare a written report to be tabled in both Houses of the Parliament.

- (2) In referring the matter to the Productivity Commission for inquiry, the Productivity Minister must, under paragraph 11(1)(b) of the *Productivity Commission Act 1998*, specify the period ending on 31 December 2026 as the period within which the Productivity Commission must submit its report on the inquiry.
- (3) For the purposes of paragraph 6(1)(a) of the *Productivity Commission Act 1998*, the matter mentioned in subsection (1) is taken to be a matter relating to industry, industry development and productivity.
- (4) The ***Productivity Minister*** is the Minister administering the *Productivity Commission Act 1998*.

Schedule 1—Amendments

Commonwealth Grants Commission Act 1973

1 After section 16AA

Insert:

16AB Inquiries relating to GST revenue grants

- (1) This section applies to a reference of a matter to the Commission under section 16, 16A or 16AA of this Act, so far as the matter relates to grants of assistance (***GST revenue grants***) made under Division 1 of Part 2 of the *Federal Financial Relations Act 2009* for the 2021-22 payment year, or a later payment year, within the meaning of that Act.

Note: An example of a matter referred to in this section is the Minister seeking a recommendation about the GST revenue sharing relativities that the Minister determines for a financial year under section 8 of the *Federal Financial Relations Act 2009*.

- (2) In framing the terms of the reference, the Minister is to pursue the objective of ensuring, consistently with the *Federal Financial Relations Act 2009*, that the States, the Australian Capital Territory and the Northern Territory each have the fiscal capacity to provide services (including associated infrastructure) at a standard that is at least as high as the standard for whichever of New South Wales and Victoria has the higher standard.
- (3) However, so far as the reference relates to GST revenue grants for any of the first 5 payment years covered by subsection (1), the Minister is to frame the terms of the reference:
- (a) so as to make an appropriate and even transition over those 5 years from the arrangements that applied before those payment years (the ***previous arrangements***) to arrangements based on subsection (2) of this section (the ***new arrangements***); and
 - (b) so that the respective GST revenue sharing relativities for the States and Territories that the Minister determines for each of

those 5 payment years under section 8 of the *Federal Financial Relations Act 2009* can be worked out:

- (i) consistently with the *Federal Financial Relations Act 2009*; and
- (ii) using the proportion of the relativities derived from the previous arrangements, and the proportion of the relativities derived from the new arrangements, set out in this table:

Transitional proportions			
Item	Payment year	Proportion of the relativities derived from the previous arrangements	Proportion of the relativities derived from the new arrangements
1	the 2021-22 payment year	5/6	1/6
2	the 2022-23 payment year	4/6	2/6
3	the 2023-24 payment year	3/6	3/6
4	the 2024-25 payment year	2/6	4/6
5	the 2025-26 payment year	1/6	5/6

Federal Financial Relations Act 2009

2 Section 4

Insert:

first indexation amount has the meaning given by subsections 8A(2) and (3).

pool top-up has the meaning given by section 8A.

second indexation amount has the meaning given by subsections 8A(4) and (5).

3 Section 5

Repeal the section, substitute:

5 GST revenue grants

- (1) Subject to this Act, each State is entitled to the payment, by way of financial assistance, for a payment year, of a grant worked out using the formula:

$$\frac{\text{Adjusted State population} \times (\text{GST revenue} + \text{Pool top-up})}{\text{Adjusted total population}}$$

where:

adjusted State population means the estimated population of the State on 31 December in the payment year (see section 7) multiplied by the GST revenue sharing relativity (see section 8) for the State for that year.

adjusted total population means the sum of the adjusted State populations of all of the States for the payment year.

GST revenue means the GST revenue for the payment year (see section 6).

pool top-up means the pool top-up for the payment year (see section 8A).

Additional financial assistance for transitional payment years

- (2) In this section:

transitional year means the 2021-22 payment year, the 2022-23 payment year, the 2023-24 payment year, the 2024-25 payment year, the 2025-26 payment year or the 2026-27 payment year.

- (3) If the sum of:

- (a) the amount of the grant to which a State is entitled under subsection (1) for a transitional year (the **base year**); and
- (b) the amount of the grant to which the State is entitled under subsection (1) for each transitional year (if any) before the base year; and

- (c) the amount of the grant (if any) to which the State is entitled under this subsection for each transitional year (if any) before the base year;

is less than the sum of the amounts of the grants to which the State would, in the Minister's opinion, have been entitled for the base year, and each transitional year (if any) before the base year, under this section if the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018* had not been enacted, the State is entitled, subject to this Act, to the payment, by way of additional financial assistance for the base year, of a grant equal to the difference.

- (4) The Minister must, in forming an opinion under subsection (3):
- (a) consult with each of the States; and
 - (b) have regard to any report of the Commonwealth Grants Commission that the Minister considers relevant.

4 After subsection 8(2)

Insert:

- (2A) A factor determined under subsection (1) for a State for the 2022-23 payment year or the 2023-24 payment year must be greater than or equal to 0.7.
- (2B) A factor determined under subsection (1) for a State for the 2024-25 payment year or a later payment year must be greater than or equal to 0.75.

5 At the end of Division 1 of Part 2

Add:

8A Pool top-up for a payment year

- (1) The *pool top-up* for a payment year is worked out using this table:

Pool top-up for a payment year		
Item	For this payment year:	The <i>pool top-up</i> is:
1	the 2020-21 payment year or an earlier payment year	\$0

Schedule 1 Amendments

Pool top-up for a payment year		
Item	For this payment year:	The <i>pool top-up</i> is:
2	the 2021-22 payment year	\$600 million
3	the 2022-23 payment year	the sum of: (a) \$600 million; and (b) the first indexation amount for that payment year
4	the 2023-24 payment year	the sum of: (a) \$600 million; and (b) the first indexation amount for that payment year
5	the 2024-25 payment year	the sum of: (a) \$850 million; and (b) the first indexation amount for that payment year
6	the 2025-26 payment year or a later payment year	the sum of: (a) \$850 million; and (b) the first indexation amount for that payment year; and (c) the second indexation amount for that payment year

(2) The ***first indexation amount*** for a payment year (the ***current year***) is the greater of:

- (a) the amount worked out using the formula in subsection (3); and
- (b) if the current year is the 2023-24 payment year or a later payment year—the first indexation amount for the last payment year before the current year; and
- (c) otherwise—\$0.

(3) The formula for paragraph (2)(a) is:

$$\left(\frac{\text{GST revenue for current year} - \text{GST revenue for 2021-22}}{\text{GST revenue for 2021-22}} \right) \times \$600 \text{ million}$$

where:

GST revenue for current year is the GST revenue for the current year.

GST revenue for 2021-22 is the GST revenue for the 2021-22 payment year.

- (4) The ***second indexation amount*** for a payment year (the ***current year***) is the greater of:
- (a) the amount worked out using the formula in subsection (5); and
 - (b) if the current year is the 2026-27 payment year or a later payment year—the second indexation amount for the last payment year before the current year; and
 - (c) otherwise—\$0.
- (5) The formula for paragraph (4)(a) is:

$$\left(\frac{\text{GST revenue for current year} - \text{GST revenue for 2024-25}}{\text{GST revenue for 2024-25}} \right) \times \$250 \text{ million}$$

where:

GST revenue for current year is the GST revenue for the current year.

GST revenue for 2024-25 is the GST revenue for the 2024-25 payment year.

6 Paragraph 21(b)

Repeal the paragraph, substitute:

- (b) if the determination relates to financial assistance to one or more States—any other written agreement between the Commonwealth and one or more States that relates to that financial assistance.

7 Application

The amendments made by items 2 to 6 of this Schedule apply in relation to the 2021-22 payment year and later payment years.

*[Minister's second reading speech made in—
House of Representatives on 18 October 2018
Senate on 12 November 2018]*

(210/18)

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