

## **EXPLANATORY STATEMENT**

### **Issued by authority of the Treasurer**

*Federal Financial Relations Act 2009*

*Federal Financial Relations (GST Revenue Sharing Relativities for 2019-20)  
Determination 2019*

Section 8 of the *Federal Financial Relations Act 2009* (the Act) provides that the Treasurer may determine that a factor specified in the determination is the GST revenue sharing relativity for a State, the Australian Capital Territory or Northern Territory for a payment year.

The purpose of the *Federal Financial Relations (GST Revenue Sharing Relativities for 2019-20) Determination 2019* (the Determination) is to specify the factors that will be the GST revenue sharing relativities for each State, the Australian Capital Territory and Northern Territory for the 2019-20 payment year.

Consistent with the Intergovernmental Agreement on Federal Financial Relations, the Commonwealth makes payments to the States, the Australian Capital Territory and Northern Territory of revenue received from the goods and services tax (GST). The GST payments are distributed among the States, the Australian Capital Territory and Northern Territory in accordance with the principle of horizontal fiscal equalisation and having regard to the recommendations of the Commonwealth Grants Commission.

The Commonwealth Grants Commission recommends the GST relativities to be used in calculating each State's and Territory's share of GST payments. The relativities determine how much GST revenue each State and Territory receives compared with an equal per capita share. The relativities are determined such that, if each State and Territory made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each State and Territory would have the capacity to provide services and associated infrastructure of the same standard.

This does not necessarily result in the same standard of government services—just the equalisation of each State's or Territory's capacity to provide the same standard of services. In calculating the GST relativities, the Commonwealth Grants Commission takes into account the States' and Territories' different capacities to raise revenues and different costs that would be incurred to provide the same standard of government services and associated infrastructure.

The Determination commenced the day after it was registered on the Federal Register of Legislation and applies to the 2019-20 payment year.

Before making a determination, the Treasurer must consult each of the States, the Australian Capital Territory and the Northern Territory. The Treasurer consulted the States and Territories by writing to them individually on 20 February 2019 outlining the proposed GST revenue sharing relativities for each State, the Australian Capital Territory and Northern Territory for the 2019-20 payment year and attaching an

embargoed copy of the Commonwealth Grants Commission's *Report on GST Revenue Sharing Relativities—2019 Update*. The States and Territories were asked to provide submissions by 5 March 2019. The Treasurer considered the submissions received and has accepted the recommendations of the Commonwealth Grants Commission.

Details of the Determination are set out in [Attachment B](#).

The Determination is a legislative instrument for the purposes of the *Legislation Act 2003*. However, the Determination is not subject to disallowance.

A statement of Compatibility with Human Rights is at [Attachment A](#).

**Statement of Compatibility with Human Rights**

*Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011*

**Federal Financial Relations (GST Revenue Sharing Relativities for 2019-20) Determination 2019**

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

**Overview of the Legislative Instrument**

The purpose of the *Federal Financial Relations (GST Revenue Sharing Relativities for 2019 20) Determination 2019* (the Determination) is to specify the factors that will be the GST revenue sharing relativities for each State, the Australian Capital Territory and Northern Territory for the 2019-20 payment year.

**Human rights implications**

This Legislative Instrument does not engage any of the applicable rights or freedoms.

**Conclusion**

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.

## **ATTACHMENT B**

### **Details of the *Federal Financial Relations (GST Revenue Sharing Relativities for 2019-20) Determination 2019***

This Attachment sets out further details of the *Federal Financial Relations (GST Revenue Sharing Relativities for 2019-20) Determination 2019* (the Determination).

#### **Section 1 – Name**

This section specifies the name of the Determination is the *Federal Financial Relations (GST Revenue Sharing Relativities for 2019-20) Determination 2019*.

#### **Section 2 – Commencement**

This section prescribes that the Determination commences the day after the Determination is registered.

#### **Section 3 – Authority**

This section provides that the Determination is made under the *Federal Financial Relations Act 2009*.

#### **Section 4 – Definitions**

This section provides definitions for the purposes of the Determination.

#### **Sections 5 – GST revenue sharing relativities for the 2019-20 payment year**

This section sets out the GST revenue sharing relativity for each State, the Australian Capital Territory and the Northern Territory, for the 2019-20 payment year as recommended by the Commonwealth Grants Commission in its *Report on GST Revenue Sharing Relativities—2019 Update*.