

EXPLANATORY STATEMENT

Issued by authority of the Treasurer

Federal Financial Relations Act 2009

*Federal Financial Relations (GST Revenue Sharing Relativities for 2020-21)
Determination 2020*

Subsection 8(1) of the *Federal Financial Relations Act 2009* (the Act) provides that the Treasurer may determine that a factor specified in the determination is the goods and services tax (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 2020-21) Determination 2020* (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 (the States and Territories) for the 2020-21 payment year.

Consistent with the *Intergovernmental Agreement on Federal Financial Relations*, the Commonwealth makes payments to the States and Territories of revenue received from the GST. The GST payments are distributed among the States and Territories 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 so that each State and Territory has the same fiscal capacity, under average policies, to provide services and the associated infrastructure to their communities.

This does not necessarily result in the same standard of government services—just the equalisation of each State's or Territory's fiscal 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, under average policies, to provide services and the associated infrastructure to their communities.

The Determination commenced the day after it was registered on the Federal Register of Legislation and applies to the 2020-21 payment year.

Before making a determination, the Treasurer must consult each of the States and Territories. The Treasurer consulted the States and Territories at the meeting of the Council for Federal Financial Relations held on 1 April 2020 outlining the proposed GST revenue sharing relativities for each State and Territory for the 2020-21 payment year. An embargoed copy of the Commonwealth Grants Commission's *Report on GST Revenue Sharing Relativities—2020 Review* was circulated to the States and Territories on 28 February 2020, consistent with the Commission's terms of

reference. The Treasurer considered the matters raised by the States and Territories at the meeting 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 2020-21) Determination 2020

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 2020-21) 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 2020-21 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 2020-21) Determination 2020*

This Attachment sets out further details of the *Federal Financial Relations (GST Revenue Sharing Relativities for 2020-21) Determination 2020* (the Determination).

Section 1 – Name

This section specifies the name of the Determination is the *Federal Financial Relations (GST Revenue Sharing Relativities for 2020-21) Determination 2020*.

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 2020-21 payment year

This section sets out the GST revenue sharing relativity for each State, the Australian Capital Territory and the Northern Territory, for the 2020-21 payment year. The Treasurer accept the recommendation of the Commonwealth Grants Commission in its *Report on GST Revenue Sharing Relativities—2020 Review*.