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Tasmania 'marginally' better off under new GST proposal, but risks remain

"The federal government has rightly rejected the Productivity Commission's recommendation to equalise GST payments to the average fiscal capacity of the states, given its significant impact on poorer states and the federation more generally," University of Tasmania federalism expert Professor Richard Eccleston said today.

Professor Eccleston, who is Director of the University's Centre for the Study of Social Change, has written widely on federalism and his most recent book, *The Future of Federalism in an Age of Austerity* (2017), analysed the impacts of the Global Financial Crisis on federal systems.

"The proposal that the federal government released today is a less radical option of equalising to the wealthier states of Victoria or NSW, effectively meaning that Western Australia is partly removed from the GST redistribution regime. As expected given the importance of the West in the next federal election, WA is the big winner under the proposed reforms.

"Based on preliminary figures the changes won't impact on Tasmania over the short term and the State would be marginally better off between 2021 and 2027.

"However it is important to recognise that the Eastern states are only better off courtesy of an additional \$6.7 billion in Commonwealth funding added to the GST pool – funding which can't be spent on other federally funded services," Professor Eccleston said.

"Without this compensation, Tasmania would be approximately \$77 million a year worse off based on Productivity Commission modelling for 2017-18.

“Given this growing dependence on federal compensation, it is vitally important that new ‘top ups’ are guaranteed in a formal intergovernmental agreement, and even then there is a real risk that the Commonwealth will cut non-GST payments to the states in order to fund the new payments announced today.

“The Commonwealth’s reform package is ultimately a political solution to the challenges it is facing in Western Australia at the forthcoming federal election,” Professor Eccleston said.

“The new model will result in Australia’s richest state receiving an additional 3.3 billion over the next decade funded by a combination of the federal government and the other states. It represents a significant departure from Australia’s established system of fiscal equalisation.

“Ultimately it will be up to Australian voters to decide whether this ‘Robin Hood in reverse’ approach to funding Western Australia is fair and reasonable.”

Information released by:

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