



CIRCULAR HEAD COUNCIL

6 February 2026

GST Distribution Reform Inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

To whom it may concern,

COUNCIL SUBMISSION TO THE PRODUCTIVITY INQUIRY ON THE DISTRIBUTION OF GST REVENUE TO STATES AND TERRITORIES BY THE FEDERAL GOVERNMENT

This submission has been prepared by Circular Head Council, Tasmania, for the Productivity Commission's Inquiry into the distribution of the Goods and Services Tax (GST).

Circular Head is a local government area (LGA) located in the far north-west of Tasmania, covering approximately 4,900 square kilometres of predominantly rural land. The municipality includes the towns and localities of Smithton, Stanley, Marrawah, Arthur River, and surrounding communities, and has a population of around 8,000 residents. The region's economy is underpinned by agriculture, forestry, fishing, aquaculture, manufacturing, and tourism.

On behalf of Council and its elected Councillors, I write to express serious concern about the current approach to the distribution of GST revenue to States and Territories, and the consequential impacts this system has on small rural and regional local governments across Australia.

While GST is collected on a national basis, its redistribution to States does not adequately reflect either the contribution some jurisdictions make to national productivity and community wellbeing, or the cumulative pressures experienced by rural and regional communities. Although horizontal fiscal equalisation is intended to support comparable levels of service delivery nationwide, in practice the current framework has produced structural imbalances that disadvantage certain States and, by extension, the local governments within them.

For small rural municipalities, these impacts are particularly pronounced. Councils such as Circular Head operate with limited own-source revenue, small and geographically dispersed populations, and significantly higher per-capita costs for infrastructure provision and service delivery. When States receive a reduced share of GST, their capacity to support local government through grants, regional infrastructure programs and essential service

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partnerships is constrained. As a result, rural councils are required to carry a disproportionate service burden with fewer available resources.

At Circular Head Council, this has been especially evident in our ongoing efforts to secure a meaningful and sustained increase from State to the annual Heavy-Duty Levy contribution to Council. While the level of increase sought may appear modest in the context of a larger council or state budget, the absence of any increase over many years has placed our municipality in an increasingly difficult financial position.

Broader impacts are also evident through delayed infrastructure maintenance, limited investment in community facilities, reduced capacity to prepare for and respond to climate-related and disaster risks, and growing challenges in attracting and retaining skilled staff. These pressures compound long-standing issues such as ageing infrastructure, static or declining populations, and significant distances between service centres.

Importantly, rural, and regional communities make a substantial contribution to national prosperity through agriculture, forestry, fisheries, energy production and export-oriented industries. Despite this, the municipalities that support these industries are being asked to do more with less, notwithstanding their economic and social importance to Australia as a whole.

The complexity and lack of transparency surrounding the GST distribution methodology further erode confidence in the system. Local communities and councils often struggle to understand how funding outcomes are determined, and why their capacity to deliver even basic services continues to diminish despite their ongoing contribution to the national economy.

I respectfully urge the Inquiry to make strong recommendations regarding the GST distribution framework, with explicit consideration of its downstream impacts on rural and regional local governments. Any reform should ensure that equalisation arrangements do not inadvertently undermine the financial sustainability of States and municipalities that are integral to Australia's regional economy and social fabric. Improved transparency, predictability and recognition of local government impacts are essential.

Thank you for considering this submission.

Yours sincerely

Paul Gardner
CHIEF EXECUTIVE OFFICER & GENERAL MANAGER

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