

26 February 2026

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

TFPA Submission: Productivity Commission Inquiry into the GST Distribution Reforms

On behalf of the Tasmanian Forest Products Association, the recognised peak body for forestry in Tasmania, I provide the following submission to the Productivity Commission's Inquiry into the distribution of Goods and Services Tax (GST).

The TFPA undertakes policy development, lobbying and advocacy for members interests. We represent all elements of the value chain from the sustainable harvesting of plantations and multiple use natural forest resource including forest establishment and management, harvesting and haulage, and processing of timber resources.

TFPA members contribute to the direct value of the Tasmanian forest industry that is worth over \$700 million at the point of sale, and over \$1.2 billion when considering the flow-on-effects generated in other industries because of spending by the forest industry.

Much of this activity is concentrated in regional parts of the State. Even more importantly, our forest products industries have the potential to grow significantly over the next decade if regulation and policies are in place to support this vision.

The GST was established to ensure all Australians, regardless of where they live, can access a comparable standard of public services. Its distribution has historically been guided by Horizontal Fiscal Equalisation (HFE), a principle designed to provide each state and territory with the fiscal capacity of the strongest state so they can deliver similar levels of services while raising comparable revenue.

The 2018 changes to the GST distribution system departed from full HFE and introduced a relativity floor and a "No Worse Off" guarantee. These reforms have overwhelmingly benefited Western Australia, which has received more than \$24 billion in additional GST revenue since 2018–19.

While GST is collected nationally, its redistribution does not adequately reflect the contribution many regional areas make to national productivity and community wellbeing, nor the cumulative pressures they face. In practice, the revised framework has produced structural imbalances that disadvantage certain States and, by extension, the municipalities within them.

For Tasmania, GST revenue represents approximately 40 per cent of total General Government Sector revenue and is the State's single largest funding source. A fair and equitable distribution of GST revenue is therefore critical to sustaining essential services for Tasmanians. Especially, for our rural and regional communities that contribute substantially to Tasmania's prosperity.

The TFPA encourage the Inquiry to recommend a return to full HFE and to make strong recommendations to ensure the GST distribution framework operates efficiently, effectively and equitably. Any reform must explicitly consider downstream impacts on rural and regional areas, ensure improved transparency and predictability, and safeguard the financial sustainability of States and municipalities that are integral to our regional economy and social fabric.

Yours faithfully,

Nick Steel
Chief Executive Officer