



Dr Rosalie Woodruff MP
Leader of the Tasmanian Greens
Greens Member for Franklin

Thursday, 26 February 2026

GST distribution reform inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

To whom it may concern,

Thank you for the opportunity to make a submission to the GST distribution reforms inquiry.

The Tasmanian Greens opposed these reforms on the grounds that they would undermine Horizontal Fiscal Equalisation (HFE). HFE is a central principle of our federated nation, the operation of which attempts to assure fairness and access for all Australians to essential services. For small states like Tasmania, HFE is critical to enabling us to maintain these services to the public.

Prior to 2018, the purpose of GST distribution was to, as far as possible, put all states and territories on an even financial playing field. The 2018 reforms were effectively designed to maintain that status quo, with a significant exception. It provided that the financially strongest state, Western Australia, received a further financial advantage.

The current arrangement is not consistent with the principles of HFE.

GST revenue makes up 40% of the Tasmanian Budget. We believe more needs to be done to improve Tasmania's own-source revenue, nonetheless Tasmania's size relative to other states limits the extent to which we can become less reliant on Commonwealth funding.

True HFE is essential for the effective delivery of Tasmanian services, and the functioning of our overall economy.

While the current “no worse off” (NoWO) payments provide mitigation for the degradation of HFE, their continuation is not guaranteed beyond 2030. The uncertainty of these payments going forward presents substantial budgetary planning challenges.

The NoWO payments also have a cost to the Commonwealth Budget, which impacts the delivery of commonwealth services and the capacity of the Commonwealth to provide other grant funding to states and territories.

The GST distribution reforms, coupled with NoWO payments, effectively provide untied grants to the Western Australian government, grants that Western Australia does not need nearly as much as other jurisdictions, and which come at the expense of essential services needed by other Australians.

Western Australia has enjoyed operational surpluses since the 2018-19 financial year. However, each other jurisdiction (except Queensland) has returned budget deficits more often than surpluses. The smaller jurisdictions, such as Tasmania, have suffered the most in this respect.

Western Australia is the only jurisdiction, other than the Commonwealth, to still maintain a AAA credit rating.

We don't deny that the current state of Tasmania's finances are due to a myriad of factors. Regardless, commonwealth grants are such a critical component of Tasmania's budget that the future of HFE in Australia will play a critical role in influencing the overall sustainability of our budget going forward.

We argue a return to the pre-2018 GST HFE arrangement.

Warm regards,

Dr Rosalie Woodruff MP
Leader of the Tasmanian Greens