



26 February 2026

Australian Productivity Commission

Via portal: [Make a submission - GST distribution reforms | Productivity Commission](#)

Dear Productivity Commission

### **Submission to the GST Distribution Reforms Inquiry 2026**

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As a group of New South Wales (NSW) regional councils, united through our regional joint organisation of councils, we write to you in support of the NSW and Australian Capital Territory (ACT) positions and submissions to your current Goods and Services Tax (GST) Distributions Reforms Inquiry.

The NSW Government supports us as councils and the ACT Government supports our regional joint organisation financially, to deliver local services and infrastructure to and for our local and regional communities. The local government sector is therefore not only reliant upon the federal government for direct financial assistance, but we are reliant upon state and territory support, just as states and territories are reliant upon the federal government's GST revenue to deliver state and territory government services.

The distribution of the GST, particularly to states, is therefore of great importance to the financial sustainability of councils as the amount of GST revenue coming into states and territories is a factor which affects what support is or is not made available by states to the local government sector in their state.

We thank the Australian Productivity Commission for the opportunity to make a submission to this important inquiry, especially in so far as it is reviewing the extent to which the system is operating as intended, that being with the core principle of, through horizontal fiscal equalisation, supporting an outcome of similar public services across Australia regardless of each state's and territory's particular circumstances.

As a group of NSW councils, we support both NSW's and the ACT's positions advocating for changes to the GST distribution formula, particularly an unwinding of unfair changes made in 2018 which disadvantage all states and territories except Western Australia (WA).

We support all states and territories' call for fairer distribution of GST revenue across states and territories and more certainty in predicting the amount of GST payments to assist states' and territories' budgeting and fiscal certainty.

We support the NSW Government's advocacy to achieve a greater, fairer share of GST revenue for NSW that is more reflective of NSW's contribution to the Commonwealth revenue pool and reflects the large population of NSW which drives the cost of state-provided services.

The large and growing size of the cost of safeguards put in place since 2018 to offset some impact of the 2018 changes, particularly the No Worse Off Guarantee, is an indicator that change is needed to the formula itself. It is also of concern to local government if the funding of safeguards from outside of the GST revenue pool results in reduced ability of the Commonwealth to fund important policy implementation, regional investment and national agreements.



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## **Unfair advantage to Western Australia**

The 2018 changes provide an unfair financial advantage to WA and, given that equalising of availability of public services is the fundamental principal of horizontal fiscal equalisation, the 2018 reforms essentially amount to an assertion that WA communities are somehow are deserving of better public services than communities in the rest of Australia.

Given that assertion, it is incomprehensible that these reforms were made in 2018, notwithstanding the No Worse Off Guarantee put in place until 2029/30, and that they would be retained after this inquiry, but for political motivations. Political motivation should not be the basis upon which the formula, nor safeguards to offset the impacts of the formula, are determined.

The 2018 changes to the GST distribution formula have provided WA with a competitive advantage in comparison to other states and territories. This has allowed WA to provide higher quality of services and lower taxes than other states.

The Commonwealth should reverse these GST distribution reforms that resulted in Western Australia receiving a disproportionately high share of the GST pool. These changes undermined the integrity of the horizontal fiscal equalisation system and constrained the capacity of other jurisdictions to deliver essential services and infrastructure. Restoring a fairer distribution model is necessary to ensure all states and territories are treated equitably and can meet the needs of their communities.

The post-2018 arrangements effectively exclude WA from the equalisation process and a return to full equalisation would see WA included in the equalisation process. While this would result in a greater share of the GST pool being made available for redistribution, full equalisation would result in fiscally stronger states (currently WA, NSW and QLD) financing fiscally weaker states.

Returning to the pre-2018 arrangements would remove the unfair competitive advantage given by the Commonwealth to WA and free up Commonwealth funding for other purposes which could involve additional funding for areas of state expenditure.

## **Uncertainty in annual GST distribution**

Annual shifts in GST distribution under the current system are driven mainly by mining royalties, land values and property sales rather than more relatively stable population, resulting in great uncertainty in GST amounts annually, making budgeting, financial management and fiscal responsibility very difficult for states and territories.

Under current arrangements, CRJO understands that relativities for the coming financial year are advised to states in late February based on a 3-year moving average of data up to June of the previous financial year, effectively an average 3-year lag in the Commonwealth Grants Commission assessments. Providing earlier advice on changes to GST relativities would help states and territories manage GST volatility and their budgets.

With respect to uncertainty, an equal per capita distribution of GST revenue would produce stable outcomes, as the population of states does not vary significantly on an annual basis. This option involves less equalisation but would allow for more fiscal certainty for state governments, removing the pro-cyclical nature of the current system, allowing states to appropriately manage their budgets in response to changing circumstances.

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## **Australian Capital Territory – NSW South Wales Cross Border Considerations**

As a group of councils surrounding the ACT, we look to each other for services and infrastructure provision for our communities. We therefore highlight the importance of a fair cross-border relativity assessment that provides recognition of the ACT's costs incurred by virtue of its unique cross-border circumstances.

The distribution of GST revenue plays a critical role in supporting service delivery across the broader Canberra region, including in New South Wales where councils rely on state funding to deliver state-funded programs, and in the ACT where the ACT Government itself provides the full suite of local government functions. An equitable GST system must therefore reflect the distinct pressures faced by both jurisdictions arising from these cross-border dynamics.

### **Specific Purpose Payments**

CRJO supports the current arrangement of quarantining specific purpose payments for services and infrastructure not normally provided by states.

Sincerely

**Sharon Houlihan**  
**Executive Officer**