

JULIE MATHESON FOR
WESTERN AUSTRALIA PARTY

PO Box 8134
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14 June 2017

Productivity Commission
Horizontal Fiscal Equalisation Enquiry
Commissioner Jonathon Coppel
By Email: hfe@pc.gov.au

Dear Commissioner Coppel,

Julie Matheson for Western Australia Party is a registered political party based in the State of Western Australia. Its primary purpose is to advocate for and represent the interests of Western Australian residents and businesses.

Please find attached our Party's submission to the Productivity Commission Horizontal Fiscal Equalisation Enquiry.

In our submission we detail why the current use of GST allocation is penalising Western Australia, related WA State taxation issues that must be addressed, and recommend alternative methods to provide limited fiscal equalisation to those states or territories which may require it and for what purposes fiscal equalisation should be provided.

Please feel free to call or email me if you have any queries.

Yours sincerely,

Julie Matheson, BA, CFP
Party Convenor

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**SUBMISSION TO THE PRODUCTIVITY COMMISSION
HORIZONTAL FISCAL EQUALISATION ENQUIRY**

JUNE 2017

Western Australia is Australia's largest state in terms of land area (2.5M square km or 33% of Australia's land mass) but only 11% of Australia's population. More than 75% of Western Australia's population reside in the Perth Metropolitan Area. This presents unique challenges to the Western Australian State Government to fund infrastructure over an extremely large area with a relatively low population outside of Perth.

Current (2016/2017 midyear review) taxation, state royalty revenue and GST revenue sources for the State of Western Australia are as follows:

(Source: http://www.treasury.wa.gov.au/Treasury/Economic_Data)

State Taxation other than royalties:	\$8.536bn
Royalties:	\$5.181bn
GST allocation:	\$2.35bn (3.7% of the national GST pool)

TOTAL	\$16.067bn
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The current GST allocation formula is perverse in that effectively penalises states such as Western Australia which has significant state taxation revenue (discussed below), a large metropolitan population, and large areas of landmass to provide infrastructure. It also provides additional funding to some states and territories where the entire state/territory is classed as a regional area of another state (i.e. Northern Territory is classed as a region of South Australia, Tasmania is classed as a region of Victoria).

The per-capita allocation of GST revenue is the most logical and fairest method to distribute the GST pool. If Western Australia received a per capita share (11%) of the national GST pool, the GST allocation would be \$7.35bn. This means Western Australia is currently missing **\$5bn** of this form of taxation revenue this financial year alone based on a per capita share of the GST collected across Australia. This has resulted in state deficits and spiralling Western Australia State debt.

Recommendation 1: The Julie Matheson for Western Australia Party position on GST allocation is that GST be allocated on per capita basis to each state or territory, across Australia, regardless of State Taxation revenue.

The State Taxation component represents the largest single income stream to the Western Australian State Government. Three of the largest sources are Payroll Tax, Transfer Duty and Insurance Duty. The combined total of these is \$5.35bn. These taxes are anti-productive from an economic point of view. Payroll tax is effectively a tax on employment. It discourages larger employers to take on additional staff. Transfer duty is a tax on trade which discourages purchase of vehicles and plant, and adds to the cost of housing, again impacting on the economy. Insurance Duty results in higher costs to consumers and business and is a form of double taxation as GST also applies to insurance.

Recommendation 2: The Julie Matheson for Western Australia Party position on Western Australian State Taxation is that Payroll Tax, Transfer Duty and Insurance Duty be abolished.

In terms of Horizontal Fiscal Equalisation, the use of GST allocations to attempt to rebalance finances between States and Territories is a flawed concept. The Commonwealth Government has many other forms of taxation (PAYE, Company Taxation, FBT, CGT etc) that are available to it to fund infrastructure projects in each state and territory on an as-needed basis. State taxation and GST revenue streams should be used for state or territory operational costs.

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Recommendation 3: The Julie Matheson for Western Australia Party position on Horizontal Fiscal Equalisation (HFE) is that Commonwealth HFE funding to states and territories should be only be used to fund infrastructure projects, in each state or territory on an as-needed basis using non-GST taxation revenue as a funding source.

Our Party believes that if changes are not made to the HFE to increase the GST allocation to Western Australia from this enquiry, the consequences both politically and Federally will be significant.

End.

Further enquiries:

Julie Matheson, BA, CFP