

The Hon Rob Lucas MLC



**Government
of South Australia**

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Senator Jane Hume
Chair
Senate Economics Legislation Committee
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Dear Senator Hume

Thank you for the opportunity to provide a submission to the Senate Economics Legislation Committee *Inquiry into the Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Bill 2018* (The Amendment Bill).

The Government of South Australia has been a long standing supporter of the current objective of horizontal fiscal equalisation (HFE), which is to provide states and territories with the capacity to provide services and the associated infrastructure at the same standard — or in other words, full equalisation. These arrangements have served the nation well for many decades by adjusting transfers to states and territories in response to changing economic conditions and jurisdictional specific circumstances.

In line with these views the South Australian Government's preferred position is that the current GST distribution arrangements are retained.

Whilst we would prefer to maintain the current GST arrangements, we acknowledge that the Federal Government and Parliament have the ultimate power to change the GST distribution arrangements without the support of the states and territories.

When the Federal Government announced its intention to change the GST distribution arrangements there were commitments provided that no state or territory would be worse off. Under the assumptions made by the Federal Government in their modelling of the proposed changes, all states and territories would be better off over the transition period to 2026-27. However, this is only one of a number of many potential future scenarios. Modelling undertaken by the states and territories shows that under different assumptions jurisdictions could be worse off as a result

of the new arrangements with an overall reduction in GST revenue compared to what would have been delivered under the current arrangements.

It was these concerns which prompted the Board of Treasurers to write to the former Federal Treasurer seeking an explicit no worse off guarantee to be included as part of any proposed changes. These concerns were reiterated at the October meeting of the Council on Federal Financial Relations.

The proposed Amendment Bill now includes a cumulative no-worse off guarantee for the states and territories over the transition period to 2026-27. South Australia welcomes this commitment. However, the potential impact of the changed revenue distribution arrangements are ongoing. The SA Government's preferred position is that the guarantee should also be ongoing, consistent with the risks to the states and territories.

It is also important that the additional funding to be added to the GST pool and any payments required under the no-worse off guarantee are not offset by a decrease in other funding to the states and territories.

There has been an ongoing convention that the GST distribution arrangements would not be changed unless there was support from all states and territories. This has been an important convention. The inclusion of a no worse off guarantee is an essential element of the Amendment Bill for the states and territories.

Again, I thank you for the opportunity to have input into this inquiry.

Yours sincerely



Hon Rob Lucas MLC
Treasurer

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