

Chapter 2: GST Revenue Provision and Commonwealth Payments of General Revenue Assistance to the States and Territories

This Chapter provides details of the provision of goods and services tax (GST) revenue to the States, and general revenue assistance payments to be made to the States in 2001-02 and 2002-03. It also discusses the composition of payments and the impact of Horizontal Fiscal Equalisation (HFE).

PROVISION OF GST REVENUE TO THE STATES AND TERRITORIES IN 2001-02 AND 2002-03

The *A New Tax System (Commonwealth State-Financial Arrangements) Act 1999* (the Act) provides for the States to receive all GST revenue. Monthly payments of GST revenue to the States commenced in July 2000 and continued in 2001-02.

The distribution of GST revenue among the States is based on HFE principles (discussed in detail later in this Chapter).

Tables 3 and 4 show the estimated provision of GST revenue to the States in 2001-02 and 2002-03 respectively. The estimated 2002-03 revenue will be distributed, in accordance with the Act, using GST relativities recommended in the Commonwealth Grants Commission (CGC) *Report on State Revenue Sharing Relativities 2002 Update*, after taking into account two technical issues raised by Western Australia and the Australian Capital Territory and agreed by the CGC.

Tables 3 and 4 show the per capita relativities applied to the States' populations (as at 31 December each year) in order to arrive at a weighted population share for each State. A State's share of GST revenue is equal to its weighted population share of the combined GST revenue and unquarantined Health Care Grants (HCGs), less the unquarantined HCGs it receives.

Table 3: Distribution of GST revenue, 2001-02 (estimated)

Projected population as at 31 December 2001	Per capita relativities	Weighted population (1)x(2)	Share of weighted population (%)	GST revenue/HCGs pool according to (4)	Unquarantined HCGs	Distribution of GST revenue (5)-(6) (\$m)
(1)	(2)	(a) (3)	(4)	(\$m) (5)	(\$m) (6)	(7)
NSW	6,561,184	0.92032	6,038,389	31.0	10,373.8	2,240.0
VIC	4,857,624	0.87539	4,252,315	21.8	7,305.4	1,616.4
QLD	3,656,555	1.00269	3,666,391	18.8	6,298.8	1,222.0
WA	1,920,484	0.97516	1,872,779	9.6	3,217.4	655.3
SA	1,504,905	1.17941	1,774,900	9.1	3,049.2	562.5
TAS	470,789	1.50095	706,631	3.6	1,214.0	144.5
ACT	314,580	1.14633	360,612	1.9	619.5	83.1
NT	198,397	4.02166	797,885	4.1	1,370.8	73.1
Total	19,484,518	na	19,469,903	100.0	33,448.9	6,597.0
						26,851.9

(a) Total weighted population differs from the total population in column 1 as the per capita relativities are calculated by the CGC using population numbers for the period 1995-96 to 1999-2000 and are then rounded.

Table 4: Distribution of GST revenue, 2002-03 (estimated)

	Projected population as at 31 December 2002	Per capita relativities	Weighted population (1)x(2)	Share of weighted population (4)	GST revenue/HCGs pool according to (4)	Unquarantined HCGs	Distribution of GST revenue (5)-(6) (\$m)
	(1)	(a) (2)	(b) (3)	(4)	(5)	(6)	(7)
NSW	6,624,463	0.90631	6,003,817	30.5	11,104.3	2,386.5	8,717.8
VIC	4,913,083	0.86824	4,265,735	21.7	7,889.6	1,725.7	6,164.0
QLD	3,715,421	1.01174	3,759,040	19.1	6,952.5	1,308.9	5,643.6
WA	1,945,200	0.97592	1,898,360	9.6	3,511.1	685.4	2,825.7
SA	1,510,669	1.19447	1,804,449	9.2	3,337.4	596.7	2,740.7
TAS	471,151	1.55419	732,258	3.7	1,354.3	153.1	1,201.2
ACT	317,115	1.15216	365,367	1.9	675.8	88.9	586.9
NT	200,984	4.24484	853,145	4.3	1,577.9	77.8	1,500.1
Total	19,698,086	na	19,682,171	100.0	36,403.0	7,023.0	29,380.0

(a) The per capita relativities adopted take account of technical issues raised by Western Australia and the Australian Capital Territory and agreed by the CGC.

(b) Total weighted population differs from the total population in column 1 as the per capita relativities are calculated by the CGC using population numbers for the period 1996-97 to 2000-01 and are then rounded.

The GST revenue provision for 2001-02 has been adjusted to account for the final 2000-01 outcome. In 2000-01 there was a \$578.1 million overpayment of the GST revenue provision to the States, reflecting actual cash collections of GST falling \$578.1 million below the Commissioner of Taxation's June 2001 determination. This shortfall in GST cash collections was almost entirely due to higher than anticipated GST cash refunds in 2000-01 (reducing net GST cash receipts).

The Act outlines the mechanisms for adjusting the States' entitlements to account for variations between the Commissioner of Taxation's determination and final outcomes. Accordingly, the 2000-01 GST overpayment will be deducted from the States' 2001-02 GST provision. However, each State's 2001-02 Budget Balancing Assistance (BBA) entitlement will be increased by an equal amount. This reflects the fact that while the States were overpaid GST in 2000-01, they were underpaid BBA of the same amount. Hence, there is no net financial impact on the States in either year.

GENERAL REVENUE ASSISTANCE

In 2002-03, general revenue assistance will take the form of BBA, National Competition Policy Payments (NCPPs) and Special Revenue Assistance (SRA). As with GST revenue, general revenue assistance is 'untied'; that is, it is not required to be spent by the States in a specified area.

As outlined in Chapter 1, the total level of general revenue assistance to the States in 2001-02 is estimated to be \$4,604.3 million. In 2002-03 it is estimated to be lower at \$2,495.7 million, reflecting mainly a \$2.5 billion increase in GST revenue provision.

Budget Balancing Assistance

Under the Act, the Commonwealth has guaranteed that in each of the transitional years following the introduction of tax reform, each State's budgetary position will be no worse off than had the reforms to Commonwealth-State financial relations not been implemented.

The amount of funding each State would have had available to it under the previous system of financial relations is known as the Guaranteed Minimum Amount (GMA) and is calculated for each transitional year.

To meet its guarantee, the Commonwealth pays each State transitional assistance (known as BBA) to cover any shortfall of its share of GST revenue below its GMA.

On the basis of current estimates, the States will receive total BBA of \$3,856.8 million in 2001-02 and \$1,741.2 million in 2002-03. The final quantum of BBA paid in a year is determined by the Treasurer's GMA determination and the Commissioner of Taxation's GST determination, as outlined in the Act.

As noted above, the States were underpaid BBA totalling \$578.1 million in 2000-01. Table 5 shows the additional BBA to be paid to the States in 2001-02 to account for this BBA underpayment.

Table 5: Additional Budget Balancing Assistance in 2001-02

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Additional BBA	179.3	126.3	108.9	55.6	52.7	21.0	10.7	23.7	578.1

In 2001-02 and 2002-03, BBA takes into account revenue forgone by the States from the abolition of Financial Institutions Duty and stamp duty on quoted marketable securities, totalling \$1,871.1 million in 2001-02 and \$2,105.9 million in 2002-03.

As a result of the Ministerial Council's decision to implement a National Excise Scheme for Low Alcohol Beer, the calculation of each State's GMA from 2002-03 will take into account that State's reduced expenditure from the removal of its existing subsidies. As noted in Chapter 1, while each State continues to receive BBA, the Commonwealth will deduct the cost of the Scheme from the BBA. When States no longer require BBA, the Commonwealth will fully fund the Scheme.

Tables 6 and 7 show the latest estimates of the GMA, GST revenue and BBA for each State in 2001-02 and 2002-03 respectively. These estimates have been updated for parameter and estimate changes since they were discussed at the 22 March 2002 Ministerial Council meeting.

Table 6: Guaranteed Minimum Amount components, GST revenue provision and Budget Balancing Assistance, 2001-02 (estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
State Revenues Forgone									
Financial Assistance Grants	5,340.7	3,758.2	3,653.4	1,667.7	1,945.2	894.9	406.5	1,207.9	18,874.5
Revenue Replacement Payments	2,388.4	1,598.6	1,451.2	1,005.7	622.0	211.3	106.1	135.3	7,518.5
Financial Institutions Duty	587.6	342.2	na	129.3	85.5	21.1	17.4	12.9	1,195.9
Marketable Securities Duty	388.1	201.7	24.9	23.9	13.2	0.7	21.6	0.9	675.1
Marketable Securities Duty Needs	-12.7	3.2	9.5	0.0	1.5	1.8	-4.0	0.7	0.0
Accommodation Taxes	72.0	na	na	na	na	na	na	8.1	80.1
plus Reduced Revenues									
Gambling Taxes	568.6	413.2	211.4	58.0	85.4	21.4	21.3	13.2	1,392.4
plus Interest Costs									
Interest Costs	2.9	3.4	4.3	0.9	1.1	0.5	0.4	0.7	14.2
plus Additional Expenditures									
First Home Owners Scheme	440.0	329.2	316.2	157.9	107.8	37.1	25.9	11.8	1,425.9
GST Administration Costs	174.1	128.9	97.1	51.0	39.9	12.5	8.3	5.3	517.2
plus Other Items									
WST Payments	38.0	5.0	18.0	19.0	12.7	13.0	4.0	3.0	112.7
minus Reduced Expenditures									
Off-road Diesel Subsidies	137.4	57.5	130.4	172.9	36.9	2.2	0.0	4.0	541.3
Savings from Tax Reform	157.1	107.4	89.2	53.4	38.8	13.0	9.0	13.2	481.0
minus Growth Dividend									
Remaining State Taxes	56.9	36.7	19.2	11.5	9.2	2.3	1.8	1.3	139.0
Plus Adjustments									
2000-01 BBA Adjustment(a)	25.3	17.1	7.9	5.5	2.9	1.5	0.6	2.7	63.6
Total Guaranteed Minimum Amount (1)	9,661.6	6,599.1	5,555.1	2,881.2	2,832.3	1,198.1	597.3	1,384.1	30,708.8
GST Revenue Provision (2)(b)	8,133.9	5,689.0	5,076.7	2,562.1	2,486.7	1,069.5	536.4	1,297.7	26,851.9
Budget Balancing Assistance (1)-(2)(c)	1,527.7	910.1	478.4	319.1	345.6	128.6	60.9	86.4	3,856.8

(a) Reflects revisions to components of the 2000-01 GMA of each State made after the 2000-01 financial year, but exclusive of the \$578.1 million BBA underpayment.

(b) Adjusted for the \$578.1 million GST overpayment in 2000-01.

(c) Adjusted for the \$578.1 million BBA underpayment in 2000-01.

Table 7: Guaranteed Minimum Amount components, GST revenue provision and Budget Balancing Assistance, 2002-03 (estimated)

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
State Revenues Forgone									
Financial Assistance Grants	5,337.3	3,827.3	3,928.0	1,762.5	2,045.0	965.4	430.7	1,345.8	19,642.0
Revenue Replacement Payments	2,435.8	1,630.2	1,478.0	1,019.1	634.4	215.6	108.3	137.7	7,659.0
Financial Institutions Duty	671.0	386.7	na	145.8	96.6	23.6	19.5	15.3	1,358.5
Marketable Securities Duty	429.0	223.1	27.0	27.6	14.7	0.7	24.2	1.1	747.4
Marketable Securities Duty Needs	-21.6	11.3	12.9	2.6	2.9	2.4	-11.0	0.5	0.0
Accommodation Taxes	77.0	na	na	na	na	na	na	8.5	85.5
plus Reduced Revenues									
Gambling Taxes	591.6	438.2	223.0	59.2	87.0	21.9	21.8	13.7	1,456.4
plus Interest Costs									
Interest Costs	3.9	4.2	5.0	1.2	1.4	0.6	0.5	0.9	17.7
plus Additional Expenditures									
First Home Owners Scheme	237.6	181.9	169.3	83.9	67.4	21.2	15.7	7.1	784.0
GST Administration Costs	187.9	139.3	105.4	55.2	42.8	13.4	9.0	5.7	558.6
plus Other Items									
WST Payments	38.0	5.0	18.0	19.0	12.7	13.0	4.0	3.0	112.7
minus Reduced Expenditures									
Off-road Diesel Subsidies	135.4	56.8	129.3	170.9	36.1	2.2	0.0	3.9	534.7
Savings from Tax Reform	167.9	115.0	95.3	56.9	41.4	13.9	9.5	14.0	514.0
Low Alcohol Beer Subsidies(a)	24.7	17.1	4.8	7.8	4.6	1.7	1.0	1.2	62.9
minus Growth Dividend									
Remaining State Taxes	77.4	49.9	26.2	15.6	12.5	3.2	2.4	1.7	189.0
Total Guaranteed Minimum Amount (1)	9,582.0	6,608.3	5,711.1	2,924.7	2,910.2	1,256.8	609.7	1,518.4	31,121.2
GST Revenue Provision (2)	8,717.8	6,164.0	5,643.6	2,825.7	2,740.7	1,201.2	586.9	1,500.1	29,380.0
Budget Balancing Assistance (1)-(2)	864.2	444.3	67.5	99.0	169.5	55.6	22.8	18.3	1,741.2

(a) In 2002-03, the Guaranteed Minimum Amount includes the deduction of each State's contribution to the National Excise Scheme for Low Alcohol Beer.

National Competition Policy Payments

At the April 1995 Council of Australian Governments meeting, the Commonwealth and the States concluded the *Agreement to Implement the National Competition Policy and Related Reforms*. Under that Agreement, the States are eligible for three tranches of ongoing NCPPs. The NCPPs commenced in July 1997 at an annual level of \$200 million, and increased in July 1999 to \$400 million in 1994-95 prices. The third tranche commenced in July 2001 at an annual level of \$600 million in 1994-95 prices. The Agreement specifies that the NCPPs be paid quarterly and be distributed to the States on an equal per capita basis.

Each State's NCPPs are subject to that State making satisfactory progress with the implementation of specified reform conditions in the Agreement. Prior to the scheduled payment of NCPPs in 2002-03, the National Competition Council will assess whether each State has met these conditions and provide a report for consideration by the Commonwealth.

Subject to satisfactory progress in the areas to be reviewed by the National Competition Council, the Commonwealth will provide the States with NCPPs estimated to total \$739.8 million in 2002-03.

Table 8 shows the allocation of NCPPs covering 2001-02 to 2005-06.

Table 8: National Competition Policy Payments, 2001-02 to 2005-06 (estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2001-02(a)	242.5	179.6	147.9	71.1	55.7	17.4	11.6	7.6	733.3
2002-03	248.6	184.7	139.6	73.0	56.7	17.7	11.9	7.5	739.8
2003-04	254.7	189.0	143.8	75.1	57.7	18.0	12.2	7.8	758.2
2004-05	260.7	193.6	148.2	77.2	58.8	18.2	12.4	8.0	777.1
2005-06	267.0	198.1	152.8	79.4	59.8	18.5	12.7	8.2	796.5

(a) Queensland and Northern Territory entitlements include the reimbursement of suspensions imposed in 2000-01.

Special Revenue Assistance

In 2002-03, Special Revenue Assistance (SRA) comprises funding to the Australian Capital Territory for special fiscal needs. Special fiscal needs take account of the differences between the Commonwealth's financial arrangements with the Australian Capital Territory and those generally existing between the Commonwealth and the other States. These payments are consistent with the recommendations of the CGC in its *Report on State Revenue Sharing Relativities 2002 Update*.

In 2002-03, SRA will amount to \$14.7 million, an increase of \$0.5 million over 2001-02. Table 9 shows the estimates of SRA from 2001-02 to 2005-06.

Table 9: Special Revenue Assistance to the Australian Capital Territory, 2001-02 to 2005-06 (estimated)

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Special Revenue Assistance to the ACT	14.2	14.7	15.1	15.4	15.8

MIRROR TAX ARRANGEMENTS

Following the High Court decision in *Allders International Pty Ltd v Commissioner of State Revenue* (Victoria) invalidating State taxes on Commonwealth places, the Commonwealth introduced taxes in 1998 to mirror State payroll taxes, Financial Institutions Duty, debits tax and stamp duties on activities on or in Commonwealth places. State land taxes were subsequently added to the list of mirror taxes.

The States collect the mirror taxes on behalf of the Commonwealth and bear the administrative costs of collection. All mirror tax revenues are automatically credited to the Commonwealth and automatically appropriated to the States at the same time to ensure that they are not financially disadvantaged by the *Allders* decision. Hence, mirror taxes are recorded as both Commonwealth revenue and negative revenue (reflecting that they are immediately debited to the States), with no net impact on the Budget.

Table 10 summarises estimates of accrued mirror taxes, from 2001-02 to 2005-06.

Table 10: Accrued mirror taxes on behalf of the States, 2001-02 to 2005-06 (estimated)

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Mirror taxes	270.0	285.0	300.0	315.0	330.0

The administrative arrangements for collecting, and ensuring compliance with, the mirror taxes are contained in bilateral arrangements between the Commonwealth and the States.

HORIZONTAL FISCAL EQUALISATION

All GST revenue is provided to the States, and is distributed according to the principles of Horizontal Fiscal Equalisation (HFE), in accordance with the provisions of the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999* (the Act). The GMA is also partly determined in accordance with HFE principles.

The distribution of GST revenue according to HFE is provided for in the Intergovernmental Agreement, signed by all jurisdictions. Clause B2 of the Intergovernmental Agreement states that: 'The pool of funding to be distributed according to HFE principles in a financial year will comprise GST revenue grants and

health care grants as defined under an Australian Health Care Agreement between the Commonwealth and the States and Territories. A State or Territory's share of the pool will be based on its population share, adjusted by a relativity factor which embodies per capita financial needs based on recommendations of the Commonwealth Grants Commission.'

The rationale for Horizontal Fiscal Equalisation

The broad principle of HFE is that the States should receive funding from the Commonwealth such that, if each made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each would have the capacity to provide services at the same standard. For example, Victoria receives relatively less funding under HFE because its fiscal capacity is relatively strong. In contrast, the Northern Territory receives relatively more funding because its expenditure requirements are very high. The concept of HFE is grounded in equity considerations.

Accordingly, HFE gives practical effect to Australians' concerns about equity and substance to the Federation by giving each State a more equal capacity to provide their citizens with access to essential services (such as health and education) at a standard that is not lower than other States.

A way of considering the relevance of HFE is to take into account the distribution of funding that might occur were Australia to have a unitary system of government, rather than the current federal system. While it is not possible to quantify this approach, it would seem likely that if Australia had a unitary system of government, the national government would seek to provide a minimum level of services to all areas of Australia. Horizontal Fiscal Equalisation seeks to achieve a similar outcome in the current federal system.

Furthermore, even within State and Territory jurisdictions there is a quasi-equalisation process at work to the extent that State expenditures take account of needs of various regions rather than ensuring spending on an equal per capita basis or returning revenue to its source.

The assessment process

The HFE principles are embodied in the per capita relativities recommended by the Commonwealth Grants Commission (CGC). The CGC is an independent, statutory authority, established by the *Commonwealth Grants Commission Act 1973*.

In its assessment of per capita relativities, the CGC takes account of differences in the per capita capacities of the States to raise revenues and differences in the per capita costs incurred by the States in providing an average standard of government services. In this way, the CGC ensures that Commonwealth grants are paid to the States on the basis of the underlying needs.

A State's actual per capita expenditure or revenue generally differs from the average of all States when:

- influences that are beyond a State's control (referred to as 'disabilities') affect the cost at which it can provide services or its capacity for raising revenue; or
- a State's policies, practices and operating efficiency differ from those of other States.

Under Horizontal Fiscal Equalisation only those factors beyond a State's control are taken into account in determining a State's relative needs. The CGC does not take into account a State's own policies when determining a State's per capita relativity.

The Commonwealth consults with the States concerning the CGC's terms of reference, with a view to reinforcing the CGC's position as the independent arbiter of HFE (a position all States agreed to in the Intergovernmental Agreement). Terms of reference for the CGC define the general approach to be followed, as well as any specific conditions or limitations on the extent to which HFE is to apply.

The CGC undertakes both annual updates and five-yearly methodology reviews. Annual updates revise the data upon which the CGC's assessments are based. Methodology reviews are aimed at improving the CGC's methods of assessment and involve substantial consultation with the States and the Commonwealth. The CGC completed its most recent methodology review in February 1999, and the results of the next methodology review are due to be released in early 2004 (see Box 1).

Box 1: Commonwealth Grants Commission's 2004 Methodology Review

- The CGC has commenced a methodology review, which is expected to be completed in February 2004.
- The terms of reference for the 2004 review were developed in consultation with the States, and give the CGC a wide-ranging brief to review aspects of the methodology. Any methodology improvements may produce a redistribution of funding among the States.
- Issues under consideration by the CGC as part of the 2004 review include:
 - whether the allowances for special circumstances granted to the Australian Capital Territory continue to be necessary; and
 - improving methods of assessment, for example in the area of depreciation and debt charges.
- On 28 September 2001, the CGC convened a conference for Heads of Treasuries to discuss priority issues for the 2004 review.
 - The conference broadly accepted the CGC's proposed approach to the review.
 - There was also agreement that a working group reporting to the Heads of Treasuries should look at ways of improving the financial data the CGC uses in its assessments. A new set of guidelines for data reporting has subsequently been agreed by all jurisdictions. For further information see Chapter 4.
- The CGC expects to release preliminary results of the review in mid-2003 ahead of a further round of consultations with the States and the Commonwealth. The CGC's final recommendations, including the recommended per capita relativities for 2004-05, are expected to be released in February 2004.

2002 update of relativities

In its *Report on State Revenue Sharing Relativities 2002 Update*, which was released on 27 February 2002, the CGC analysed data for the period 1996-97 to 2000-01 inclusive, in reaching its recommendations on two sets of relativities:

- GST relativities that apply to the distribution of GST revenue; and
- Financial Assistance Grants (FAGs) forgone relativities that contribute to the calculation of the GMA for each State.

The Ministerial Council meeting of 22 March 2002 resolved to adopt the recommended relativities for 2002-03.

The GST relativities and FAGs relativities for 2001-02 and 2002-03 are shown in Table 11.

Table 11: GST relativities and Financial Assistance Grants forgone relativities, 2001-02 and 2002-03

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
GST Relativities								
2001-02	0.92032	0.87539	1.00269	0.97516	1.17941	1.50095	1.14633	4.02166
2002-03(a)	0.90631	0.86824	1.01174	0.97592	1.19447	1.55419	1.15216	4.24484
FAGs Relativities								
2001-02	0.88284	0.84543	1.01882	0.92429	1.27328	1.68695	1.18924	4.93364
2002-03(a)	0.86037	0.83401	1.04008	0.92858	1.29035	1.75186	1.20906	5.22670

(a) These amended relativities take account of technical issues raised by Western Australia and the Australian Capital Territory after the release of the initial CGC 2002 Update report.

The GST relativities are all closer to 1 than the FAGs relativities. This reflects the fact that fiscal equalisation requires a fixed dollar amount of funding (approximately \$2.5 billion) to be redistributed. Since the GST pool (approximately \$29.4 billion in 2002-03) is greater than the FAGs pool (approximately \$19.6 billion in 2002-03), it takes a smaller proportional adjustment to each State's share of funding to achieve equalisation.

Effect of Horizontal Fiscal Equalisation

One way of viewing the effect of HFE is to compare the FAGs forgone/Health Care Grant (HCG) pool for each State with the amount that would be received on the basis of an equal per capita distribution. FAGs forgone is the largest component of the GMA and is distributed on the basis of HFE. In 2002-03, compared with an equal per capita distribution, approximately \$2.5 billion (or almost 9.5 per cent) of the total FAGs forgone/HCG pool is to be distributed among the States as a result of the application of the CGC's relativities to the FAGs forgone/HCG pool. This comparison is shown in Table 12.

Table 12: Effect of Horizontal Fiscal Equalisation, 2002-03

	FAGs/HCG pool distributed under HFE (\$m)	Equal per capita distribution of FAGs/HCG pool (\$m)	Difference (1) - (2) (\$m)	Population (million)	Per capita redistribution (3) ÷ (4) (\$)
	(1)	(2)	(3)	(4)	(5)
NSW	7,723.9	8,967.4	-1,243.6	6.6	-187.7
VIC	5,552.9	6,650.7	-1,097.8	4.9	-223.4
QLD	5,236.9	5,029.5	207.4	3.7	55.8
WA	2,447.8	2,633.2	-185.3	1.9	-95.3
SA	2,641.6	2,045.0	596.7	1.5	395.0
TAS	1,118.6	637.8	480.8	0.5	1,020.4
ACT	519.6	429.3	90.3	0.3	284.8
NT	1,423.6	272.1	1,151.5	0.2	5,729.5
Total	26,664.9	26,664.9	0.0	19.7	na

As indicated earlier, some jurisdictions receive less than equal per capita funding under HFE because their fiscal capacity is relatively strong. These States are New South Wales, Victoria and Western Australia. For example, the CGC assesses that New South Wales has a relatively stronger capacity to raise revenue from land tax and stamp duty on property transfers, Victoria has the lowest average cost of providing State Government services, while Western Australia has a relatively stronger capacity than the other States to raise revenue from mining activities. The other jurisdictions receive relatively more funding because their fiscal capacity is not as strong and/or the costs associated with their service delivery is higher.