

ESTIMATES COMMITTEE

Question Taken on Notice

Date: 11 June 2019

Subject: GST prediction comparisons

From: Mr Gary Higgins

To: Treasurer, the Hon Nicole Manison MLA

Agency: Department of Treasury and Finance

Number: 2-3

Question: I would like to see a table that shows me what Treasury's prediction for GST was in the final budget of 2016, produced by the CLP. I would then like to see how that compared directly with the pre-election financial outlook, which Treasury produced independently. I would then like to see the Commonwealth's prediction of GST, which the Treasurer referred to earlier?

Answer:

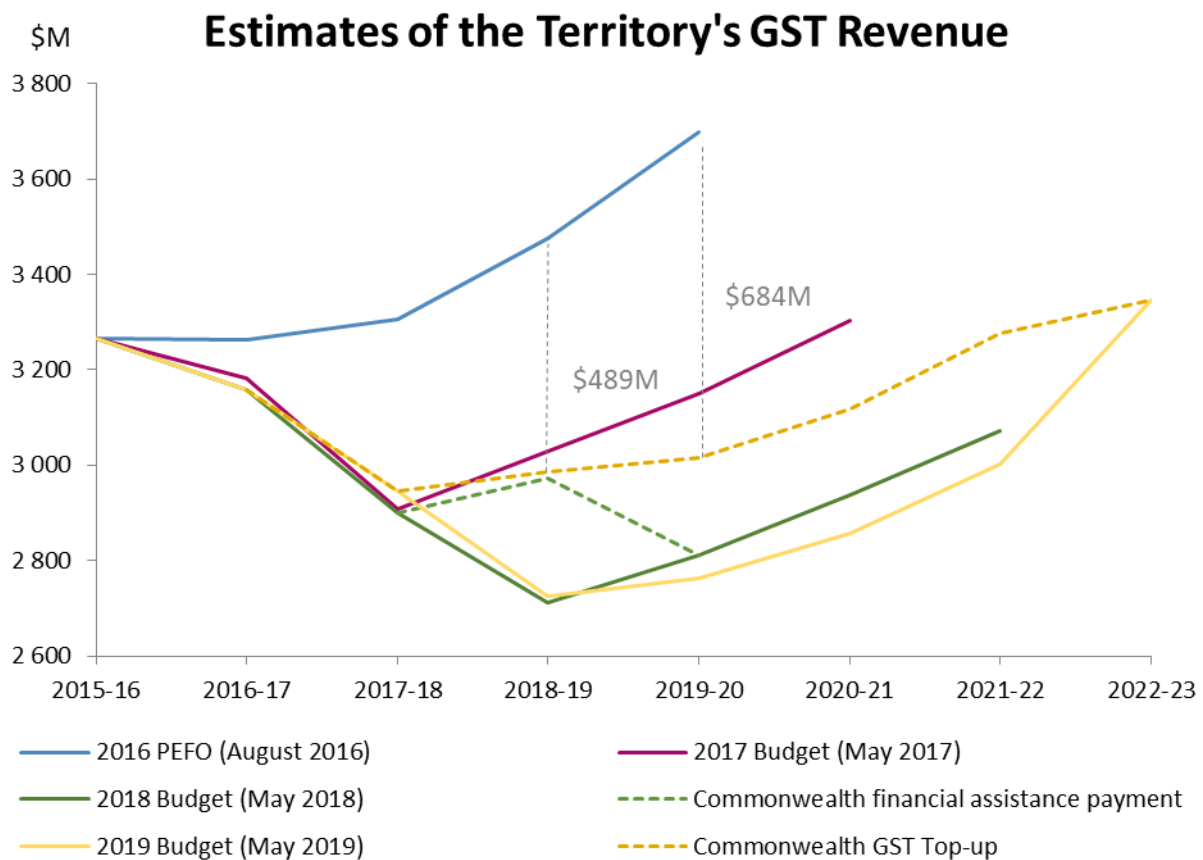
The Northern Territory's long-term average relativity, since the introduction of the GST, has been 5.10. Declines since the 2016 Budget from 5.28 to 4.66 and then to 4.26 and 4.27 have brought the lowest GST relativity in the Territory's history, and are unlikely to return to the historical average level. As such, the Territory had advocated for the new national legislation to include, in perpetuity, a relativity floor for the Territory at the long-term average of 5.10. Instead, a three-year floor of 4.66 was guaranteed by the Commonwealth, to be effected through GST top-up payments. This guarantee concludes in 2021-22. (Refer also to the response to 2019-20 Estimates Committee Question on Notice 2-2.)

GST Revenue Estimates:

	2016-17	2017-18	2018-19	2019-20	Source
	\$M	\$M	\$M	\$M	
2016 Territory Budget	3 263	3 306	3 474	3 698	BP2 p.17
2016 Commonwealth Budget	3 262	3 423	3 590	3 736	BP3 p.75
2016 Territory Pre-election Fiscal Outlook	3 263	3 306	3 474	3 698	PEFO p.18

- The Territory's 2016 Budget and Pre-election Fiscal Outlook (PEFO) applied the Commonwealth Grants Commission's (CGC) 2016 Update recommended GST relativity of 5.28450 in 2016-17, and a relativity estimate of 5.11577 for 2017-18 and the remaining forward estimate years. The lower estimated 2017-18 relativity reflected the trend of a downward trajectory in the CGC's recommended relativities (NT 2016 BP2 p.42).
- In contrast, the Commonwealth 2016-17 Budget held the Territory's 2016 GST relativity constant across the budget and forward estimate years. The application, by the Territory, of the different relativities from 2017-18 onwards is the driving factor for the difference between the GST revenue estimates in the Commonwealth Budget and the Territory's PEFO.

- The Commonwealth again held the budget year relativities constant over the budget and forward estimates in the 2017-18 Commonwealth Budget. In the 2018-19 and 2019-20 Commonwealth Budgets, GST revenues were not published individually for states and territories beyond the Budget year.



- The Territory's 2017 Budget presented a reduction in GST revenue estimates of around \$2 billion compared to the Territory's PEFO. The downward revisions were primarily driven by a decline in the Territory's GST relativity from an estimated 5.11577 over the budget and forward estimate years, to the CGC recommended relativity of 4.66024. The decline also reflected downward revisions to the GST Pool, based on Commonwealth estimates at the time, and a decline in the Territory's share of the national population.
- The Territory's 2018 Budget estimated GST revenues to reduce by a further \$1.4 billion over the budget and forward estimates compared to the Territory's 2017 Budget. All three GST parameters were revised downward, with the main driver being the Territory's GST relativity which decreased from 4.66024 to the 2018 CGC recommended relativity of 4.25816. The decline in the Territory's estimated GST revenue for 2018-19 was slightly offset by a one-off Commonwealth financial assistance payment of \$260 million which was provided in recognition of the impact the GST relativity decrease had on the Territory's budget position (NT 2018 BP2 p.41). This payment was intended for 2018-19, but was received from the Commonwealth in 2017-18.
- Estimated GST revenues were reduced slightly in the Territory's 2019 Budget, compared to estimates in the 2018 Budget, primarily reflecting further declines in the estimated GST pool over the budget and forward estimate years. This reduction in GST revenue over the three years from 2019-20 to 2021-22 is offset by estimated Commonwealth's GST top-up payments under the new GST distribution arrangements (refer to answer 2.2).
- While the Commonwealth's GST top-up payments are estimated to provide over \$250 million per year over three years, the drop in GST estimates since the Territory's PEFO remains on average greater than \$500 million per year.