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IPA REPORT: TIME TO END GST REDISTRIBUTION

A new report released today by the Institute of Public Affairs reveals how GST equalisation is creating a class of winners and losers among the Australian states.

The report, *Time to End GST Redistribution*, authored by Morgan Begg, reveals that over the life of the GST, Western Australia has lost \$16 billion (22 per cent) of the GST revenue that was raised in that state. By contrast, almost \$19 billion (24 per cent) of South Australia's GST revenue is raised in other states.

"The GST horizontal equalisation mechanism is deeply flawed in both practice and in principle," said Mr Begg, research fellow at the Institute of Public Affairs.

"Billions of dollars have been transferred away from a few states under a complex scheme that reduces the incentives for state governments to undertake important microeconomic reforms."

"For example, the South Australian government has no incentive to improve their state finances while they continue to be propped up by the other states."

"States like SA that introduce policies and inefficient taxes that drive people and businesses out of the state should not prosper under a ridiculous GST deal."

"Carving up the GST on a state of origin basis or to each state equally per capita would be simpler and eliminate much of the perceived unfairness of the current regime."

"However, more fundamental reform is required, decentralising the GST by allowing the states to set the rate that applied in their respective jurisdictions and keeping the revenue raised would unlock the benefits of competitive federalism," said Mr Begg.

**Executive Director of the Institute of Public Affairs, John Roskam, is in Perth today and available for media:
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