




Speech By
Hon. Curtis Pitt

MEMBER FOR MULGRAVE

Record of Proceedings, 17 August 2016

MINISTERIAL STATEMENT

Goods and Services Tax

 **Hon. CW PITT** (Mulgrave—ALP) (Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport) (2.41 pm): The central tenet of fiscal fairness in this country is horizontal fiscal equalisation. It ensures that all state and territory governments have the same capacity to deliver the services that all Australians have a right to expect. Yet on Saturday in a speech to the WA Liberal state conference the Prime Minister announced ‘a percentage floor below which no state’s receipts of GST can fall’. This ill-thought-out policy proposal has put horizontal fiscal equalisation at risk. Despite the wideranging consequences of the announcement, we do not know any more about the proposal than what we heard at the weekend from Perth. We do not know what the floor percentage would be or how it would be calculated. Just like his proposal to raise the GST or his plan to have the states raise their own income taxes, the Prime Minister announced this plan with no communication with the states or territories except Western Australia’s embattled Liberal state government, which is facing defeat at next March’s election.

Western Australia was already gifted half a billion dollars for roads after it complained about its GST allocation earlier this year, with some reports suggesting that the extra funds will be \$1 billion over two years. Let us not forget that, when Queensland wanted flexibility from the Commonwealth over asset recycling after the verdict of the last election, the federal coalition said there were no special deals, but here we have a special sweetheart deal for Western Australia.

No matter how you look at it, if one state gets more than its fair share of GST revenue, there is less money in the GST pool for everyone else. Malcolm Turnbull might not be fully frank with the states about his GST floor plan, but we know it would hurt Queensland. If a 50 per cent per capita floor had been implemented in 2016-17, it would have reduced Queensland’s GST by around \$317 million. If a 75 per cent per capita floor had been implemented in 2016-17, it would have reduced Queensland’s distribution by around \$720 million.

The higher the floor, the more money that goes to WA. We do not know what the floor is but we do know that this is a sweetheart deal for Western Australia, so who knows how high the floor will go? We do know that the Liberal states, including Queensland, in 2012 in a joint submission to the GST distribution review recommended that GST distribution should be on a strict per capita basis, effectively a floor of 100 per cent. This would unhook the central tenant of fiscal fairness in this country—horizontal fiscal equalisation—from the GST distribution.

The Liberal states joint submission asserted that states with greater funding needs would be met on an ad hoc basis from the Commonwealth. Given Queensland’s decentralisation, this is a reckless endangerment of horizontal fiscal equalisation. This side of the House has always backed horizontal fiscal equalisation to ensure Queensland, as the most decentralised state, has the same capacity to deliver the services that all Australians have a right to expect. Queenslanders cannot afford a Turnbull raid on our GST payments. Queenslanders expect the LNP to support the government and stand up for Queensland in Canberra.