

QUEENSLAND PRODUCTIVITY COMMISSION ACT 2025

Section 38

DIRECTION

Direction

Under sections 9(1)(b), 9(1)(d) and 38 of the *Queensland Productivity Commission Act 2025*, I direct the Commission to undertake research and provide advice in accordance with the request set out below.

TERMS OF REFERENCE

ECONOMIC IMPACTS OF AUSTRALIA'S GST DISTRIBUTION SYSTEM ON QUEENSLAND

1. Context

Australia is a federation of eight states and territories with diverse economic, social and geographic circumstances. This often leads to differences in the cost of providing services to residents and different capacities to raise revenue.

Yet, all Australians, regardless of the state in which they live, should be able to receive comparable levels of health, education, justice, welfare, public housing and other services.

Australia's Goods and Services Tax (GST) distribution system was originally designed to help ensure all states and territories could provide comparable services, if they all made a similar effort to raise revenue from their own taxes. In this regard, a greater share of the GST collected nationally by the Australian Government should theoretically go towards states or territories with growing populations and higher need.

GST is the single largest revenue stream for the Queensland Government, and it therefore plays an integral part in the State's ability to deliver essential services to all Queenslanders across our regions, where they need it and when they need it.

Concerningly, over the 10 years from 2015-16 to 2025-26, Queensland's GST revenue has only grown by 28 per cent, well below national GST growth of 75 per cent and even below consumer price index (CPI) growth of 33 per cent. In real terms, Queensland is receiving less GST revenue today than it did 10 years ago and is the only jurisdiction to face this highly detrimental outcome.

Over the same period, Queensland's population has grown significantly above Australia's population growth, while the underlying demand, complexity and cost of delivering essential services has also risen significantly.

The fact that Queensland will receive less GST revenue in 2025-26 than it did in 2015-16 in real terms, despite the continued growth of the national GST pool and the significant increase in Queensland's need, suggests the current GST distribution framework is not meeting Queensland's growing expenditure needs adequately or sustainably.

Additionally, there are public concerns around whether the GST distribution system creates fiscal disincentives for states to make good policy decisions or undertake helpful policy reforms. For example:

- Queensland is effectively paying other jurisdictions \$8.7 billion of GST in 2025-26 because it has successfully supported the development of Queensland's coal and gas industries while ensuring Queenslanders receive a fair share of royalties for the natural endowment that belongs to them and future generations
- current GST arrangements will redistribute up to around \$3 billion of the \$7.2 billion in funding committed by the Australian Government to deliver critical safety improvements to the national Bruce Highway, meaning that Queensland will effectively need to raise \$3 billion more in revenue to fund that shortfall
- Queensland is effectively paying Victoria and New South Wales around \$800 million of GST in 2025-26 because those states had less effective COVID-19 policies and implemented more costly business support measures.

Queensland is the only jurisdiction to face a year-on-year decline in GST revenue in 2025-26, with the \$2.3 billion reduction being the largest in the history of the GST. In contrast, Queensland's GST revenue in 2025-26 would have been \$22.7 billion if it had grown in line with national GST payments. The fiscal and economic implications of a \$6.1 billion difference in a single year are profound.

2. Scope

The Queensland Productivity Commission (the Commission) is therefore directed to analyse and assess the economic impacts of Australia's GST distribution system on Queensland and the implications for the State to deliver essential services and infrastructure.

The Commission should assess the economic impact of GST distribution including on:

- Queensland's economy and the State's capacity to deliver services to support growth and social outcomes, considering that from 2015-16 to 2025-26, Queensland's GST revenue grew by 28 per cent instead of 75 per cent in line with the growth in national GST payments
- other key economic outcomes for Queensland relative to other states and territories, including capital and labour mobility
- Queensland, relative to other states and territories, as a result of the 2018 GST distribution system changes.

The Commission should also assess:

- whether GST distribution outcomes have appropriately incentivised sound policy decisions and reform
- the unintended consequences of the interaction between GST distribution and the broader Commonwealth-State funding and policy framework
- any other relevant matter relating to the economic and equity impacts of GST distribution.

3. Consultation

The Commission should consult with Queensland Treasury to ensure the analysis is appropriately informed by Treasury's economic, demographic and fiscal forecasts and projections, as well as Treasury's knowledge of data and other matters relating to the Commonwealth Grants Commission's assessment methodology.

The Commission should also consult where appropriate with key stakeholders to incorporate diverse perspectives on the sustainability of Queensland's GST revenue.

Queensland Government agencies should provide data and other information as required for the Commission to complete its analysis, in accordance with section 35 of the *Queensland Productivity Commission Act*.

4. Reporting

The Commission is to provide an Interim Report on the economic analysis to the Treasurer by 4 February 2026.

The Commission is to provide the Final Report to the Treasurer by 17 April 2026.