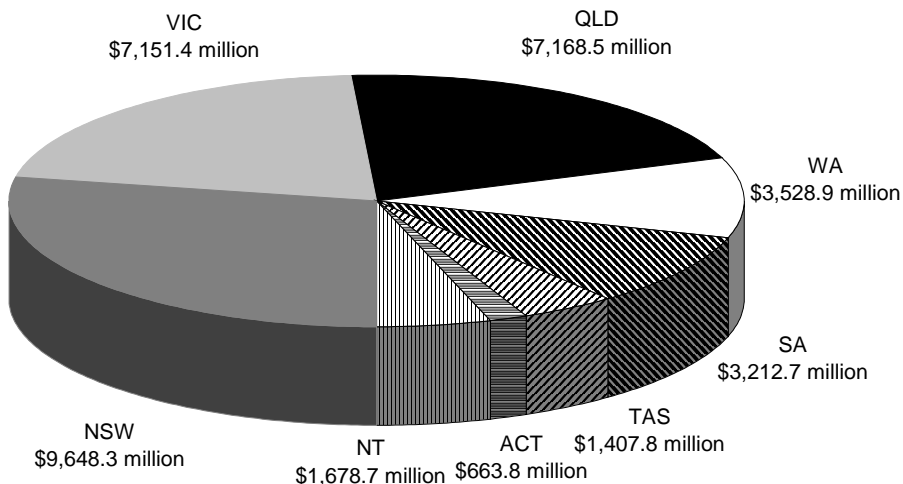


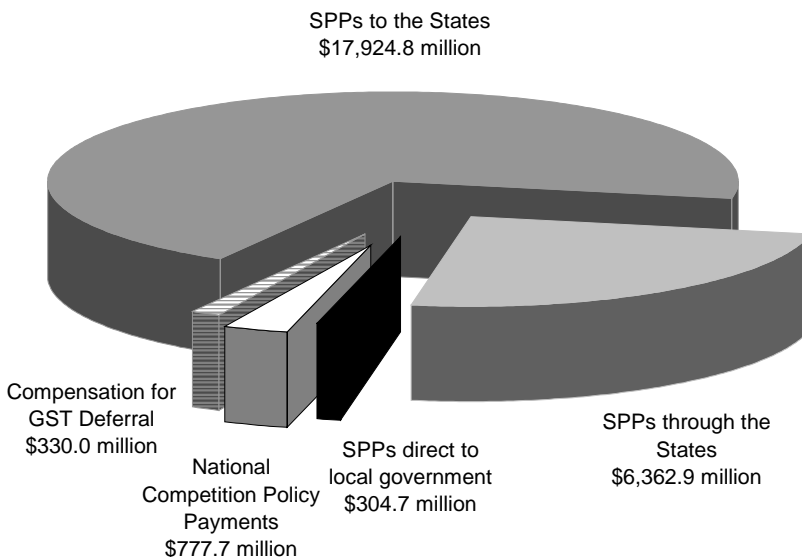
## EXECUTIVE SUMMARY

- From 2004-05 onwards, every State and Territory (the States) will receive more revenue from the GST than they would have under the previous system of Financial Assistance Grants and the state taxes that were abolished by *The New Tax System*. In 2004-05, the States will be better off by a total of \$1.6 billion due to the Australian Government's tax reforms. From 2004-05 onwards, no State will require Budget Balancing Assistance.
- After only four years since the introduction of the GST, tax reform has delivered to the States a secure, growing and broad-based revenue source that has more than replaced various narrow and inefficient state taxes. The States now have the ability to deliver better services on a sustainable long term basis.
- In 2004-05, the States will receive GST revenue totalling an estimated \$34.5 billion (Chart 1). This amount will be distributed among the States in accordance with recommendations of the Commonwealth Grants Commission set out in its *Report on State Revenue Sharing Relativities 2004 Review* of 25 February 2004.
- The Australian Government and the States have agreed to abolish bank account debits tax by 1 July 2005 and to review the need to retain certain state business stamp duties. As GST revenue grows, it can fund these tax reductions.
- In addition, the Australian Government will provide the States with Specific Purpose Payments (SPPs) and National Competition Policy Payments totalling an estimated \$25.4 billion in 2004-05. Specific Purpose Payments comprise the overwhelming majority of these funds (Chart 2).
- Fiscal developments in the States indicate most States are expected to record small general government fiscal deficits in 2004-05, partly reflecting the expected downturn in revenue from property-related taxes, and higher expenses. By 2006-07, all States forecast an increase in their fiscal balances, with most expected to achieve small surpluses. Most States are also set to continue the trend of reducing non-financial public sector net debt. An increasing number of States are forecasting a net financial asset position in their general government sector by 2006-07.

**Chart 1: GST revenue provision to the States in 2004-05 (estimated)**



**Chart 2: Australian Government payments to the state/local sector in 2004-05 (estimated)**



Note: Specific Purpose Payments through the States are payments to state governments to be passed on to local governments and others.