

States want the GST guarantee set in legislative stone

Written by Michelle Grattan, Professorial Fellow, University of Canberra

The government hoped to have the pressure on Labor over planned legislation for a new GST carve up but instead it has found itself on the back foot.

At a meeting of state and territory treasurers on Wednesday, there was a general demand across the political spectrum for the legislation to include a guarantee that no jurisdiction will be worse off.

NSW Liberal Treasurer Dominic Perrottet said after the meeting that “all states and territories put forward the strong view” the bill must include this.

“Unfortunately the Commonwealth indicated it would proceed with legislation without that guarantee,” he said.

He said that under the federal government proposal “there are a number of scenarios where NSW would lose substantial funding.

“That is not an acceptable outcome,” Perrottet said.

“In the weeks ahead I will be making every effort to ensure any Commonwealth legislation includes the guarantee the Prime Minister and the Treasurer have previously given - that our state will not be worse off.”

Federal Treasurer Josh Frydenberg said the legislation would be introduced in the next parliamentary sitting week. He reaffirmed that, “based on the Productivity Commission’s data”, the deal “will make every state and territory better off. This will guarantee an extra \$9 billion in funding over the next 10 years”.

Frydenberg said the government was not including the guarantee in the legislation because “we

States want the GST guarantee set in legislative stone

Written by Michelle Grattan, Professorial Fellow, University of Canberra

don't want to run two sets of books ... the old system and the new system."

If the government does not give way beforehand, the issue of the guarantee will likely become one for the Senate.

The new distribution for GST revenue is driven by the need to give Western Australia a fairer share. To win the support of the other jurisdictions the government announced the \$9 billion in extra funding, to make for winners all round. But the states are concerned that if the guarantee is not in the legislation, unforeseen circumstances could arise that might disadvantage them.

Anxious to bed down the new GST arrangement without the need to get agreement from all jurisdictions, the government resorted to the unusual course of legislation – only to then run into Wednesday's problems.

Victorian Labor Treasurer, Tim Pallas said the lobbying would continue to have the guarantee "enshrined in legislation".

Queensland Labor Treasurer, Jackie Trad said that without the legal guarantee there was a "real risk" some jurisdictions could be worse off in certain circumstances. "We cannot prepare or forecast or model every single scenario."

The South Australian and Tasmanian Liberal treasurers also declared they wanted legislated protection.

Shadow treasurer Chris Bowen said: "It's a particularly special day when Josh Frydenberg offers an additional \$9 billion in GST top up payments and still manages to get every state and territory Treasurer united against him."

Bowen said Morrison promised when treasurer that no state would be worse off under the changes. "But he's been called out this week for the government's legislation failing to match

States want the GST guarantee set in legislative stone

Written by Michelle Grattan, Professorial Fellow, University of Canberra

this guarantee”.

Labor’s position is that it supports legislating the new distribution but wants the guarantee included. Morrison has been challenging Bill Shorten to back the legislation.

While there was a fight over the GST distribution legislation, there was unity over removing the GST on tampons from the start of 2019, ending a battle that began when the tax was introduced.

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.

Authors: Michelle Grattan, Professorial Fellow, University of Canberra

Read more <http://theconversation.com/states-want-the-gst-guarantee-set-in-legislative-stone-104341>