

## APPENDIX B: GUARANTEED MINIMUM AMOUNT

The guaranteed minimum amount (GMA) is calculated using a methodology agreed by the States. The amount of each State's GMA comprises estimates of Australian Government financial assistance grants foregone, state taxes abolished by taxation reform and other items. Revenue foregone from the abolition of state taxes is only included in the calculation of GMA once all States have abolished the tax.

The Australian Government continues to guarantee that, in each of the transitional years following the introduction of *The New Tax System* in July 2000, the budgetary position of each State will be no worse off than if the financial reforms had not been implemented. The Australian Government has extended the transitional period for a further three years until 30 June 2009.

Where the GMA for a state exceeds the GST revenue entitlement for that state, budget balancing assistance (BBA) is payable by the Australian Government to cover the shortfall.

Prior to taxation reform, financial assistance grants were distributed among the States according to the principle of horizontal fiscal equalisation, as embodied in relativities recommended by the Commonwealth Grants Commission. As financial assistance grants foregone are included as a component of the GMA, the Commission continues to calculate relativities for the notional allocation of these grants between the States. The relativities for 2006-07 and 2007-08 are show in Table B1.

**Table B1: Financial assistance grants relativities, 2006-07 and 2007-08**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2006-07(a)	0.80893	0.87406	1.05636	0.96845	1.28415	1.75660	1.17823	5.47833
2007-08	0.82028	0.87572	1.04406	0.88815	1.32813	1.79171	1.18808	5.66456

(a) These relativities take account of amended data provided by South Australia after the release of the Commonwealth Grants Commission's 2006 report.

The detailed calculation of the GMA, GST revenue entitlement and the BBA required for each State are shown in Tables B2 and B3 for 2006-07 and 2007-08 respectively.

**Table B2: Guaranteed minimum amount, GST revenue provision and budget balancing assistance in 2006-07**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>State revenues foregone</b>									
Financial assistance grants	5,624.9	4,773.7	4,939.0	2,216.4	2,349.2	1,126.5	485.0	1,635.7	23,150.3
Revenue replacement payments	2,838.0	1,898.6	1,718.7	1,178.8	736.5	249.6	126.3	159.5	8,906.0
Financial institutions duty	808.7	435.4	na	166.4	111.2	26.0	21.5	21.5	1,590.7
Debits tax	357.0	283.9	385.0	126.5	63.6	24.2	19.8	8.6	1,268.7
Marketable securities duty	544.9	281.8	30.1	34.8	18.6	0.8	26.6	1.2	938.8
Marketable securities duty needs	-24.8	12.6	13.3	2.4	1.0	2.9	-8.3	0.8	0.0
Accommodation taxes	104.7	na	na	na	na	na	na	10.5	115.3
Cheque duty	na	na	na	5.5	3.2	na	na	2.8	11.4
<b>plus Reduced revenues</b>									
Gambling taxes	662.5	424.6	279.5	80.5	109.6	28.1	23.8	33.0	1,641.5
<b>plus Interest costs</b>									
Interest costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>plus Additional expenditures</b>									
First home owners scheme	318.7	266.7	215.0	94.7	72.2	20.2	19.0	8.8	1,015.3
GST administration costs	204.6	152.9	121.9	61.8	46.6	14.6	9.9	6.2	618.5
<b>plus Other items</b>									
WST payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>minus Reduced expenditures</b>									
Off-road diesel subsidies	149.9	63.3	152.0	194.6	39.9	2.4	0.0	4.3	606.5
Savings from tax reform	218.0	154.2	123.0	72.1	53.3	18.2	10.9	15.9	665.6
Low alcohol beer subsidies	27.5	19.1	5.4	8.7	5.1	1.9	1.1	1.3	70.2
<b>minus Growth dividend</b>									
Remaining state taxes	174.0	112.3	58.8	35.0	28.2	7.2	5.5	3.9	424.8
<b>minus Compensation payments</b>									
Compensation for GST deferral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>plus Adjustments</b>									
2005-06 GMA adjustment	2.8	-58.4	4.6	-6.0	2.5	0.6	0.8	3.5	-49.6
<b>Total GMA (1)</b>	10,872.7	8,122.8	7,368.0	3,651.3	3,387.6	1,463.9	707.0	1,866.7	37,439.9
<b>GST revenue provision (2)</b>	11,034.2	8,572.8	8,049.0	3,977.9	3,590.8	1,573.3	768.3	1,985.4	39,551.7
<b>BBA (1)-(2)(a)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(a) Where the difference between the GMA and GST revenue is less than zero, the amount is zero.

**Table B3: Guaranteed minimum amount, GST revenue provision and budget balancing assistance in 2007-08**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>State revenues foregone</b>									
Financial assistance grants	5,916.9	4,959.6	5,066.4	2,046.4	2,532.2	1,188.1	505.7	1,765.0	23,980.5
Revenue replacement payments	2,920.4	1,953.5	1,767.5	1,210.2	757.4	256.5	130.1	163.9	9,159.5
Financial institutions duty	847.1	448.5	na	171.9	115.2	26.6	22.0	23.5	1,654.9
Debits tax	361.1	286.7	411.6	128.7	64.3	24.7	20.3	8.7	1,306.2
Marketable securities duty	578.7	298.8	31.2	36.8	19.7	0.8	27.2	1.2	994.5
Marketable securities duty needs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accommodation taxes	114.2	na	na	na	na	na	na	11.1	125.4
Cheque duty	na	na	na	6.0	3.4	na	na	3.3	12.8
<b>plus Reduced revenues</b>									
Gambling taxes	635.5	424.9	293.6	81.7	107.0	29.1	24.8	35.1	1,631.7
<b>plus Interest costs</b>									
Interest costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>plus Additional expenditures</b>									
First home owners scheme	320.4	268.1	216.2	95.3	72.6	20.3	19.1	8.8	1,020.8
GST administration costs	209.6	157.3	126.0	64.0	47.6	14.9	10.1	6.4	635.9
<b>plus Other items</b>									
WST payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>minus Reduced expenditures</b>									
Off-road diesel subsidies	151.9	64.5	155.5	199.3	40.4	2.4	0.0	4.4	618.4
Savings from tax reform	232.5	164.5	131.2	76.9	56.8	19.4	11.6	17.0	710.0
Low alcohol beer subsidies	28.2	19.5	5.5	8.9	5.2	1.9	1.1	1.4	71.7
<b>minus Growth dividend</b>									
Remaining state taxes	196.5	126.8	66.4	39.6	31.9	8.1	6.2	4.4	479.8
<b>minus Compensation payments</b>									
Compensation for GST deferral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total GMA (1)</b>	11,294.9	8,422.1	7,554.0	3,516.4	3,585.1	1,529.3	740.4	2,000.0	38,642.2
<b>GST revenue provision (2)</b>	11,926.3	9,147.0	8,384.3	3,945.4	3,854.6	1,646.3	822.6	2,123.5	41,850.0
<b>BBA (1)-(2)(a)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(a) Where the difference between the GMA and GST revenue is less than zero, the amount is zero.

