



CCIQ SUBMISSION

**Horizontal Fiscal Equalisation
Productivity Commission**



CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND

30 June 2017

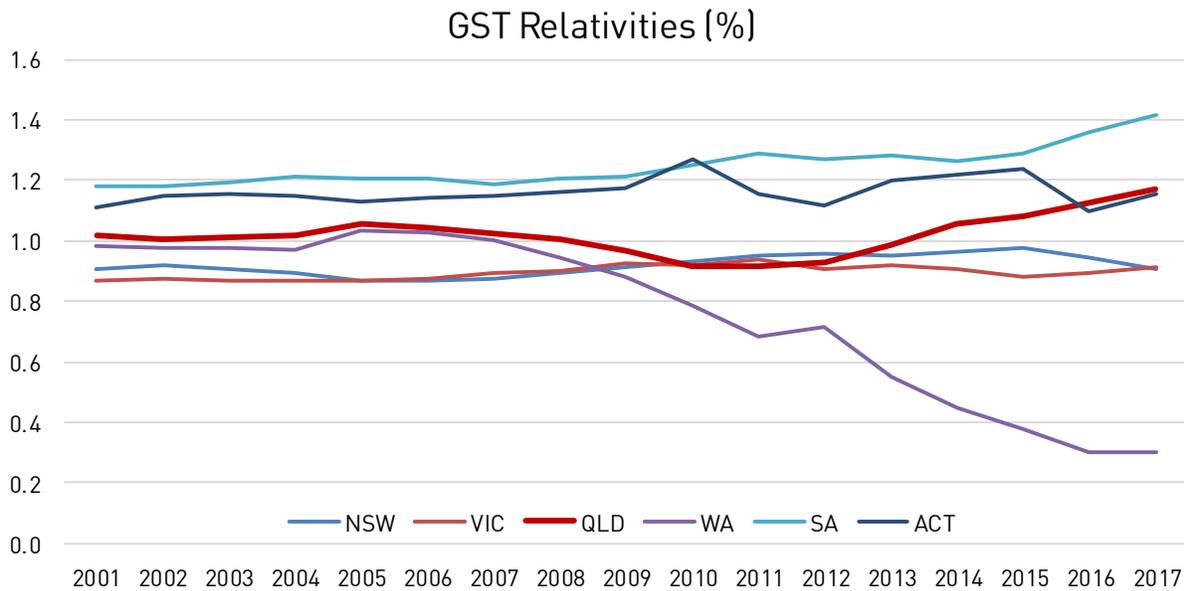
Overview

1. The Chamber of Commerce and Industry Queensland (CCIQ) makes this submission in response to the Horizontal Fiscal Equalisation review by the Productivity Commission.
2. CCIQ is Queensland's peak industry representative organisation for small and medium businesses. We represent over 414,000 businesses on local, state, and federal issues that matter to them. Our guiding focus is to develop and advocate policies that are in the best interests of Queensland businesses, the Queensland economy, and the Queensland community.
3. This submission is to be read in conjunction with the Australian Chamber of Commerce and Industry (ACCI) submission. CCIQ supports their position regarding Horizontal Fiscal Equalisation (HFE).
4. ACCI and CCIQ both hold the position that there has been no evidence to suggest that the current HFE and GST distribution system has had a negative impact on productivity and economic growth at the state level.
5. To consider changes to the existing HFE and GST distribution system, the analysis should be assessed in the general context of broader tax reform rather than looking at the issue in isolation.
6. In addition to supporting the points raised by ACCI, CCIQ would further wish to highlight the following points, which are of importance to our members and specific to Queensland.

Context for Queensland

7. Under the principle of HFE each state should have the same fiscal capacity to provide citizens with comparable government services.
8. During the 2015/16 fiscal year, the Queensland government raised \$50.1 billion in revenue for general government operations. Approximately 56 per cent of these revenues are derived from own source revenue, with capital grants and subsidies making up the other 44 per cent of revenue (\$22.3 billion).

- For Queensland, the value of GST grants revenue was \$13.0 billion in 2015/16, based on a calculated GST relativity of 1.13. This was due to Queensland’s below average ability to raise revenue and high expense requirements. Due to an above average level of government school students, a large indigenous population and an above average share of the population living in remote regions.



- The value of GST grant revenue flowing to Queensland is projected to rise to \$15.0 billion in 2017/18. This is due to growth in the size of the GST pool and a deterioration in revenue raising capacity.

CCIQ’s Position

- CCIQ is of the opinion there should be no changes to the HFE system for distributing GST revenue.
- However, if the Productivity Commission does identify the current HFE system is creating economic distortions, then CCIQ would like to see this issue addressed in the broader context of tax reform and improvement of the vertical fiscal imbalance.
- If you wish to discuss this submission further please contact CCIQ Economist, Steven Gosarevski on sgosarevski@cciq.com.au.