Local Government Association Tasmania

Our Ref: DJL I LO'L

23 September 2026

GST distribution reforms
Interim report
Productivity Commission
Submitted via online portal

Dear recipient,

GST Distribution Reforms Interim Report

Thank you for the opportunity to provide a submission on the Productivity Commission's GST distribution reforms Interim report. This submission has been prepared by the Local Government Association of Tasmania (LGAT), on behalf of Tasmanian local government. LGAT is incorporated under the *Local Government Act 1993* and serves as the representative body and advocate for local government in Tasmania. Where a council has made a direct submission to this process, any omission of specific comments made by that council in that submission should not be construed as a lack of support from LGAT for that issue.

LGAT strongly supports a return to a GST distribution system that provides full, or the highest achievable horizontal fiscal equalisation. Tasmania's circumstances demonstrate why this principle remains important. The State has a smaller population, a comparatively narrow own-source revenue base, an ageing population, dispersed communities, significant regional infrastructure needs and higher relative service delivery costs. These factors also characterise many Tasmanian councils, and the communities they serve.

Any material reduction in Tasmania's GST capacity would place further pressure on the State Budget and increase risks for local government. These risks include greater cost shifting to councils, reduced State capacity to co-invest in local infrastructure, increased pressure on council rates, and reduced ability to respond to community priorities in areas such as roads, bridges, waste, housing, climate resilience, emergency management and community wellbeing.

LGAT therefore supports the Second Option amongst the Commission's reform directions; transitioning back to the pre-2018 GST distribution system, with targeted and transparent mechanisms from non-GST revenue to address any material dominant-state effects where they arise.

This approach best protects the core purpose of GST equalisation while responding to legitimate concerns in a measured and evidence-based way.

If the Commonwealth does not fully restore the pre-2018 system, LGAT submits that any alternative model must include a permanent and enforceable no-worse-off guarantee for Tasmania and other affected jurisdictions. The guarantee should not be time-limited, discretionary or dependent on unrelated intergovernmental negotiations.

LGAT also supports the Commission's proposed governance improvements, including stronger cross-jurisdictional consultation before any changes to GST distribution arrangements, greater transparency in the treatment of Commonwealth payments, and more regular consideration of long-term fiscal sustainability across the federation. Local government should be recognised as an affected stakeholder in these discussions, given the dependence of councils and communities on stable State fiscal capacity.

In summary, LGAT submits that the final report should recommend reforms that restore fairness, transparency and fiscal sustainability to the GST distribution system.

A fair GST system is essential not only for State Governments, but also for the councils and communities that depend on well-funded State services, infrastructure partnerships and regional investment.

Yours sincerely



Dion Lester
CHIEF EXECUTIVE OFFICER