

# Extension of the GST No Worse Off Guarantee

## FUNDING AGREEMENT

### OVERVIEW:

1. This Funding Agreement (Agreement) is created subject to the provisions of the Intergovernmental Agreement on Federal Financial Relations (IGA FFR) and should be read in conjunction with that Agreement and its Schedules, which provide information in relation to performance reporting and payment arrangements under the IGA FFR. The Parties to this Agreement are the Commonwealth and all signatory states and territories (states).

### PURPOSE

2. This Agreement will provide budget certainty for signatory states, and safeguard states' capacity to continue service delivery for their citizens by extending the existing GST No Worse Off Guarantee payments to include the period 2027-28 to 2029-30.

### GOVERNANCE ARRANGEMENTS

3. The Parties do not intend any of the provisions of this Agreement to be legally enforceable. However, this does not lessen the Parties' commitment to this Agreement.
4. This Agreement may be varied or terminated at any time by agreement in writing by all Parties to the Agreement.
5. Any State or Territory party to the Agreement may terminate their participation in the Agreement at any time by notifying all Parties in writing.

### REVIEW OF THE AGREEMENT

6. To assess if the Agreement is fit for purpose, any Party may commence a review of the Agreement at any time.

### DISPUTE RESOLUTION

7. Any Party may give notice to other Parties of a dispute under this Agreement.
8. Officials of relevant Parties will attempt to resolve any dispute in the first instance.
9. If a dispute cannot be resolved by officials, it may be escalated to the relevant Ministers.

**Table 1: Formalities and operation of the funding agreement**

Parties	Commonwealth of Australia (the Commonwealth) New South Wales Victoria Queensland South Australia Tasmania Australian Capital Territory Northern Territory
Duration	This Agreement will expire after the reconciliation relating to the 2029-30 payment year, as defined by the <i>Federal Financial Relations Act 2009</i> .
Purpose	This Agreement will assist states by extending the Goods and Service Tax (GST) 'No Worse Off Guarantee' for a further three years. The Agreement will support budget certainty for states by providing untied payments to states.
Financial contributions	Funding under this Agreement will be provided under section 9 of the <i>Federal Financial Relations Act 2009</i> .
Additional terms	<ol style="list-style-type: none"><li>1. In each of the 2027-28, 2028-29 and 2029-30 payment years, the Commonwealth will make a GST No Worse Off Guarantee payment to each state that is a Party to this Agreement, if:<ol style="list-style-type: none"><li>1.1. the amount that the state is entitled to under section 5 of the <i>Federal Financial Relations Act 2009</i> (FFR Act) for the payment year is less than the amount to which the state would, in the Minister's opinion, have been entitled under that section, if the <i>Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018</i> (the 2018 Amendments) had not been enacted.</li><li>1.2. The payment is to be calculated as per Appendix 1.</li></ol></li><li>2. The Commonwealth will make a GST No Worse Off Guarantee payment to the signatory states in each payment year covered under this Agreement by way of a grant debited from the Federation Reform Fund.<ol style="list-style-type: none"><li>2.1. A state's GST No Worse Off Guarantee entitlement will be the difference between the two amounts at clause 1.1, subject to the provisions of the FFR Act. This is equal to the calculation at Appendix 1.</li></ol></li><li>3. The GST No Worse Off Guarantee payments will be provided as untied general-purpose grants, without conditions, for each state to spend according to its own budget priorities.</li><li>4. The GST No Worse Off Guarantee payment for a payment year will be paid in advance as a single annual payment by 31 December of the relevant payment year.</li><li>5. The Commonwealth will apply a prior year balancing adjustment to future GST No Worse Off Guarantee payments to any state that received more than or less than its entitlement in its previous GST No Worse Off Guarantee payment.</li></ol>

## Appendix 1: Calculation of GST revenue grants and additional financial assistance

- (1) As per Section 5 of the *Federal Financial Relations Act 2009* (FFR Act), each State is entitled to the payment, by way of financial assistance, for a payment year, of a grant worked out using the formula:

$$\frac{\text{Adjusted State population} \times (\text{GST revenue} + \text{Pool top-up})}{\text{Adjusted total population}}$$

where:

**adjusted State population** means the estimated population of the State on 31 December in the payment year (see section 7 of the FFR Act) multiplied by the GST revenue sharing relativity (see section 8 of the FFR Act) for the State for that year.

**adjusted total population** means the sum of the adjusted State populations of all of the States for the payment year.

**GST revenue** means the GST revenue for the payment year (see section 6 of the FFR Act).

**pool top-up** means the pool top-up for the payment year (see section 8A of the FFR Act).

### *Additional financial assistance for extended payment years*

- (2) In this section:

**transitional year** means the 2021-22 payment year, the 2022-23 payment year, the 2023-24 payment year, the 2024-25 payment year, the 2025-26 payment year or the 2026-27 payment year.

**extended payment year** means the 2027-28 payment year, the 2028-29 payment year, or the 2029-30 payment year.

- (3) If the sum of:

- the amount of the grant to which a State is entitled under section (1) for an extended payment year (the base year); and
- the amount of the grant to which the State is entitled under section (1) for each extended payment year (if any) or each transitional year before the base year; and
- the amount of the grant (if any) to which the State is entitled under this section for each extended payment year (if any) or each transitional year before the base year;


is less than the sum of the amounts of the grants to which the State would, in the Commonwealth's opinion, have been entitled for the base year, and each extended payment year (if any) and each transitional year before the base year, under this section if the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018* had not been enacted, the State is entitled, subject to this agreement, to the payment, by way of additional financial assistance for the base year, of a grant equal to the difference.

- (4) The Commonwealth must, in forming an opinion under section (3):

- consult with each of the Parties to this agreement; and
- have regard to any report of the Commonwealth Grants Commission that the Minister considers relevant.

The Parties have confirmed their commitment to this Agreement as follows:

*Signed for and on behalf of the Commonwealth of Australia by*



**The Honourable Jim Chalmers MP**  
Treasurer

December 2024

*Signed for and on behalf of the State of New South Wales by*



**The Honourable Daniel Mookhey MP**  
Treasurer

29 November 2024

*Signed for and on behalf of the State of Victoria by*



**The Honourable Tim Pallas MP**  
Treasurer

29 November 2024

*Signed for and on behalf of the State of Queensland by*



**The Honourable David Janetzki MP**  
Treasurer

29 November 2024

*Signed for and on behalf of the State of Tasmania by*



**The Honourable Guy Barnett MP**  
Deputy Premier and Treasurer

December 2024

*Signed for and on behalf of the State of South Australia by*



**The Honourable Stephen Mullighan MP**  
Treasurer

29 November 2024

*Signed for and on behalf of the Northern Territory by*



**The Honourable Bill Yan MLA**  
Treasurer

29 November 2024

*Signed for and on behalf of the Australian Capital Territory by*



**The Honourable Chris Steel MLA**  
Treasurer

29 November 2024