ISSUEANALYSIS

Tax, Borrow, Spend: How the States Compare

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This report evaluates and compares the recent performance of the six Australian states in fiscal management, covering indicators such as debt, other financial liabilities such as unfunded superannuation, government spending, public sector job numbers, and taxation.

Fiscal management isn't everything; it says nothing, for example, about the quality or efficiency of government services or how much taxpayer money is wasted. But sound fiscal management is an essential platform for efficient delivery of quality services and a stable climate conducive to private investment.

The assessment in this report is based on a limited government perspective, which takes the view that lower levels of government spending, taxation and debt are desirable, while not rejecting a manageable level of debt. The assessment is also based on both the latest position of each state (in 2009–10) with respect to the relevant indicators and trends over time (three years to 2009–10)—the latter showing how state governments have managed the impact of the global financial crisis.

The scores (out of 100) based on positions in 2009–10 are:

BEST	1. Victoria	57
	1. Western Australia	57
	3. Tasmania	50
	4. New South Wales	48
	5. Queensland	46
WORST	5. South Australia	46

The scores based on three-year trends are:

BEST	1. Tasmania	56
	2. Western Australia	42
	3. South Australia	40
	4. New South Wales	37
	5. Victoria	35
WORST	6. Queensland	31

Broadly speaking, none of the Australian states is in poor financial condition. They all have the prized triple-A credit rating except Queensland and Tasmania, and even their rating of AA+ would be the envy of many comparable sub-national governments in other countries such

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as the United States. The overall trend of the last three years, however, has been one of deterioration driven by strong growth in recurrent and capital spending in addition to losses on financial assets inflicted by the global financial crisis. The latter may self-correct over time, but the strong growth in spending will need to be actively curbed if the trend deterioration is not to continue. In the three years to 2009–10, growth in real per capita spending (that is, after allowance for inflation and population growth) averaged 4.2%, which was much faster than real per capita growth in Gross Domestic Product.

With the growth in spending a common factor, the differences in fiscal performance among states are mainly the result of other forces. Surprisingly, Tasmania scores best in terms of trends over the three years. This is because it has had the smallest increases in debt and other financial liability burdens, while not increasing taxes and in some cases lowering them. Looking at where Tasmania's position ended in 2009–10, it remained mediocre, reflecting deep-seated weaknesses that could only be overcome by more years of improvement.

For all the other states, their average trend score was weaker than their average position score. The largest three states—NSW, Victoria and Queensland—earn particularly poor trend scores because of large increases in debt and other liabilities. In addition, NSW and Queensland have been increasing taxes more than reducing them. As a result NSW ended 2009–10 in a mediocre position, having dissipated some of its previous strength, while Queensland slipped to equal lowest with South Australia. This status represents a remarkable turnaround for Queensland, which once boasted of negative net debt and claimed with justification to be the 'low tax state.' Queensland's taxes are now just about average.

Victoria and Western Australia have become the lowest taxing states. This status, together with relatively low levels of net debt, helps make these two states the equal strongest in overall fiscal position in 2009–10.

Introduction

Fiscal management attracts a lot of attention at the Commonwealth level but less so at the state level. This report turns the spotlight onto the absolute and comparative performance of state governments in fiscal management through a scorecard approach.

Fiscal management is an important test of government performance. The term 'fiscal management' covers dimensions such as accumulated debt burdens and their rate of growth or contraction, the level and growth of government spending, the size of the government work force, the level of the tax burden, and the trend of tax policy towards more or less taxation. Fiscal management isn't everything; it says nothing, for example, about the quality of government services or the efficiency of service delivery. A government can have a pristine fiscal record but still be inefficient and wasteful in service delivery. A sound fiscal record, however, is an essential platform for efficient delivery of quality public services and a stable, attractive climate for private investment. If fiscal management goes off the rails, everything else government does is compromised.

Others in the past have applied comparative analysis to the states' economic performance, tax burdens, and fiscal transparency.[1] The analysis in this report is different in that it covers several indicators of fiscal performance in forming an overall assessment of each state.[2] I examine the latest position with respect to these indicators (financial year 2009–10) and the trend of change over the last three years (from 2006–07 to 2009–10). Both the position indicators and the trend indicators are needed for a full assessment of each state's performance; for example, a state may get a high score for the latest level of its fiscal indicators but deserve a lower score because the trend of the indicators is deteriorating. I use the change over three years as a measure of trend because a shorter period may give a distorted view due to short-term volatility. As it happens, the three-year view in this instance covers the period of the global financial crisis, and therefore shows how each state has coped with the impact of the crisis on its financial position.

A sound fiscal record is an essential platform for efficient delivery of quality public services and a stable, attractive climate for private investment.

The scoring approach is based on a limited-government perspective—that lower levels of government spending and taxes and lower levels of debt are desirable, but within reason, so that a state with below average levels of spending and taxation and sustainable levels of debt (not zero debt) should get a high score. The analysis takes the institutional structure as given. For example, the theory of federalism may support a case for reallocating some taxes from the Commonwealth to the states, but here I take the distribution of taxation between the Commonwealth and the states as given so as not to affect the scores.

Criteria of fiscal management

I use three broad sets of indicators to assess fiscal management.

The first is fiscal sustainability as measured by net debt (gross debt net of financial assets) and other financial liabilities such as unfunded employee superannuation obligations. I use these measures for the total non-financial public sector in each state, which includes the general government sector and government non-financial trading enterprises. It is relevant to take a broader view than general government alone as governments are ultimately responsible for state-owned enterprises and guarantee their debt.

The second set of indicators relates to the overall scale of general government as measured by total expenses, including employee remuneration, grants, finance costs, and depreciation of capital equipment and buildings. I also consider total state employment levels.

The third set of indicators captures the tax burden as represented by tax rates and thresholds.

As discussed above, I consider the indicators both in terms of their most recent position and trend changes over three years. Specifically, the position indicators are:

1. Net debt of the non-financial public sector at 30 June 2010 as a percentage of the sector's total revenue in 2009–10.[3] Net debt can be negative if financial assets exceed gross debt.
2. Net financial worth of the non-financial public sector at 30 June 2010 as a percentage of the sector's revenue in 2009–10. Net financial worth has invariably been negative. It includes net debt but is a broader concept as it also includes other financial liabilities such as government employee superannuation obligations. There is some double counting of net debt as a result of including both it and net financial worth as separate indicators, but it is appropriate to give net debt a larger weight in the scoring because it is the highest ranking financial obligation.
3. Total expenses of the general government sector in 2009–10 per head of population. I also adjust this by the Commonwealth Grants Commission's assessment of each state's intrinsic advantage or disadvantage in the cost of 'standard' service delivery. This advantage or disadvantage derives from such factors as the remoteness of population.
4. Total state public sector employment at 30 June 2010 expressed as the number per 1,000 of population. This is adjusted for cost differentials as in 3 above. There is some double counting between 3 and 4, but employment is important in its own right.
5. The tax burden, as measured by the state tax obligations of a 'reference' business at current tax rates and thresholds in each state. I have taken these calculations from the Institute of Public Affairs' State Business Tax Calculator.

This report covers several indicators of fiscal performance in forming an overall assessment of each state.

The trend indicators are:

6. The percentage points change in 1 above from 30 June 2007 to 30 June 2010.
7. The percentage points change in 2 above from 30 June 2007 to 30 June 2010.
8. Average annual percentage growth in real general government expenses per capita from 2006–07 to 2009–10.
9. Average annual percentage growth in state public sector employment per capita from June 2007 to June 2010.
10. Changes in major tax rates and thresholds actually implemented since 30 June 2007, encapsulated in an index of change which is higher (better) the more tax rates have been cut and the more thresholds have been raised. This is an attempt to focus on discretionary tax policy change rather than changes in revenue, which are affected by the economic cycle.

The scoring approach is based on a limited-government perspective—that lower levels of government spending and taxes and lower levels of debt are desirable, but within reason.

Budget surpluses and deficits are relevant, but these are already in effect included via the change in net debt. Similarly, capital expenditure is not included explicitly but is represented by depreciation expense in indicators 3 and 8 above. In addition, for an operating surplus of a given size, a larger amount of capital expenditure will be reflected in a higher level of net debt (indicators 1 and 6).

The five position indicators are averaged with equal weights, as are the five trend indicators to provide separate composite 'position' and 'trend' summary indicators. Appendix 1 provides further information on the methodology and data sources, while Appendix 2 lists the discretionary tax policy changes taken into account in trend indicator 10 above.

Results for individual indicators

Position indicators

Indicator 1: Non-financial public sector net debt as percent of revenue, June 2010

	NSW	VIC	QLD	WA	SA	TAS
Indicator (%)	50	31	40	32	28	25
Score (/100)	55	93	75	91	99	100

Net debt burdens of the states are relatively low, notwithstanding increases in recent years, and do not pose a threat to the states' financial viability. Hence, the scores for this position indicator are quite high. NSW has the highest debt burden and the lowest score.

Indicator 2: Non-financial public sector net financial worth as percent of revenue, June 2010

	NSW	VIC	QLD	WA	SA	TAS
Indicator (%)	-137	-94	-119	-68	-104	-114
Score (/100)	25	25	25	59	25	25

The picture is different for the broader measure of negative net financial worth, which is much larger than net debt primarily because of unfunded employee superannuation liabilities. All states except Western Australia have the minimum score of 25.

Net debt burdens of the states are relatively low, notwithstanding increases in recent years, and do not pose a threat to the states' financial viability.

Indicator 3: General government expenses per capita, 2009–10, adjusted for cost differences

	NSW	VIC	QLD	WA	SA	TAS
Indicator ($)	7,645	7,921	8,810	9,237	9,329	9,024
Adjusted ($)	7,790	8,230	8,740	8,690	9,170	8,310
Score (/100)	62	52	40	40	28	50

Adjusted expenses per capita generally cluster within +/-5% of the all-states average; the exception is South Australia, which is an outlier with expenses per capita well above average. It therefore gets a low score.

Indicator 4: State public sector employees per 1,000 of population, June 2010, adjusted for cost differences

	NSW	VIC	QLD	WA	SA	TAS
Indicator (no.)	60.3	57.1	66.5	70.9	66.6	80.5
Adjusted (no.)	61.5	59.4	65.8	66.7	65.3	74.1
Score (/100)	54	60	40	38	42	25

The number of state public sector employees gives similar scores to expenses per capita, with the exceptions of South Australia (better on employment) and Tasmania (worse).

Indicator 5: State taxes per reference business, 2010

	NSW	VIC	QLD	WA	SA	TAS
Indicator ($)	270,129	256,830	264,630	256,195	281,744	265,248
Score (/100)	44	54	48	56	36	48

State taxes per reference business are lowest in Victoria and Western Australia and highest in South Australia. NSW also has significantly above average taxes, while Queensland and Tasmania are close to average. The position of Queensland has changed markedly, as it was once considered to be the 'low tax state.'

Trend indicators

Indicator 6: Change in net debt as per cent of revenue, June 2007 to June 2010 (percentage points)

All states recorded strong inflation-adjusted growth in general government expenses in the three years to 2009–10, partly due to federally funded fiscal stimulus programs such as school building.

	NSW	VIC	QLD	WA	SA	TAS
Indicator (% points)	+15.3	+20.8	+63.9	+14.7	+16.6	+1.1
Score (/100)	45	33	25	45	42	73

The net debt burden has risen substantially in all states except Tasmania since 2007, dramatically so in Queensland, which therefore gets the lowest score.

Indicator 7: Change in net financial worth as per cent of revenue, June 2007 to June 2010 (percentage points)

	NSW	VIC	QLD	WA	SA	TAS
Indicator (% points)	+47.9	+51.1	+81.8	+18.8	+33.3	-2.8
Score (/100)	25	25	25	37	25	81

Negative net financial worth has increased substantially in all states except Tasmania since 2007, comprising both the increase in net debt and the decline in the value of financial assets as a result of the global financial crisis. The increases in the largest three states were particularly large.

Indicator 8: Average annual growth of real per capita expenses, 2006–07 to 2009–10

	NSW	VIC	QLD	WA	SA	TAS
Indicator (% p.a.)	3.3	4.1	3.4	5.4	5.5	3.6
Score (/100)	37	29	36	25	25	34

All states recorded strong inflation-adjusted growth in general government expenses in the three years to 2009–10, partly due to federally funded fiscal stimulus programs such as school building. However, Western Australia and South Australia stand out as having particularly high expenditure growth rates and get low scores.

Indicator 9: Average annual growth in number of state public sector employees per capita, June 2007 to June 2010

	NSW	VIC	QLD	WA	SA	TAS
Indicator (% p.a.)	1.0	1.8	1.0	1.4	0.2	1.9
Score (/100)	40	32	40	36	48	31

All states recorded jumps in the number of state public sector employees per capita in the three years to June 2010. Victoria, Western Australia, and Tasmania stand out with particularly large increases and receive the lowest scores for this indicator.

Indicator 10: Changes in state tax policy since 2007

	NSW	VIC	QLD	WA	SA	TAS
Score (/100)	40	55	30	65	60	60

These scores are based on the changes in tax policy (rates and thresholds) listed in Appendix 2 and the scoring methodology described in Appendix 1. There are major differences between the states, with Queensland having the lowest score after imposing a raft of tax increases in recent years with very few offsetting reductions. NSW is not far behind, but gets credit for reducing its payroll tax rate and increasing the tax-free threshold. By contrast, the other states have scores above 50 because they have been cutting taxes more than increasing them.

No state is a clear success story in terms of its fiscal management.

Overall results

The following table shows average scores based on the results for individual indicators shown above.

Average scores

	NSW	VIC	QLD	WA	SA	TAS
Position score(/100)	48	57	46	57	46	50
Trend score (/100)	37	35	31	42	40	56

All states have been hit by the global financial crisis since 2007 as revenue has declined to varying degrees and values of financial assets have fallen. States have generally chosen to allow their net debt burdens to increase and net financial worth to deteriorate rather than curb their expenditures. In fact, the real rate of increase in expenses has been quite rapid, and capital expenditure has been ramped up. This approach is not sustainable and expenditure growth will need to be curbed. On the tax front, policy approaches have differed, with NSW and Queensland generally increasing taxes and other states reducing them.

Certain patterns are apparent. No state is a clear success story in terms of its fiscal management. Victoria and Western Australia were in the best positions in 2009–10, but their trends since 2006–07 are adverse. In other words, they compare well with other states, but if they keep going the way they have in recent years, they will lose their advantage. The trend score of NSW is also below its position score, but its position score is weaker than those of Victoria and Western Australia. Queensland is an extreme case of this pattern; its trend over the past three years has been so adverse that it now rates as a below average state as measured by its position in 2009–10. The deterioration in its fiscal management has resulted in the loss of its prized AAA debt rating.

South Australia's trend score is slightly better than those of the larger states, but its position remains at the bottom of the league table. It has recorded the largest average rate of increase in real per capita expenses, and unless this is curbed its fiscal position will undoubtedly deteriorate again. Tasmania provides a contrast to all other states in that its trend score is better than its position score but its position score remains mediocre. Its good trend score rests solely on stable debt and financial liability ratios, while its trend growth rates of expenses per capita and government employment are high and cannot be supported by its relatively low economic growth rate.

Victoria has transformed itself into one of the lower tax states through a succession of cuts to what were once relatively high rates of payroll and land tax.

State-by-state commentary

The NSW public sector has the highest levels of net debt and (negative) net financial worth among all the states. However, the rate of deterioration in recent years has not been as large as in some other states. That, and the fact that it has the largest and most diversified economic base, has probably saved it from the loss of its AAA rating. The proceeds of recent power sector privatisations are too small to make much difference to the outlook. The rate of increase in real per capita expenses and employment has been below that of most other states, leaving the size of the state government sector a little smaller than in other states. However, the burden of NSW state taxes is above average; with the exception of payroll tax (for which the rate has been cut and the tax-free threshold increased), NSW has been on a tax raising drive.

Victoria has seen a larger than average deterioration in its net debt and net financial worth indicators, but in terms of its current position it is still better than average. Some of the exceptional balance sheet strength that it enjoyed in earlier years has been dissipated by high growth in state spending and employment and a very large capital works program. At the same time taxes have been cut, a development which although welcome in its own right cannot be furthered unless matched by greater discipline on the spending side. Notably, Victoria has transformed itself into one of the lower tax states through a succession of cuts to what were once relatively high rates of payroll and land tax.

Queensland is the only state to lose its AAA credit rating through the global financial crisis.

Queensland once had the strongest state balance sheet and, as recently as 2007, a large negative net debt. It also wore the mantle of the 'low tax state.' That has changed as a result of a substantial deterioration in recent years, leading to Queensland being the only state to lose its AAA credit rating through the global financial crisis. Queensland had the largest holdings of financial assets going into the financial crisis, and therefore, had the most to lose from the stock market crash. In addition, however, it has embarked on a very large capital spending program to improve infrastructure, and has also ramped up recurrent spending on services. It is not in as strong a position to deal with the aftermath of the recent flood disaster as it would have been several years ago, but there is much scope to cancel or defer other planned capital works to make room for spending on flood repairs.

Western Australia enjoys financial strength in the form of relatively low levels of net debt and negative net financial worth, having recorded the smallest increases in these burdens among the mainland states since 2007. At the same time, however, average growth of real per capita expenses and public sector employment has been among the fastest. It has not imposed any significant tax increases, and some have been cut. Western Australia has only managed this combination of strong spending growth, tax restraint, and moderate increases in debt because of the strong revenue flows from the resources boom, partly offset by the 'equalisation' method applied to GST distribution to the states but augmented by discretionary increases in royalty rates.

South Australia's performance is weighed down by a high level of negative net financial worth, high levels and growth rates of general government expenditure per capita, and high tax rates. The government has, however, made some effort in recent years to moderate tax rates and stabilise state public sector employment. The increase in net debt has been significant but not yet enough to threaten the state's AAA credit rating. South Australia will need to do more to make its state taxes competitive and curb the growth of government spending.

The burden of NSW state taxes is above average; with the exception of payroll tax (for which the rate has been cut and the tax-free threshold increased), NSW has been on a tax raising drive.

Tasmania has registered the smallest increase in net debt of all states since 2007, and as a result, has the lowest level. Net financial worth actually improved slightly, although its level remains high. Tasmania has less capacity than larger states to carry net debt and financial liabilities because of its lower trend economic growth rate—hence its sub AAA credit rating. The state economy is the least diversified, and public sector employment is high. The growth of government expenses since 2007 has been unsustainably strong. Taxes are generally unexceptional compared with other states, except that Tasmania has the highest payroll tax rate coupled with the highest tax-free threshold. Some other taxes have been cut in recent years.

APPENDIX 1

Scoring methodology and sources

Indicator 1: Non-financial public sector net debt as percent of revenue, June 2010

A 'safe' level of net debt is assumed to be 40% of revenue, following credit rating agency criteria. The score for this is 75/100. For each percentage point that a state's net debt/revenue ratio is above (below) 40%, two points are subtracted from (added to) the base score of 75. The minimum score is 25.

Sources:

- ABS (Australian Bureau of Statistics), *Government Finance Statistics, Australia, 2008–09*, Cat. No. 5512.0 (Canberra: ABS, 2010).
- Report on State Finances of each state, 2009–10.

Indicator 2: Non-financial public sector net financial worth as percent of revenue, June 2010

A 'safe' level of negative net financial worth is assumed to be 60% of revenue, earning a score of 75/100. For each percentage point that a state's ratio is above (below) 60%, two points are subtracted from (added to) the base score of 75. The minimum score is 25.

Source:

- As for Indicator 1.

Indicator 3: General government expenses per capita, 2009–10, adjusted for cost differences

The benchmark is average expenses per capita across all states. At this average the score is 50/100. Adjusted expenses per capita are derived by applying the Commonwealth Grants Commission's 'assessed cost of service' ratio for total expenses to actual expenses per capita, increasing actual expenses where the cost of services ratio is below 100 and reducing them where it is above 100. For each percentage point by which adjusted expenses per capita are above (below) the average, two points are subtracted from (added to) the base score of 50.

Sources:

- Report on State Finances of each state, 2009–10.
- ABS (Australian Bureau of Statistics), *Population by Age and Sex, Australian States and Territories, June 2010*, Cat. No. 3201.0 (Canberra: ABS, 2010).
- Commonwealth Grants Commission, *Report on GST Revenue Sharing Relativities—2010 Review* I–III (Canberra: CGC, 2010).

Indicator 4: State public sector employees per 1,000 of population, June 2010, adjusted for cost differences

The scoring methodology is the same as for Indicator 3.

Source:

- ABS (Australian Bureau of Statistics), *Employment and Earnings, Public Sector, Australia, 2009–10*, Cat. No. 6248.0.55.002 (Canberra: ABS, 2010).

Indicator 5: State taxes per reference business, 2010

For the average level of state taxes per reference business, the score is 50. For each percentage point by which actual taxes per reference business are above (below) the average, two points are subtracted from (added to) the base score of 50.

Source:

- Institute of Public Affairs, 'The Size and Impact of State Business Taxes: State Business Tax Calculator, December 2010' (Melbourne: IPA, 2011).

Indicator 6: Change in net debt as per cent of revenue, June 2007 to June 2010 (percentage points)

For no change, the score is 75. For each one percentage point increase (decrease), the score is reduced (lowered) by two points.

Source:

- As for Indicator 1 above.

Indicator 7: Change in net financial worth as per cent of revenue, June 2007 to June 2010 (percentage points)

For no change, the score is 75. For each one percentage point increase (decrease), the score is reduced (lowered) by two points.

Source:

- As for Indicator 2 above.

Indicator 8: Average annual growth of real per capita expenses, 2006–07 to 2009–10

For average real growth of 2% the score is 50/100. For each percentage point of growth above (below) 2%, the score is reduced (increases) by 10 points.

Sources:

As for Indicator 3 above and:

- ABS (Australian Bureau of Statistics), *Government Finance Statistics, Australia, 2008–09*, Cat. No. 5512.0 (Canberra: ABS, 2010).
- ABS (Australian Bureau of Statistics), *Consumer Price Index, Australia*, Cat. No. 6401.0 (Canberra: ABS, various).

Indicator 9: Average annual growth in number of state public sector employees per capita, June 2007 to June 2010

For zero growth, the score is 50. For each percentage point of growth above (below) zero the score is reduced (increased) by 10 points.

Source:

- As for Indicator 4 above, and for 2007 observations, ABS (Australian Bureau of Statistics), *Wage and Salary Earners, Public Sector, Australia, Cat. No. 6248.0.55.001*.

Indicator 10: Changes in state tax policy since 2007

The score is based on a maximum of 30 points allocated to payroll tax (20 for the rate and 10 for thresholds), 25 points for property transfer duty (15 and 10), 15 for land tax (10 and 5) and 30 for other taxes (20 and 10). If there is no change between 2007 and 2010, half points are given. If there is a meaningful cut in the tax rate or increase in thresholds, full points are given. If there is a meaningful increase in the rate or reduction in thresholds, zero points are given. No credit or penalty is given for temporary changes or for changes that have been announced but not yet taken effect.

Source:

- NSW Treasury, *Interstate Comparison of Taxes*, Office of Financial Management Research and Information Paper, 2007–2010 issues (Sydney: OFM, various).

APPENDIX 2

State tax policy changes since 2007

The following changes in tax policy provide the inputs to the scoring for the trend change in tax policy in each state. Significant changes since 2007 are included, but not temporary changes or changes that have been announced but not yet put into effect. Changes in accordance with the Intergovernmental Agreement on the GST are also excluded because those changes were compensated by the allocation of GST revenue to the states and because states have implemented them at different times, some since 2007 and some before. Mining royalties are not technically classified as taxes, but changes in royalties are included here because of their importance to state revenues.

New South Wales

Since 2007 NSW has:

- Cut payroll tax from 6% to 5.45% and raised the tax-free threshold (hereafter TFT) from $600,000 to $658,000.
- Cut the basic rate of land tax from 1.7% to 1.6%, but increased the rate on holdings of more than $2.25 million to 2%.

- Introduced a new charge on property transfers of 0.2% above $500,000 and 0.25% above $1 million.
- Increased the annual vehicle weight tax by $30 per vehicle.
- Increased the parking space levy from $950 to $2,000 in the Sydney and North Sydney CBDs and from $470 to $710 in other specified areas.
- Increased nominal duties to as much as five times their previous levels.
- Increased hotel gaming duty rates.
- Increased coal royalty rates from 5–7% to 6.2–8.2%.

Victoria

Since 2007 Victoria has:

- Cut payroll tax from 5.05% to 4.90%.
- Cut land tax rates from 1.2–3% to 0.8–2.25% and raised the TFT from $200,000 to $238,000.
- Increased thresholds for motor vehicle stamp duty by 10%.
- Increased the Health Benefit Levy on gaming machines from $3,033 to $4,333 per machine.
- Increased casino tax by 3.4 percentage points as part of a series of planned increases.

Queensland

Since 2007 Queensland has:

- Eased the phase-out rate of the $1 million TFT for payroll tax from $1 in $3 above $1 million to $1 in $4.
- Increased marginal land tax rates from 0.7–1.675% to 1–1.75% for residents and from 1.5–1.8% to 1.7–2% for companies, but increased TFTs for both by about 20%.
- Increased motor vehicle stamp duty from a flat 2% to a two-tier rate structure of 3 and 4%.
- Increased property transfer stamp duty rates from 1.5–4.5% to 1.5–5.25%, but raised the thresholds for first home buyer exemptions from $320,000 to $500,000 for homes and from $150,000 to $250,000 for vacant land and raised the threshold for the 'principal place of residence' concessional rate.
- Increased casino gaming machine duty by 10 percentage points.
- Increased royalty rates from 7% to 10% for coal valued at more than $100 per tonne.

Western Australia

Since 2007 Western Australia has:

- Cut land tax rates from 0.15–2.5% to 0.09–2.16%, increased the TFT from $150,000 to $300,000, and increased other thresholds for land tax and the Metropolitan Improvement Tax.
- Cut property transfer stamp duty rates by about 5% and increased thresholds for transfers of principal place of residence by 50%.
- Raised thresholds for motor vehicle stamp duty by $5,000.
- Increased mining royalties on iron ore exports from 3.75% to 5.625%.

South Australia

Since 2007 South Australia has:

- Cut payroll tax from 5.5% to 4.95% and raised the TFT from $504,000 to $600,000.
- Raised the TFT for land tax from $110,000 to $300,000.
- Introduced a 'Save the River Murray' levy on water bills.
- Increased mining royalty rates from 1.5–3.5% to 2.0–5.0%.

Tasmania

Since 2007 Tasmania has:

- Cut land tax rates from 2–2.5% to 1.5% on holdings above $350,000.
- Cut the rate of motor tax on light vehicles by 21%.
- Cut the stamp duty on heavy vehicles from 3% to 1%.

Endnotes

1 Commsec, 'State of the States' (17 January 2011) covers comparative economic performance; IPA (Institute of Public Affairs), 'The Size and Impact of State Business Taxes: State Business Tax Calculator, Dec 2010' (Melbourne: IPA, 2011); Access Economics, 'Fiscal Transparency: Australian States and Territories, August 2007.'

2 I have only included the six states. The same analysis could be made for the two territories, but I have not done so. They are also much smaller.

3 Percentages of Gross State Product are sometimes used, but revenue is more relevant to government's capacity to service debt.

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