Parliamentary Budget Office

Victorian state tax revenue

Comparison with other states

FINAL

Parliamentary Budget Office

We provide independent fiscal, economic and financial advice to all members of the Parliament of Victoria. Our objective is to inform policy development and public debate in parliament and the community.

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Contents

In brief 1
Context 2
State tax revenue 3
State tax revenue in dollar terms 3
State tax revenue as a share of GSP 3
State tax revenue per person 4
Attachment A – Approach 6
Attachment B – Data sources 7
Attachment C – Taxes and royalties 8

In brief

In this advice we compare state tax revenue – the revenue states generate from taxes they levy – across Australia. We consider how much revenue each state generates:

- in dollars
- as a share of their Gross State Product (GSP)
- per person.

We consider the tax revenue for each state in the 2023—24 budget year for Victoria. The COVID debt levy is in place from 2023—24, and all tax rate and threshold changes announced in the 2023—24 Victorian Budget are in effect from 2025—26.

Figure 1 – Tax revenue state comparison

	2023—24		2025—26	
	share of GSP (%)	per person ($)	share of GSP (%)	per person ($)
Victoria	5.8	5,073.9	5.8	5,408.6
New South Wales	5.0	4,707.8	5.2	5,161.3
Queensland	4.4	3,647.4	4.6	3,954.9
Western Australia	3.1	4,115.8	3.4	4,174.9
South Australia	3.9	2,970.5	3.9	3,132.3
Tasmania	3.8	2,900.7	3.7	3,132.5

Source: Parliamentary Budget Office

Between 2023—24 and 2025—26, and across the forward estimates more broadly, all states are forecast to increase tax revenue per person. Only New South Wales, Queensland and Western Australia are forecast to increase tax revenue as a share of GSP. Despite this, Victoria’s tax revenue per person and as a share of GSP is forecast to be the highest of all states from 2023—24 to 2025—26.

Context

Request

On 25 May 2023, Mr John Pesutto MP, Member for Hawthorn, asked the Parliamentary Budget Officer to provide independent advice about Victorian state tax revenue, and how it compares with other states.

Scope

In this advice we consider how Victorian state tax revenue compares to that of the other states in Australia. This advice does not consider the Australian Capital Territory or the Northern Territory.

We compare each state's tax revenue using the following metrics:

- in dollar terms
- share of GSP
- per person.

We consider these for the current financial year (2022—23), the Victorian budget year of 2023—24, and the forward estimates to 2026—27.

Limitations

Victoria, Western Australia, and Tasmania have released 2023—24 budgets, while the other states have not. This means that not all states have published forecasts for 2026—27, which limits our analysis in that year. This also limits the comparison of 2022—23 figures, as some states have more updated estimates based on actual tax collected earlier in the year.

We prepared this advice on 4 June 2023.

Background

Australian states generate revenue to fund their budgets from:

- Australian Government grants, primarily Goods and Services Tax contributions
- own-source taxation revenue
- the sale of goods and services
- dividends, income tax equivalents and other distributions
- interest income
- royalties
- other revenue.

Australian Government grants and own-source taxation provide the majority of state revenue. Some states, such as Western Australia and Queensland, derive significant income from royalty payments. Attachment C compares tax revenue including revenue between states as a share of GSP and per person.

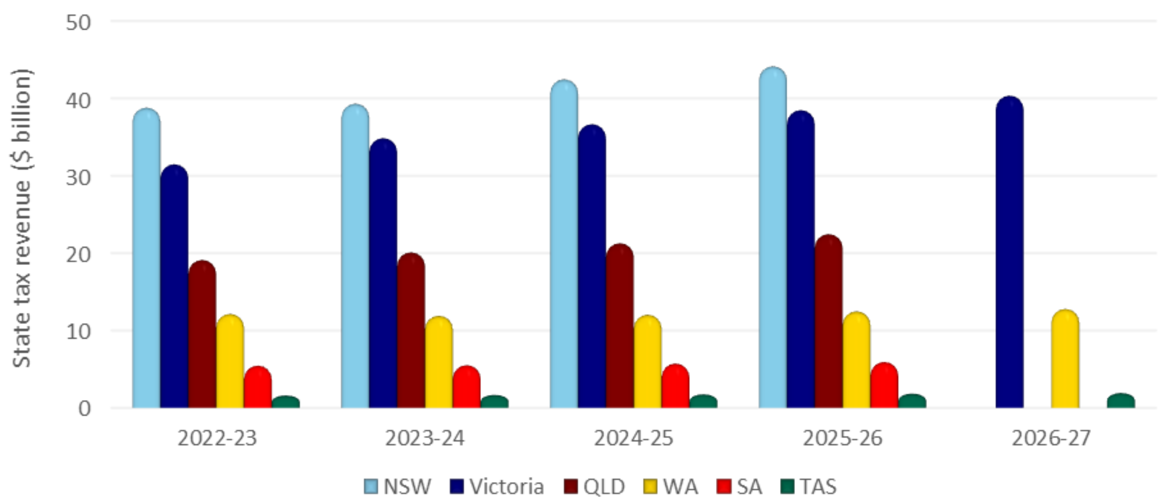
State tax revenue

In this section	This section compares Victoria's state tax revenue with other states from 2022-23 to 2026-27. It compares tax revenue: ▪ in dollar terms ▪ as a share of GSP ▪ per capita.

State tax revenue in dollar terms

All states levy taxes to generate revenue, which are used to fund government services and infrastructure.

Figure 2 - State tax revenue



Note: New South Wales, Queensland and South Australia have not released their 2023-24 budgets, which means they have not yet published data for 2026-27.

Source: Parliamentary Budget Office.

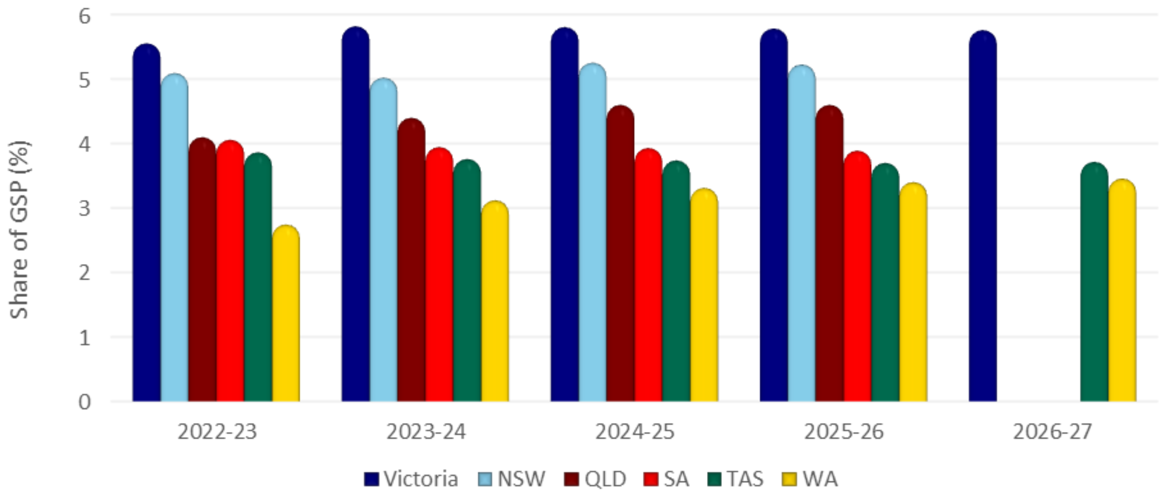
All states forecast tax revenue will increase from 2022—23 to 2025—26. The amount of tax revenue raised is dependent on a state's population and economic size, with NSW having the highest forecast tax revenue and Tasmania having the lowest.

Victoria's state tax revenue is forecast to increase by $7.0 billion from 2022—23 to 2025—26, which is the largest increase of all states.

State tax revenue as a share of GSP

Tax revenue as a share of GSP indicates the size of a state's tax revenue compared to the size of its economy and provides an indication of the tax burden.

Figure 3 - State tax revenue to GSP ratio



Note: New South Wales, Queensland and South Australia have not released their 2023-24 budgets, which means they have not yet published data for 2026-27.

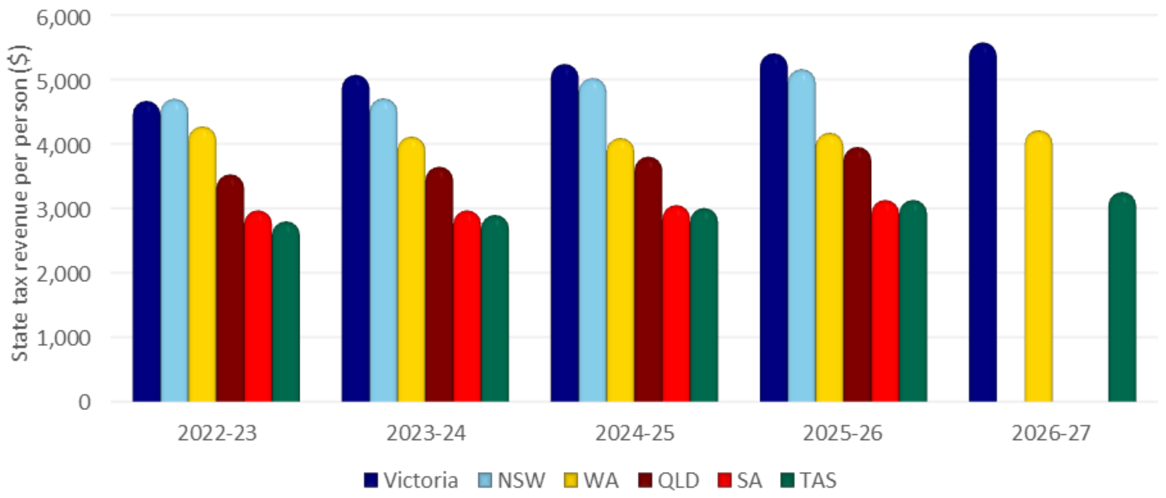
Source: Parliamentary Budget Office.

The tax revenue to GSP ratio is forecast to be larger in Victoria than in other states across 2022—23 to 2025—26. Victoria's tax revenue to GSP ratio is forecast to increase to 5.8% in 2023—24, and remain at this rate to 2026—27.

State tax revenue per person

Tax revenue per person shows how much revenue a state generates through taxes for each person in that state. A higher revenue per person indicates that a state has higher or more taxes than other states, or relies more heavily on tax revenue than other states.

Figure 4 - State tax revenue per person



Note: New South Wales, Queensland and South Australia have not released their 2023-24 budgets, which means they have not yet published data for 2026-27.

Victorian state tax revenue

Source: Parliamentary Budget Office.

NSW is forecast to have the highest tax revenue per person in 2022—23. However, Victoria is forecast to have a higher tax revenue per person than any other state from 2023—24 to 2025—26, increasing from $4,669.8 in 2022–23 to $5,577.4 in 2026–27.

Attachment A– Approach

In this section we provide the approach we used to compare tax revenue across Australian states.

Approach

When preparing this advice, we:

- collected data from each state's most recent budget or budget update
- used this data to compare states on tax revenue levels, as well as revenue to GSP ratios and per capita tax revenue.

Attachment B– Data sources

- Australian Bureau of Statistics. 2022. Australian National Accounts: State Accounts, 2021–22 financial year. [ONLINE] Available at: https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release. [Accessed 30 May 2023]
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- NSW Treasury. 2023. 2023 Pre-election Budget Update. [ONLINE] Available at: https://www.budget.nsw.gov.au/sites/default/files/2023-03/20230308-2023_pre-election-budget-update.pdf. [Accessed 30 May 2023]
- Queensland Budget 2022–23, 2022–23 Budget Update
- Queensland Budget 2022–23, Budget Paper No. 2 Budget Strategy and Outlook
- South Australia State Budget 2022–23, Mid-Year Budget Review
- Tasmanian Budget 2023–24, Budget Paper No. 1
- Victorian Budget 2023–24, Budget Paper No. 5 Statement of Finances
- Western Australia State Budget 2023–24, Budget Paper No. 3 Economic and Fiscal Outlook

Attachment C – Taxes and royalties

In this section we reproduce Figure 1, but include royalties with tax revenue.

Figure 5 – State comparison of tax revenue including royalties

	2023—24		2025—26	
	Share of GSP (%)	Tax revenue per person ($)	Share of GSP (%)	Tax revenue per person ($)
Vic	5.8	5,094.6	5.8	5,428.8
NSW	5.6	5,236.8	5.6	5,486.9
QLD	5.7	4,692.0	5.7	4,918.0
WA	5.2	6,866.2	5.3	6,504.4
SA	4.2	3,173.8	4.1	3,328.5
Tas	3.9	2,983.9	3.8	3,207.9

Source: Parliamentary Budget Office.

Including royalties, Victoria is forecast to have:

- the largest tax revenue to GSP ratio of any state in both 2023—24 and 2025–26
- the third largest tax revenue per person in both 2023—24 and 2025–26.