

Tuesday, 11 February 2020

## AUSTRALIANS BACK FEDERATION REFORM

The Commonwealth Federation must be made to work better if it is going to support Australians' living standards into the future, according to submissions to the NSW Government's Federal Financial Relations Review, with reform of stamp duties on property considered the highest priority by many.

Chairman of the Review Panel, David Thodey AO, today released the consultation findings report into the *Working Together for a Better Future* discussion paper.

The discussion paper produced by the independent expert Review panel, which was appointed by NSW Treasurer Dominic Perrottet, was released to the public for consultation in October 2019. The paper examined how NSW and the Commonwealth could work together to build a stronger economy, encourage state-led reform and, ultimately, deliver better outcomes for all Australians.

Submissions were received from individual members of the public, think tanks, service providers, community groups and peak sector bodies, and were complemented by consultation sessions that included representatives of the Commonwealth Government and every state and territory government.

"The core of what we as an independent Panel have been tasked with is to find options for a fairer, more efficient and more reliable system of funding. A critical part of this is to understand where our federation can do more to encourage reforms that lift economic growth and improve the delivery of essential services and infrastructure." Mr Thodey said.

"What became clear through the consultations is that there is widespread support for our system of Federation but also concern about its ability to support the living standards of citizens into the future in its current form.

"It is clear that the current funding mix that pays for our state services and infrastructure will not provide the productivity growth or the revenue necessary to sustain our standard of living. If we do nothing, we will deliver a legacy of debt, compromised service delivery and quality, and a weaker economy for our future generations."

"Fortunately, the consultations surfaced solutions rather than just problems, with more than 100 unique reform ideas providing an invaluable framework to inform the Review's findings and recommendations in 2020."

Key messages from the consultations:

- About half of all submissions raised the issue of stamp or transfer duties, with the majority calling for the tax to be replaced by something fairer, efficient and predictable that would give people greater flexibility to move house when it suits them.
- A number of submissions proposed making taxes such as insurance-based taxes and state payroll taxes simpler and fairer to unlock productivity growth.

- Several submissions raised concerns about the diminishing effectiveness of the fuel excise to fund wear and tear on our roads as cars become more efficient and people turn to electric vehicles. Some proposed alternative means of charging for road use.
- There were mixed views on reform to GST funding arrangements, with some submissions calling for changes to the rate or base of the GST but others warning that any reforms could unfairly affect low-income households.
- Several submissions proposed reform of funding agreements between the Commonwealth and the states to make them less prescriptive and more focused on outcomes. Some suggested the Commonwealth could do more to encourage state-based reforms.
- A number of stakeholders called for renewal of Australia's intergovernmental councils to strengthen and drive the national reform agenda.

Consultations are ongoing throughout the life of the Review to ensure that the Review's recommendations are fully informed by the community. The Panel's interim report will be delivered in the first half of 2020, allowing further opportunity for input prior to the Review's delivery of its final report.

On Monday 17 February, the Panel will hold a one-day discussion to inform the *Federation of the Future*, bringing together experts on the financial relationship between the States and the Commonwealth and reform delivery.

The consultation findings report and more details about the Review panel and process can be found [here](#). Submissions can be made via [FFRReview@treasury.nsw.gov.au](mailto:FFRReview@treasury.nsw.gov.au).

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