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Tasmanian budget: Raising revenue right

State and federal budget measures to improve fiscal outcomes in Tasmania

The deterioration of the Tasmanian budget means that net debt is expected to reach $10 billion by 2027-28. This paper outlines how the state could increase revenue by auctioning salmon licences, reforming gambling taxes, increasing mineral royalties, and increasing motor vehicle stamp duties and registration fees. If changes to the GST were also made, $11.4 billion could be raised in the five years to 2030.

Discussion paper

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June 2025

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Summary

In July 2025, Tasmanians will head to the polls for the fourth state election in seven years. This election was triggered by a vote of no confidence in Premier Jeremy Rockliff, after his government's 2025-26 budget forecast a significant increase in the state's debt. The budget projects that net debt will reach $10 billion, or 20% of gross state product (GSP), by 2027-28. This is despite the fact that the state will generate increased revenues. In this context, the cost of the yet-to-be-built Macquarie Point Stadium has become a lightning rod for debate about the state government's priorities.

But Tasmania's budgetary problems are not isolated from the mainland. The Commonwealth Government raises most tax revenue, of which it distributes a significant share to the states and territories, who use it to fund and manage public services. This means that the Commonwealth could play a constructive role in improving Tasmania's financial situation. The next Tasmanian Parliament could both raise more revenue itself, and advocate more strongly for new and different Commonwealth funding, perhaps in concert with the other states.

This paper shows how four measures at the state level could raise $2.5 billion by 2030. This includes:

- Adopting a salmon licence auction policy similar to Norway, which could raise $1.7 billion.
- Raising taxes on Electronic Gaming Machines (aka pokies) to 45%, which would increase revenue by $34.5 million a year, or a total of $173 million over the five years to 2030.
- Increasing mineral royalty arrangements to be in line with the national average, which would raise an additional $29 million in 2025-26, or $133 million over the five years to 2030.
- Increasing motor vehicle stamp duties to 10%, and registration fees to 50% — which would put them closer to averages in the rest of Australia. This could generate an additional $108 – $113 million a year, or $552 million over the five years to 2030.

At the Commonwealth level, there are two relatively simple reforms to the GST that could benefit Tasmania. This includes renegotiating the Western Australia (WA) GST deal, which gives WA a far greater share of GST revenue than it realistically needs. Broadening the GST to include private health insurance and private school fees would also generate more revenue. These two reforms to the GST could generate an additional $303 million a year for Tasmania, or $1.5 billion over the five years to 2030.

A broader range of Commonwealth Government policy reforms, advocated by the Australia Institute in the lead-up to the 2025 federal election, could raise significant additional revenue for all Australian states and territories. If the proceeds of the five policies listed below were distributed in line with the current GST arrangements, the increased annual revenue for Tasmania would be:

1. End fossil fuel subsidies: $66 million
2. Reform Commonwealth gas royalties and taxes: $269 million
3. Reform the capital gains tax discount and negative gearing: $265 million
4. Reform superannuation tax concessions: $792 million
5. Tax harmful things (plastics, luxury utes, tax avoidance): $73 million.

These measures could raise $1.5 billion each year, or a total of $7.3 billion by 2030.

Put together, these state-level policies, reforms to the GST, and broader Commonwealth policy reforms could generate $11.4 billion for Tasmania by 2030.

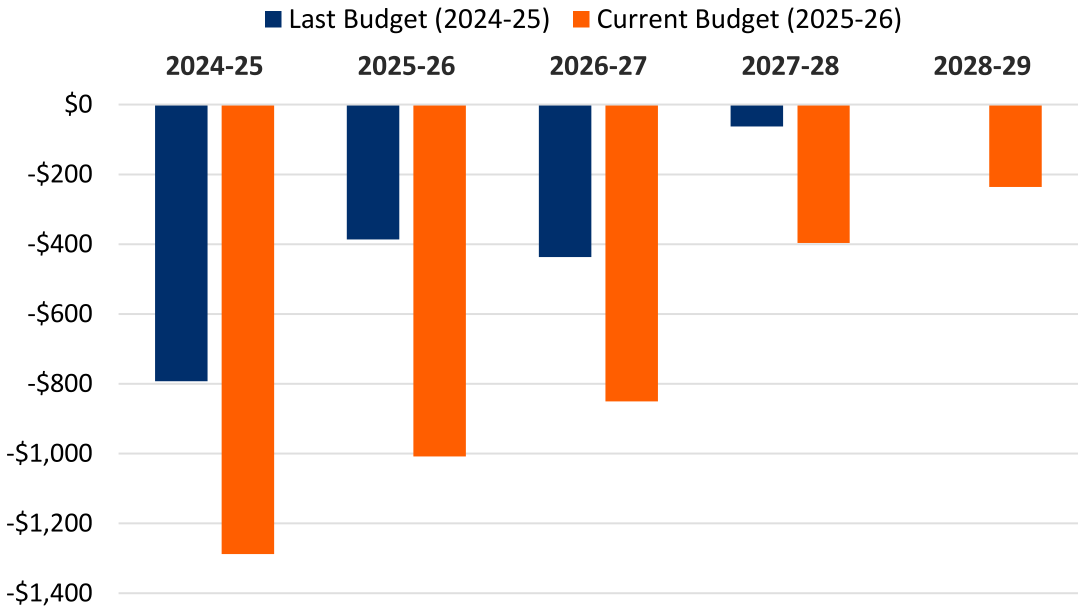
While the ability to implement many of these measures remains in the hands of the Commonwealth Government, the choice to implement measures at the state level, and to advocate strongly for federal reforms, is well within the grasp of any incoming government.

Introduction

Tasmanians are heading to the polls again on 19 July. This will be the fourth election in seven years, and just 15 months since the last one. The catalyst for this election was a 5 June vote of no confidence against Premier Jeremy Rockliff, which came in the wake of a 2025-26 state budget that showed a significant deterioration in projected debt and deficits, despite higher revenues.[1]

According to the 2025-26 budget, the state's deficit would be over $1 billion for at least two years, which is hundreds of millions more than had been previously projected;[2] this is shown in Figure 1. With higher spending outstripping higher revenue and causing bigger deficits, the budget forecasts net debt to reach $10 billion by 2027-28, or around 20% of gross state product (GSP).[3]

Figure 1: Deteriorating budget deficit forecasts, $ million



Source: Department of Treasury and Finance (Tas) (2025) *2025-26 Tasmanian Budget*, https://www.treasury.tas.gov.au/budget-and-financial-management/2025-26-tasmanian-budget

Tasmania's budgetary problems are inextricable from the tension between the Commonwealth Government — which raises most tax revenue — and Australia's states and

[1] Andrews (2025) *Tasmania's snap election is a referendum on a 15-month government*, https://www.crikey.com.au/2025/06/12/tasmanian-election-2025-liberal-government-labor-afl-stadium-budget/

[2] Keane (2025) *Tasmanian government hopes indebted voters will just watch the footy… at their $945 million stadium,* Crikey 2 June 2025, https://www.crikey.com.au/2025/06/02/hobart-afl-stadium-cost-devils-tasmanian-government-budget-deficit/

[3] Keane (2025)

territories — which use the tax money transferred to them by the Commonwealth to fund and manage public services.

Among the states, Tasmania has relatively high needs for funding and relatively low ability to raise funds itself. The state's demographics mean that the costs of public services are expected to escalate quickly. Tasmania's population of just 570,000 is dispersed across rural, regional and remote areas. Compared to other parts of Australia it is older, which means fewer people in the workforce. Levels of education are lower, and health needs are higher. It does not enjoy the iron-ore royalties of Western Australia, or the stamp-duty revenue of larger states such as New South Wales and Victoria. As Tasmanians head to the polls, they know that their state needs help. But that does not mean Tasmania is helpless. The next Tasmanian parliament can both raise more revenue itself and advocate more strongly for better federal funding, perhaps in concert with the other states.

This report outlines some of the revenue-raising ideas that the incoming Tasmanian government could implement, or advocate for at the federal level. The research shows $1.9 billion could be raised each year, which would generate a total of $11.4 billion to 2030. This is summarised in Table 1:

Table 1. Summary of policy measures to increase Tasmanian fiscal revenue, $m

Program	Annual	Total to 2030
Raising revenue in Tasmania, $ million		
Salmon licences (one off)		$1,654
Reform poker machine taxes	$35	$173
Tasmanian mineral royalties	$29	$133
Vehicle stamp duties and registration	$109	$552
A fair deal from the GST		
Renegotiate WA GST deal	$154	$770
Broaden GST	$149	$747
Raising revenue right – federal measures		
End fossil fuel subsidies		
Cap FTCS claims at $50 million per company	$66	$332
End the gas industry's free ride		
Increase royalties by 50% & extend to all producers in Commonwealth Waters	$269	$1,346
Reform capital gains tax discount & negative gearing		
Restrict negative gearing to new properties	$211	$1,053
CGT discount only for new properties after 3 years on residential property with grandfathering	$55	$273
Reform superannuation tax concessions		
Abolish tax concession for the top 10% of income earners	$792	$3,959
Tax harmful things		
End luxury tax exemption on utes	$10	$49
Plastic tax	$59	$293
End subsidy on tax avoidance	$5	$25
Total	**$1,941**	**$11,356**

Source: See relevant sections below. Values may not add to the total due to rounding.

The rest of the briefing note looks at these potential revenue-raising measures in more detail. For the measures that raise money at the federal level, such as reforming superannuation tax concessions, this analysis assumes that the additional revenue is allocated to Tasmania at its current GST funding share of 3.9% per cent.[4] This amount of funding can represent either direct payments to the Tasmanian government or increased Commonwealth Government spending in Tasmania.

The analysis and data on revenue raising measures at the federal level draws heavily from research by The Australia Institute published in the lead-up to the 2025 Federal election.[5] On measures more directly related to Tasmania, the research draws on some of the ideas

[4] Commonwealth Grants Commission (2025) *Occasional Paper No. 11: GST distribution to states and territories in 2024–25*, https://www.cgc.gov.au/publications/occasional-paper-11-gst-distribution-states-and-territories-2024-25

[5] Jericho (2025) *Raising revenue right: Better tax ideas for the 48th Parliament, https://australiainstitute.org.au/report/raising-revenue-right-better-tax-ideas-for-the-48th-parliament/*

suggested by Saul Eslake in his regular commentary on the economic issues affecting the Tasmanian economy.[6]

When considering these measures, it is important to remember that Australia is a low-tax country. As share of the economy, Australia raises just 30% in tax revenue. This is less than the OECD average of 35%, and well below the 43% average of Nordic nations (Sweden, Denmark, Norway and Finland).[7] There is little international evidence that increasing taxes is a drag on economic growth, development, employment, and social welfare and every reason to expect that doing so would improve the social services and quality of life in Tasmania.

[6] Eslake (2025) Tasmania, https://www.sauleslake.info/topics/topics/tasmania/

[7] Figures for 2023. OECD (2024) *Data Explorer NAAG Chapter 6: Government*, https://data-explorer.oecd.org/

Raising revenue in Tasmania

The Tasmanian Government has four relatively straightforward options for raising additional revenue without help from the Commonwealth Government: increasing licensing fees for the salmon industry, reforming the taxation of electronic gaming machines (EGMs), increasing mineral royalties, and adjusting motor vehicle stamp duties and registration fees.

Raising revenue within the state is crucial to fiscal repair since, as Eslake shows, Tasmania has the lowest own-revenue share of any Australian states or territory (apart from the Northern Territory) which means it is more reliant on federal funding than any other state.[8]

SALMON LICENCES

Farming salmon in open sea pens is having a catastrophic impact on marine life in Tasmania.[9] In accordance with the recommendations of a Parliamentary inquiry,[10] it should not be done in sensitive, sheltered and biodiverse waterways. However, to date, the Tasmanian Government has not adopted this recommendation.

The salmon industry in Tasmania generates revenue of over $1.3 billion per year but pays little federal tax.[11] The industry also pays little in state government fees. In 2019, Australia Institute research calculated that the industry paid less than $1 million in lease and licence fees to the Tasmanian Government, while receiving over $4 million per year in subsidies from various levels of government.[12]

[8] Eslake (2024) *Independent Review of Tasmania's State Finances*, Chart 2.21, p. 33, https://www.sauleslake.info/independent-review-of-tasmanias-state-finances/

[9] DCCEEW (2024) Maugean Skate; https://www.dcceew.gov.au/environment/biodiversity/threatened/action-plan/priority-fish/maugean-skate; Australian Government (2023) Conservation Advice for Zearaja maugeana (Maugean skate), https://environment.gov.au/biodiversity/threatened/species/pubs/83504-conservation-advice-06092023.pdf

[10] Legislative Council Sessional Committee Government Administration A (2022) Final Report, Sub-Committee Fin Fish Farming in Tasmania Inquiry | Parliament of Tasmania; https://www.parliament.tas.gov.au/committees/legislative-council/sessional-committees/govadmina/former-inquiries/govadmina_fin

[11] Campbell (2025) *Tasmanian salmon: more revenue, more pollution, but always less tax*, https://australiainstitute.org.au/post/tasmanian-salmon-more-revenue-more-pollution-but-always-less-tax/

[12] Minshull & Browne (2019) *Making mountains out of minnows - Salmon in the Tasmanian economy*, https://australiainstitute.org.au/report/making-mountains-out-of-minnows-salmon-in-the-tasmanian-economy/

The same research estimated that if the Tasmanian Government implemented a production licence auction system similar to that which operates in Norway, the auction could raise between $700 million and $2 billion in total revenue.

While license fees have increased since 2019, these are intended merely recover the cost of regulating the industry, and not to deliver an economic return for Tasmanians that compensates for the use of, and damage to, the state's waterways. Revenue from licence fees is small compared to what could potentially be raised if the Tasmania implemented the Norwegian model for the use of the state's public waterways.

Updating the 2019 research to 2025 prices using the consumer price index (CPI), and assuming similar stocking densities and salmon production, an auction could generate between $860 million and $2.4 billion, or a mid-point estimate of $1.7 billion.[13] This figure is in the ballpark of estimates for the cost of constructing a mid-sized modern sports stadium.[14]

Recent polling from the Australia Institute found that 74% of Tasmanian voters agree that salmon companies should pay royalties for salmon leases over public waters. Only 14% of Tasmania voters disagree with this statement.[15]

REFORM ELECTRONIC GAMING MACHINE TAXES

While Tasmania has more poker machines per capita than almost anywhere in the world,[16] it taxes them at the lowest rate in Australia. Tasmania's tax on electronic gaming machines (EGM) is just $63 per person, which is 66% less than the national average of $186 per Australian.[17]

In addition, Tasmanian legislation allows a single monopoly, the Farrell Group, to operate EGMs located in hotels, clubs, and the state's two casinos.[18] This monopoly operator is

[13] ABS (2025) *Consumer Price Index, Australia, Mar 2025, https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia*

[14] Gruen (2025) *Independent review of the Macquarie Point Stadium, https://www.premier.tas.gov.au/latest-news/2025/january/gruen-report-released*

[15] Australia Institute (2025) *Polling - Tasmanian revenue*, https://australiainstitute.org.au/report/polling-tasmanian-revenue/

[16] Browne and Minshull (2017) *Pokies pub test: Australia has most of the world's pub and club poker machines*, https://australiainstitute.org.au/report/pokies-pub-test/

[17] Queensland Treasury (2025) *Australian gambling statistics – Product Tables, https://www.qgso.qld.gov.au/statistics/theme/society/gambling/australian-gambling-statistics*

[18] Livingstone (2018) *Estimating the revenue share of the Farrell Group and other gambling industry participants from gambling operations in Tasmania*, https://australiainstitute.org.au/report/estimating-the-revenue-share-of-the-farrell-group-and-other-gambling-industry-participants-from-gambling-operations-in-tasmania/

taxed at the second lowest rate in Australia, which means that the share of revenue retained by the monopoly private operator is the second highest – this is shown in Table 2.[19]

Table 2. Revenue and tax share for EGMs

	NSW	VIC	QLD	SA	TAS
State government tax	22.9%	44.9%	32.1%	39.5%	29.9%
Operator/venue	68.0%	46.0%	58.8%	51.4%	61.0%

Source: Goddard (2017) and Owen Gambling Research (2019)

Current data from the Tasmanian Department of Treasury and Finance shows that EGM taxes, as a percentage of EGM player gambling expenditure, are slightly lower than the 29% shown in Table 2, with an effective tax rate of just 26%.[20]

A simple way for the Tasmanian Government to raise more revenue would be to increase the taxation of EGMs. An initial starting point could be to lift the gambling tax share of EGM revenue to 45%, which is the rate applied in Victoria. The most recent data from Tasmanian Department of Treasury and Finance shows the revenue from EGM gambling was $186.3 million in 2023/24, with $49.1 million collected in EGM tax. Raising the tax rate to 45% would increase EGM taxation revenue by $34.5 million — to around $83.7 million a year. Over the five-year period to 2030 this measure could generate a total of $173 million.

MINERAL ROYALTIES

While mineral royalties are not a major source of revenue for the Tasmanian Government, royalties could raise tens of millions of dollars each year with little impact on mining activity or employment.

Currently, Tasmanian mineral royalties are set at a minimum of 1.9% on sales, with an additional profit-based component of up to 5.35%.[21] This is low by Australian standards. The Commonwealth Grants Commission estimates that Tasmania's royalty arrangements collect 40% less revenue than the national average royalty rate.[22] Being 40% lower than the

[19] Goddard (2019) *Gaming tax revenue in Tasmania – Pokies, keno*, casinos, and the GST: an analysis https://www.parliament.tas.gov.au/__data/assets/pdf_file/0017/58130/4b20martyn20goddard20supplementary20submission.pdf : Quoted from Owen Gaming Research (2017) The Tasmanian Gaming Environment: Evaluation and Comparison

[20] Department of Treasury and Finance (Tas) *Gambling Taxation from 1 July 2023*, https://www.treasury.tas.gov.au/liquor-and-gaming/gambling/community-information/gambling-data/gambling-taxation

[21] Burton (2024) *Tasmanian Liberal and Labor parties reject plan to lift mineral royalties to fix budget*, https://tasmanianinquirer.com.au/news/tasmanian-liberal-and-labor-parties-reject-plan-to-lift-mineral-royalties-to-fix-budget/

[22] Commonwealth Grants Commission (2024) *Report on GST revenue sharing relativities – 2024 Update,* https://www.cgc.gov.au/publications/2024-update

national rate means that Tasmania's royalty collections need to increase by 67% to rise to the national average.

Since mining companies already pay the same average royalty rate across Australia, increasing Tasmania's royalty rate to meet the Australian average is not likely to have an impact on mining output or employment. Consider that, despite the Queensland Government recently increasing coal royalties, mining companies are still proposing greenfield coal mine projects in Queensland.[23]

Saul Eslake, who supports increasing royalty rates to the Australian average, adds that such a change would not affect mining output because royalties are tax deductible against federal company tax.[24] In effect, the Australian Government would fund a share of the Tasmanian royalty increase.

Recent polling by YouGov on behalf of the Australia Institute shows that a majority of Tasmanian voters support increasing mining royalties. When asked to choose among four options for raising Tasmanian Government revenue, 57% of respondents selected increasing mining royalties as either their first or second preference.[25]

Currently, the Tasmanian Government collects around $63 million a year in royalty revenue, or less than one per cent of total revenue. By increasing royalty arrangements in line with the national average, the Tasmania Government could raise an additional $29 million in 2025-26, and significantly more if mineral prices remain high. In total, over the five years to 2030, increasing mineral royalties would generate $133 million in additional government revenue as shown in Table 3.

Table 3. Minerals royalties, budget projections and additional revenue, $ million

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Est. Outcome	Budget	FW Est	FW Est	FW Est	Est
Mineral Royalties Budget	$63.0	$43.1	$38.6	$39.1	$39.6	$39.6
Increase to national average		**67%**	**67%**	**67%**	**67%**	**67%**
New Mineral Royalties		$71.8	$64.3	$65.2	$66.0	$66.0
Additional revenue		$28.7	$25.7	$26.1	$26.4	$26.4

Source: Estimates based on Department of Treasury and Finance (Tas) (2025) Table 6.10, p.142

[23] The Australia Institute (2025) *Greenfield coal mine proposals still exist in 2025,* https://australiainstitute.org.au/coal-mine-tracker/update/greenfield-coal-mine-proposals-still-exist-in-2025/

[24] Estlake (2024) *Independent Review of Tasmania's State Finances*, https://www.sauleslake.info/independent-review-of-tasmanias-state-finances/

[25] Australia Institute (2025) *Polling - Tasmanian revenue*, https://australiainstitute.org.au/report/polling-tasmanian-revenue/

VEHICLE STAMP DUTIES AND REGISTRATION

Eslake's research shows that, in Tasmania, stamp duties on motor vehicle sales and motor vehicle registration costs are well below the Australian average.[26] Eslake shows that stamp duties on vehicle sales are, on average, 9% higher on the mainland compared to Tasmania, while registration costs are on average 53% higher.

Increasing motor vehicle stamp duties and registration fees by the round numbers of 10% and 50% respectively could generate an additional $108 – $113 million a year in state government revenue.[27] Across the five years to 2030 this measure could increase state government revenue by $552 million as outlined in Table 4.

Table 4. Stamp duties and rego, budget projections and additional revenue, $ million

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Est. Outcome	Budget	FW Est	FW Est	FW Est	Est
Motor vehicle duty: Budget	$74.5	$76.7	$79.0	$81.4	$83.9	$83.9
Rego & Motor Tax: Budget	$292.2	$303.8	$315.9	$328.7	$340.5	$340.5
Uplift Factor: Duty		**10%**	**10%**	**10%**	**10%**	**10%**
Uplift Factor: Rego		**50%**	**50%**	**50%**	**50%**	**50%**
Additional Revenue: Duty		$7.7	$7.9	$8.1	$8.4	$8.4
Additional Revenue: Rego		$101.2	$105.2	$99.6	$102.7	$102.7
Additional Revenue: Total		**$108.8**	**$113.1**	**$107.7**	**$111.1**	**$111.1**

Source: Estimates based on Department of Treasury and Finance (Tas) (2025) Table 6.5, p.135

To minimise the potential regressive effects of a flat increase in stamp duties and registration fees, the changes could be implemented in such a way that they target more expensive luxury vehicles and the "big dumb utes" that are so heavily subsidised at the federal level.[28]

[26] Estlake (2024), p.96

[27] Department of Treasury and Finance (Tas) (2025) Budget Paper 1 – Table 6.5

[28] Thrower (2024) *Luxury Car Tax and the Ute Loophole*, https://australiainstitute.org.au/report/luxury-car-tax-and-the-ute-loophole/

A fair deal from the GST

Two reforms to the GST would deliver significant additional revenue to the Tasmanian Government, and most other states.

RENEGOTIATE THE WA GST DEAL

In 2018 the Commonwealth Coalition government struck a deal, primarily for political reasons, with the states and territories that changed the GST distribution process so that the WA Government received more revenue than it otherwise would have. It also ensured that no other state or territory would be 'worse off' than before. This deal is commonly referred to as the WA GST deal. The deal has been controversial and most economists favour scrapping it because it goes against the system of distributing to states according to their needs.[29]

Prior to the deal, the GST, which is collected at the federal level, was fully distributed to the states and territories. The original GST distribution process saw states with high revenue raising potential get less GST than states with less revenue raising potential. Then, WA received about 30¢ in each dollar of GST collected in WA because of the large royalty revenue it collects from mining, mainly from iron ore.

With the WA GST deal, no state or territory can receive less than 70¢ in the dollar from the GST raised in their respective state or territory.[30] Combined with the 'no worse off guarantee', it means the Federal government pays out more that 100% of the GST it collects. The GST pool is 'topped up' by the Federal government from general revenue sources.

Eslake's estimates that the GST deal is worth $39.2 billion to WA, over 12 years from 2019. For the five years to 2030, Eslake estimates the average annual cost to the Federal Government of the WA GST deal to be around $4.1 billion a year.[31]

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[29] Martin (2024) *Scrap the West Australian GST deal set to cost $40 billion – leading economists*, The Conversation, https://theconversation.com/scrap-the-west-australian-gst-deal-set-to-cost-40-billion-leading-economists-227551

[30] Coorey and McIlroy (2024) *'Beyond comprehension': WA's GST deal to blow out to $50b*, AFR 12 Feb 2024, https://www.afr.com/politics/federal/beyond-comprehension-wa-s-gst-deal-to-blow-out-to-50b-20240212-p5f49h

[31] Eslake (2024) *Distribution of GST Revenue: the Worst Public Policy Decision of the 21st Century to date.* https://www.sauleslake.info/distribution-of-gst-revenue-the-worst-public-policy-decision-of-the-21st-century-to-date/

It is worth keeping in mind the there is no actual GST pool. All Federal Government taxation and spending, including the allocation of GST payments, is transacted through the *Consolidated Revenue Account.*[32] It was a political decision in the original design of the GST to fully allocate the GST revenue to the states, helping ensure the states and territories would sign onto to the Howard Government's broader tax reform package.[33]

It is now as a consequence of the WA GST deal that more than 100% of the GST is allocated. There is no operational or financial requirement that future GST sharing agreements have to ensure that only 100% of GST revenue is allocated using the GST allocation formula. It is certainly not the case currently. Future GST agreements could pay out exactly 100%, or more than 100%. The latter option being the most likely now the precedent is established for a GST pool top-up from general federal revenue.

Indeed, a well-designed needs-based GST sharing formula, not political objectives, should be the basis all revenue shared from the Commonwealth to the states. The Commonwealth has always paid out more to the states and territories than just the GST.

In light of the requirement for the Productivity Commission (PC) to report before the end of 2026 on whether the new system is working "effectively, efficiently and as intended"[34] the Tasmanian Government should advocate for the end of the WA GST deal, and for the $4.1 billion benefit to WA to be distributed to all states based on need. WA would still receive a higher level of funding than it would have under the original GST arrangements.

If the $4.1 billion was distributed to the other states and territories on pre-WA deal GST revenue shares, then the Tasmanian Government would receive around 3.8%[35] of the $4.1 billion, or $154 million a year in addition revenue.[36] Over the period to 2030, close to an additional $770 million could be generated.

[32] Department of Finance (2025) *Consolidated Revenue Fund (CRF)*, https://www.finance.gov.au/about-us/glossary/pgpa/term-consolidated-revenue-fund-crf

[33] Treasury (2006) *A brief history of Australia's tax system*, https://treasury.gov.au/publication/economic-roundup-winter-2006/a-brief-history-of-australias-tax-system

[34] Eslake (2024)

[35] 2016-17 GST funding shares, Commonwealth Grants Commission (2017) *Report on GST Revenue Sharing Relativities - 2017 Update*, https://web.archive.org/web/20210306043116/https://www.cgc.gov.au/sites/default/files/2017_update_report.pdf?v=1534214971

[36] Commonwealth Grants Commission (2025) *Occasional Paper No. 11: GST distribution to states and territories in 2024–25*, https://www.cgc.gov.au/publications/occasional-paper-11-gst-distribution-states-and-territories-2024-25

BROADEN GST ONTO PRIVATE SCHOOL FEES AND PRIVATE HEALTH INSURANCE

The GST, as with all broad-based consumption taxes, is a regressive tax - it impacts poor people more than wealthy people. This is because lower-income households spend a greater share of their incomes on products and services that attract the GST, compared to the wealthy households that are able to save a large share of their income, which they can use to pay for things like financial services, private school fees, and private health insurance, which are GST free.

Therefore, a straightforward way to increase GST revenue – without increasing the rate at which it is applied, or making the tax more regressive – is to apply it to services that are predominantly consumed by wealthy households.

Research from the Australian Institute published in 2014 estimated that extending the GST to private school fees and private health insurance could generate an additional $2.3 billion in revenue a year, 60% of which would come from the top 40% of income earners.[37] Since 2014, total GST revenue has grown 60%.[38] Assuming that GST revenue from private school fees and private health insurance would have also grown by 60%, then this measure would now raise $3.8 billion a year.

On current GST revenue shares, Tasmania would receive 3.9% of this additional GST revenue, or $149 million a year.[39] Over the five years to 2030 this measure could raise a total of $747 million in additional revenue for the Tasmanian Government.

[37] Grudnoff (2014) *How to extend the GST without hurting the poor*, https://australiainstitute.org.au/report/how-to-extend-the-gst-without-hurting-the-poor/

[38] ABS (2025) *Taxation Revenue, Australia, https://www.abs.gov.au/statistics/economy/government/taxation-revenue-australia*

[39] Commonwealth Grants Commission (2025)

Raising revenue right - Commonwealth Government

In the lead-up to the 2025 federal election, The Australia Institute proposed options to increase federal revenue in ways that would also help to tackle the nation's challenges on inequality, sustainability, health, education and other areas.[40] The options were grouped into five areas:

1. End fossil fuel subsidies
2. End the gas industry's free ride
3. Reform the capital gains tax discount and negative gearing
4. Reform superannuation tax concessions
5. Taxing harmful things: Luxury utes, plastic and tax avoidance

Accompanying the suite of policy options were minimum and maximum estimates for the additional fiscal revenue the measures would generate. Those estimates are outlined in Table 5, showing federal revenue could increase between $11.8 billion and $62.7 billion.

Table 5. Summary of policy measures to increase Federal revenue, $ billion and $ million

Recommendation	Revenue - Minimum	Revenue – Maximum	Tasmanian share	Other benefits
1. End fossil fuel subsidies	$1.7b	$10.6b	$66m	**Reduce** carbon emissions
2. End the gas industry's free ride	$4.1b	$10.1b	$269m	**Reduce** carbon emissions
3. Reform the Capital Gains Tax Discount and negative gearing	$1.8b	$19.8b	$265m	**Increase** housing affordability
4. Reform superannuation tax concessions	$2.3b	$20.3b	$792m	**Reduce** wealth inequality
5. Tax luxury utes, plastic and tax avoidance	Up to $1.9b		$73m	**Increase** road safety & Fairness. **Reduce C02** emissions & plastic waste
Total	$11.8b	$62.7b	$1,461m	A **better** Australia

Note: Tasmania share refers to a specific set of policy options outlined in the relevant sections.
Source: Jericho (2025), p. 2

[40] Jericho (2025)

If the Albanese government chose to adopt these policies, it is likely a significant share of the increased revenue would be distributed to the states. Therefore, a key way to improve revenue raising in Tasmania is for the Commonwealth Government to implement a range of these measures and distribute a share of the revenue to Tasmania, either as direct grants or increases in Commonwealth Government spending in Tasmania. Under the current GST arrangements Tasmania receives 3.9% of GST revenues.[41] It is envisaged that Tasmania would receive a similar share of any reform package adopted by the Commonwealth Government.

To better gauge the level of additional revenue the Tasmanian government could receive from the Australian government, this briefing note selects a set of *middle-of-the-road* proposals from the five categories in Table 5 and estimates the revenue impacts for Tasmania, also shown in the Table 5. These measures and the estimated revenue impacts are briefly discussed below.

END FOSSIL FUEL SUBSIDIES

In 2023-24, the Commonwealth Government provided $11.8 billion in fossil fuel subsidies, with increases forecast for future budget years.[42] Removing all of these subsidies would be in line with the OECD's advice that Australia "reduce or eliminate fuel tax exemptions for heavy vehicles and machinery".[43]

The largest federal fossil fuel subsidy is the Fuel Tax Credit Scheme (FTCS), which is estimated to cost $10.6 billion in 2025-26.

Winding back the FTCS in its entirety may be politically difficult in the short term. A more modest proposal — and which has the backing of Fortescue mining's Andrew Forrest — is to cap FTCS claims at $50 million per company.[44] This would mean farmers, transport companies and smaller mining companies would be unaffected, while major mining companies like BHP, Rio Tinto and Glencore would pay more fuel tax.[45]

[41] Commonwealth Grants Commission (2025)

[42] Campbell et al (2024) *Fossil fuel subsidies in Australia 2024*, https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia-2024/

[43] OECD (2024) Achieving the transition to net zero in Australia, https://www.oecd.org/economy/achieving-the-transition-to-net-zero-in-australia-9a56c9d2-en.htm

[44] Rabe (2025) *Forrest breaks with big miners to push for tax credit overhaul*, AFR 9 June 2025, https://www.afr.com/politics/federal/forrest-breaks-with-big-miners-to-push-for-tax-credit-overhaul-20250605-p5m572

[45] Pollard and Buckley (2023) *Fuel tax credit scheme and heavy haulage electric vehicle manufacturing in Australia*, https://climateenergyfinance.org/wp-content/uploads/2023/09/Fuel-Tax-Credit-Scheme-and-Heavy-Haulage-Electric-Vehicle-Manufacturing-in-Australia.docx.pdf

By adopting this policy, the Commonwealth Government would raise $1.7 billion a year. Tasmania's share, in line with current GST distributions, would be $66 million a year, or a total of $332 million to 2030.

END THE GAS INDUSTRY'S FREE RIDE

Australia is one of the world's largest exporters of liquified natural gas (LNG), but little public revenue is raised from the gas industry. For instance, no LNG gas export project has ever paid the Petroleum Resources Rent Tax (PRRT) despite gas corporations earning tens of billions from LNG exports each year.[46] Qatar, which exports a similar amount of LNG to Australia, raises six times more revenue from its gas industry.

While Treasury has proposed a range of options to reform the taxation of LNG, such as transfer price caps and limits on tax deductions, they are complicated and open to being "gamed" by the fossil fuel companies. A more straightforward reform would be to extend existing natural gas royalties — which currently only apply to some LNG exporters — to all Australian natural gas extraction.[47] In addition, the royalty rate could be increased by 50% to reflect the change that the introduction of LNG exports wrought on the market.

Adopting this policy could generate an additional $6.9 billion a year in revenue. Of this, Tasmania would receive $269 million a year, or a cumulative gain of $1.3 billion by 2030.

REFORM THE CAPITAL GAINS TAX DISCOUNT AND NEGATIVE GEARING

Tasmania, along with the rest of Australia, has a housing affordability crisis. For the first time since WWII, a majority of Australians in their early 30s do not own their own home.[48]

Two tax breaks enjoyed by residential property investors work to both reduce government revenue and exacerbate the housing crisis – the 50% capital gains tax (CGT) discount and negative gearing. As in other states, these two tax breaks have skewed the benefits of the Tasmanian housing market towards investors. As a result, Australian house prices have increased at more than twice the rate of income over the past 25 years,[49] and home ownership rates have fallen from 71.4% of households in 1994-95 to 66.3% in 2020-21.[50] In

[46] Treasury (2023) Budget Paper No.1 2023-24, p180, https://archive.budget.gov.au/2023-24/index.htm
[47] Verstegen, Ogge and Campbell (2024) *Australia's great gas giveaway*
[48] Australia Institute of Health and Welfare (2025) https://www.housingdata.gov.au/
[49] Grudnoff & Jericho (2024) *Financial regulatory framework and home ownership*, https://australiainstitute.org.au/report/financial-regulatory-framework-and-home-ownership/
[50] ABS (2022) *Housing Occupancy and Costs: 2019-20*.

Tasmania, average house prices have more than doubled over the last 10 years, compared to only 78% growth on the mainland.[51]

Reforms to negative gearing and the capital gains tax (CGT) discount would rebalance the housing market back to owner-occupiers. While a full-scale removal of these tax breaks would be politically difficult, more modest proposals, similar to those the ALP took to the 2019 election, would restrict negative gearing to new properties, and limit the CGT discount to new properties after three years with grandfathering to existing homeowners.

Estimates from the Parliamentary Budget Office suggest adopting these policies could generate, on average, an additional $1.4 billion a year in federal revenue. Under current GST allocation shares the Tasmanian Government could receive an additional $265 million a year, and a total of $1.3 billion to 2030.

REFORM SUPERANNUATION TAX CONCESSIONS

Superannuation contributions and earnings are taxed at lower rates than other income. The historical argument in favor of these lower taxes was to encourage people to save for retirement and reduce the cost of the age pension. However, these tax breaks now reduce income tax by around $60 billion per year, only slightly less than the cost of the age pension – $61.6 billion in 2024-25.[52] These concessions are overwhelmingly used by high-income individuals to avoid paying tax and serve no public policy purpose, since people with such high incomes do not qualify for the age pension.[53]

The Commonwealth Government has legislation before parliament that would reduce the tax concession on the earnings of superannuation balances over $3 million by lifting the tax rate from 15% to 30%. The tax on earnings on superannuation balances under $3 million would remain at 15%. The policy is expected to raise $2.3 billion a year.[54] This would still make it a generous tax concession, given the 30% rate is less than the 45% marginal income tax rate for these wealthy taxpayers.

A more comprehensive reform to superannuation tax concessions would be to remove or abolish superannuation tax concessions for the top 10% of income earners. These

[51] ABS (2024) *Total Value of Dwellings, https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/total-value-dwellings/*

[52] Treasury (2024) *2024-25 Tax Expenditures and Insights Statement*, https://treasury.gov.au/publication/p2025-607085. Uses distribution of 2020-21 applied to estimate of 2024-25 total.

[53] Ngoc Le (2024) “Who benefits? The high cost of super tax concessions” https://australiainstitute.org.au/report/who-benefits/

[54] Australian Government (2023) *Budget 2023–24: Budget measures: Budget paper no. 2*, p 15.

individuals have level of assets that means they do not qualify for the age pension, which means their tax concessions on superannuation serve no public good or policy purpose.[55]

This policy would generate an estimated $20.3 billion in additional federal revenue, with an estimated Tasmanian share of $792 million a year, or a total of $4 billion over the period to 2030.

TAX HARMFUL THINGS

Taxing harmful things is "Economics 101". Australia already does this with taxes on tobacco, alcohol and, previously, with the price on carbon emissions. This basic economic logic can be extended to other things that most Tasmanians would prefer less of, and in turn generate additional revenue. Three relatively simple measures include:

1. **Plastics tax:** Taxing virgin (non-recycled) plastic packaging at the same rate as the EU virgin plastics tax.
2. **End of the luxury car tax exemption on huge utes:** The bigger and more expensive utes in Australia are currently exempt of the luxury car tax because they are classed as commercial vehicles.
3. **Ending subsides on tax avoidance:** Limiting the amount that could be claimed for managing tax affairs at $3,000.

These three measures could generate an additional $1.9 billion a year in federal taxation revenue. Applying the existing GST shares suggests that the Tasmanian Government could receive an additional $73 million a year, or $367 million in total to 2030.

TOTAL IMPACTS OF RAISING REVENUE RIGHT

If the Commonwealth adopted the five measures outlined above, the Tasmanian Government could receive an annual total increase in grant revenue, or related Commonwealth Government expenditure, of close to $1.5 billion a year. Across the five years to 2030 this amount could be over $7.3 billion, which would represent a considerable improvement in the state's finances and allow Tasmania to improve social services.

[55] Treasury (2020) *Retirement Income Review – Final Report*, p 247. https://treasury.gov.au/publication/p2020-100554

Conclusion

Australia and Tasmania are a low-taxing regions — they raise around 5% less tax (as a share of GDP) than the OECD average. Less revenue means fewer services, less infrastructure and lower levels of government support for the people of Tasmania. Low tax rates are one reason that both Australia as a nation and Tasmania as a state have some of the highest levels of poverty among older people in the OECD.

The state of the Tasmanian budget, and the projected increase in debt levels, are so dire that the premier, Jeremy Rockliff, lost a no-confidence vote. This sent voters back to the polls for the fourth election in seven years. But another election is not enough to improve the Tasmanian government's fiscal situation.

New policies to raise additional revenue are needed. This report has presented a number of policy proposals that could generate up to $1.9 billion a year for Tasmania, and $11.4 billion over the five years to 2030. The total amount to 2030 includes $1.7 billion from the one-off auction of salmon licences, which would be enough fund the Macquarie Point stadium. In addition, some of these measures have strong support from the Tasmanian public based on recent polling, including raising revenue from the salmon industry and increased mineral royalties.