Commonwealth Grants Commission

The Commonwealth Grants Commission was established in 1933 to evaluate claims by the States for financial assistance from the Commonwealth government. Over time, Western Australian, South Australia, Queensland, Tasmania and the Northern Territory have approached the Commonwealth for financial assistance.

Following the High Court’s ruling in the Uniform Tax Case in 1942 giving the Commonwealth an effective monopoly over the levying of income tax, State expenditures have exceeded their revenue sources (for eg, royalties, stamp duty, payroll tax). Hence, the Commonwealth compensated by making annual payments to the States in the form financial assistance grants and specific purpose payments. Until 1976, revenue assistance was a matter of Commonwealth-State negotiations.

Since 1976, a system of grant sharing has evolved from one based upon negotiation and agreements reached at the annual Premiers’ Conference to that one based upon a complex formula that takes into account all revenues earned by a State, its revenue needs and the amount gathered through the GST.

Further Reading:
