QON No. 11

Legislative Assembly for the Australian Capital Territory
Standing Committee on Public Accounts and Administration

Inquiry into annual and financial reports 2024–2025

Answer to question on notice

Asked by: Ms Jo Clay MLA

Addressed to: Treasurer
Redirected to:

Reference: Treasury

Hearing: 21/11/2025
In relation to: APS employment and payroll tax
Question received: 24/11/2025
Answer Due: 08/12/2025

MS CLAY MLA: The Assistant Minister for Productivity, Competition, Charities and Treasury has written to me noting that *"the Commonwealth Grants Commission recognises the ACT has a significantly higher share of Australian public servants and has adjusted its payroll tax methodology to account for the ACT's inability to levy payroll tax on Commonwealth public servants."*

(1) What was the net payment made to the Territory from the Commonwealth accounting for the this payroll tax adjustment in 2024/5?

(2) What does Treasury forecast this net payment to the Territory as in 2025/6 taking account of payroll tax adjustment?

(3) The Australian Public Service Commission data shows APS employees are 1.36% of the Australian workforce in June 2024. With 68,435 ACT APS employees in the workforce in June 2025, APS employment accounted for nearly a quarter of all ACT jobs. Were the ACT to have APS employment at the national mean of 1.36%, assuming ACT Government employment remained constant, what additional payroll tax does the Treasury estimate we would levy?

(4) What percentage of ACT GSP own source revenue would the ACT levy if payroll tax were levied on both private sector employers and APS employees, assuming payroll tax were levied at the base rate of 6.75%.

CHRIS STEEL MLA: The answer to the Member's question is as follows:

1. The Commonwealth Grants Commission (CGC) accounts for the ACT's higher share of the Australian public servants in its assessment of payroll tax revenue, with the ACT's assessed share of national payroll tax revenue being lower than its share of the Australian population.

As such, the ACT sees a redistribution of GST to the ACT for this assessment. In its 2025 Review, the CGC estimated the GST impact of the payroll tax assessment in 2025-26 to be $51 million for the ACT[1]. This reflects the ACT's narrow private sector tax base, partly offset by the ACT's private sector wages being above wages in most other jurisdictions.

2. The 2025-26 ACT Budget chapter on Federal Financial Relations (pp. 185-189) outlines the process used by Treasury to forecast the ACT's GST revenue payments. Treasury does not forecast individual CGC assessments (or relativities) as part of the process for forecasting GST revenue.

3. Hypothetical modelling of this nature is not developed by ACT Treasury. Treasury has limited resourcing and hypothetical modelling like this would not be a reasonable or appropriate use of these resources.

4. Refer to 3. While the ACT may collect more payroll tax revenue (if it were possible to tax the Commonwealth Government) the outcome of such a possibility would be that the ACT's share of the national payroll tax revenue base would be much higher than the ACT's share of the Australian population. This would likely have a net negative result for the ACT in the current CGC calculations.

Approved for circulation to the Standing Committee on Public Accounts and Administration

Signature: Date: 10/12/25

By the Treasurer, Chris Steel MLA

[1] 2025R Commissions Assessment Methodology Payroll tax.pdf