

THE FISCAL SUSTAINABILITY OF THE AUSTRALIAN CAPITAL TERRITORY

INTERIM REPORT TO THE LEGISLATIVE ASSEMBLY SELECT COMMITTEE
ON THE FISCAL SUSTAINABILITY OF THE ACT

27TH FEBRUARY 2026



SAUL ESLAKE

CORINNA ECONOMIC ADVISORY

The ACT has been here before, two decades ago

STRATEGIC AND FUNCTIONAL REVIEW OF THE ACT PUBLIC SECTOR AND SERVICES

FINAL
REPORT

APRIL 2006

- ❑ In 2005, the ACT Government commissioned a Strategic and Functional Review of the ACT Public Sector and Services
 - the Review was conducted by Michael Costello (former Secretary of DFAT and CoS to Kim Beazley as Opposition Leader) and Greg Smith (former senior Federal Treasury officer and Chair of the Grants Commission)
- ❑ The Review reported in April 2006, concluding that although the ACT was not facing “an immediate budget crisis”, the budget position had “deteriorated considerably” and that the ACT “would face a crisis in the next few years unless strong action is taken by the Government urgently”
- ❑ The Review made 271 recommendations intended to put the ACT’s finances on a more sustainable footing, and keep them there
 - these recommendations included a range of savings measures and revenue increases
 - but importantly they also included strong recommendations for improving the way the Budget, and individual departments’ and agencies’ budgets, are managed

Some definitions and other preliminaries

An overview of the ACT's public sector

- ❑ The **'general government'** sector – directorates and agencies which are funded primarily by taxes and grants (through the Public Account), rather than by revenue from the sale of goods or services
 - Directorates (Education, Health, Chief Minister, Treasury & Economic Development, Community Services etc)
 - agencies such as the Legislative Assembly, Audit Office, Electoral Commission, Insurance Authority, Infrastructure Canberra, Public Trustee & Guardian, etc
 - some Commissions such as Legal Aid, Motor Accident Injuries, Gambling & Racing, Independent Competition & Regulatory and Integrity Commissions, Workers Compensation Fund, Lifetime Care & Support Fund, etc
- ❑ The **'public non-financial corporations'** sector – government owned-entities which are funded primarily by revenue from the sale of goods and services
 - Icon Water, Housing ACT, CIT Solutions, City Renewal Authority, Suburban Land Agency, and Transport Canberra Operations
- ❑ The ACT does not have a public financial corporations sector, unlike the states and the NT
- ❑ The ACT is also unusual in that its superannuation liability for current and former employees who are members of Commonwealth Government defined benefit schemes is to the Commonwealth – but net gains on financial assets held by the ACT Government in its Superannuation Provision Account are not included in the standard measures of government income

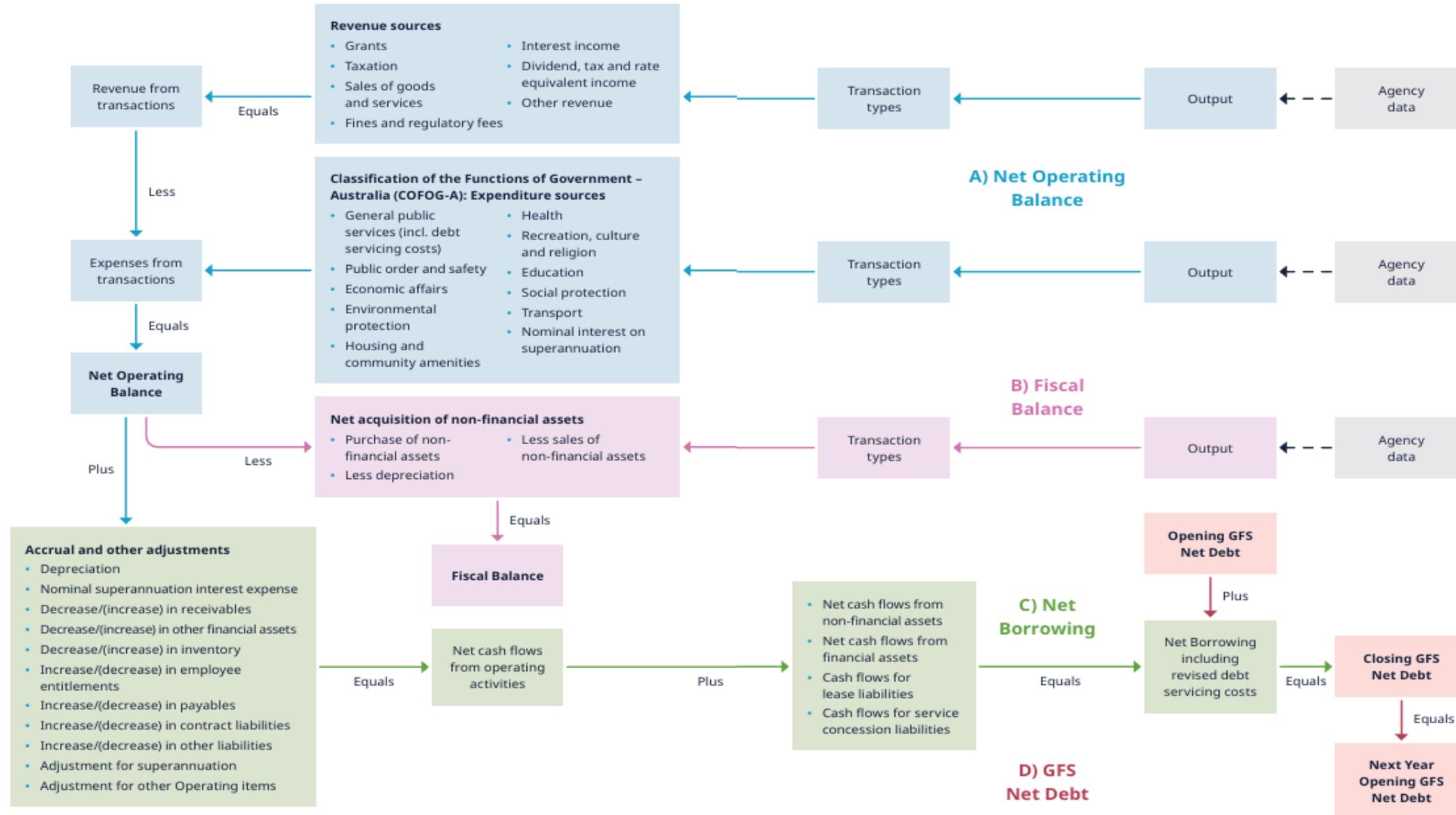
The Budget Outlook paper, the Budget Review and the Consolidated Financial Statements contain three major financial statements

- ❑ The **income statement** – which shows (for the budget year and the three following years)
 - revenue and expenses from transactions between the ACT general government sector and everyone else (businesses, individuals, community organizations, ACT public corporations, and the Federal Government)
 - the difference between revenue and expenses – the **net operating balance**
 - ‘other economic flows’ arising from transactions in non-financial assets and changes in the value of the government’s investments in public corporations, or holdings of non-financial assets
 - the **headline net operating balance** which includes the superannuation return adjustment
 - the government’s purchases and sales of non-financial assets, and
 - the sum of the net operating balance and net purchases of non-financial assets (less depreciation) – otherwise known as the **fiscal balance**

- ❑ The **balance sheet** – which shows (for the budget year and the three following years)
 - the value of general government sector’s assets and liabilities
 - and in particular the level of **net debt** (borrowings minus the sum of cash and deposits and investments)

- ❑ The **cash flow statement** – which shows (for the budget year and the three following years)
 - cash receipts from and payments for ‘operating activities’ (ordinary service provision)
 - net cash flows from purchases and sales of non-financial assets, and from transactions in financial assets (equity and debt) for policy purposes
 - net borrowing, and
 - the **cash surplus or deficit** (net cash flows from ‘operating’ and ‘investing’ activities’ plus net cash flows from transactions in non-financial assets)

A schematic representation of how government finances are reported



Note: 'GFS' = Government Finance Statistics,
 'Source: Tasmanian Treasury, [Fiscal Sustainability Report 2026](#), 27th February 2026.

The concept of 'fiscal sustainability'

What is 'fiscal sustainability'?

- ❑ **There are many definitions of fiscal sustainability – although they have common features**
 - “the ability of a government to maintain public finances at a credible and serviceable position over the long term” (OECD, [*Government at a Glance*, 2013](#))
 - “the ability of a government to sustain its current spending, tax and other-related policies in the long run without threatening its solvency or defaulting on some of its liabilities or promised expenditures” (European Commission, [*Sustainability of Public Finances*, 2017](#))
 - “a government’s ability to maintain its long-term fiscal policy settings indefinitely without the need for major remedial policy interventions ... if the debt-to-GDP ratio is expected to be stable or trend downwards over the long term [although] does not mean that the debt-to-GDP ratio will not increase at times, especially in response to large unforeseen economic shocks” (Australian Parliamentary Budget Office, [*Beyond the budget 2024-25: Fiscal outlook and sustainability* 2024](#))
 - “the government’s ability to manage its finances so it can meet its spending commitments, now and in the future, without large and sudden adjustments to policy settings” (Australian Government [*Intergenerational Report* 2023](#))
- ❑ **There is no one ‘number’, or set of numbers, beyond which a jurisdiction’s fiscal position becomes ‘unsustainable’**
 - “if something cannot go on forever, it will stop” (Herbert Stein, winner of the 1978 Nobel Prize in Economics)
 - “The level at which debt becomes unsustainable will vary according to each jurisdiction and its circumstances. The Australian Government has broader revenue-raising powers and a stronger economic base than a small jurisdiction like Tasmania [or the ACT]. However, it will become evident that debt has become too high when debt servicing costs start to constrain the Government’s ability to maintain the level of services the community expects (Tasmanian Treasury, [*Fiscal Sustainability Report* 2026](#))`

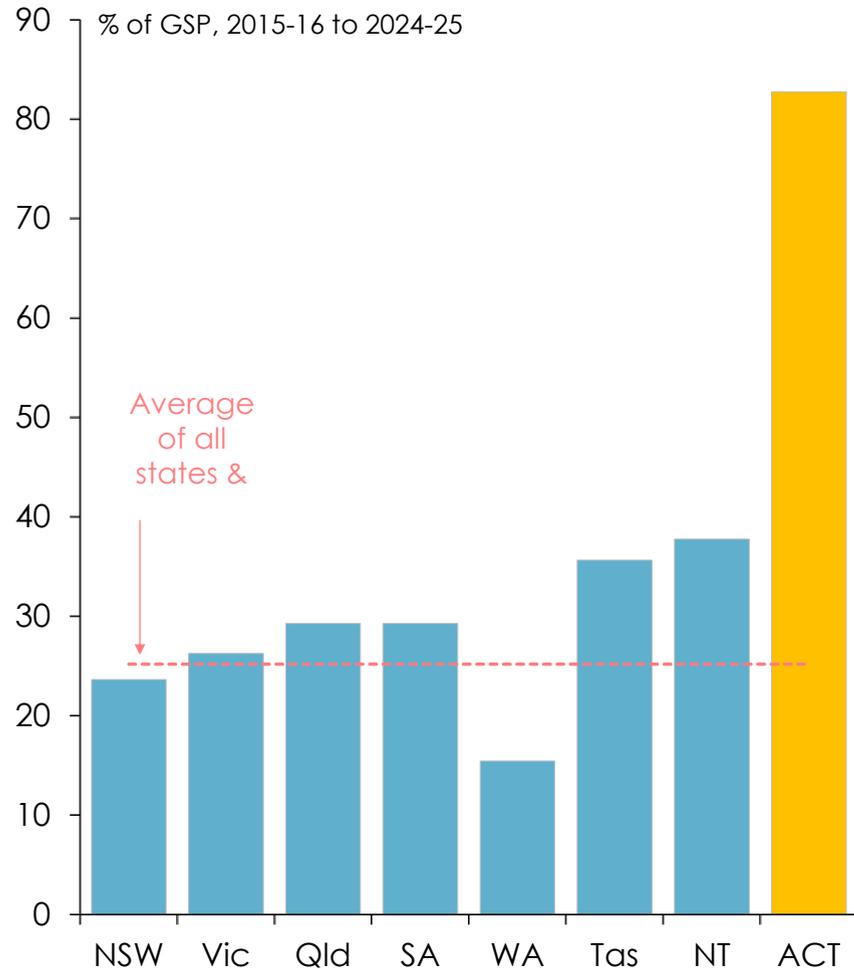
Why is fiscal sustainability important (even if it is hard to define)?

- ❑ “It is important for governments to maintain fiscal sustainability so that they can
 - provide the level of goods and services required by the community;
 - be able to invest in necessary infrastructure and initiate new programs;
 - promote intergenerational equity so that unsustainable debt burdens are not transferred to future generations; and
 - have the fiscal capacity to manage unforeseen events such as the 1997 Asian Financial Crisis, 2007-09 Global Financial Crisis (GFC), natural disasters and the COVID-19 pandemic”
- ❑ “If debt is allowed to reach unsustainable levels, then governments may be forced to introduce harsh measures in return for financial assistance from external parties ...
 - ... any form of significant external intervention by the Australian Government would result in lower levels of autonomy over the State’s [or Territory’s] finances”
- ❑ “If debt is allowed to keep rising, investors and credit rating agencies may be concerned about the State’s [or Territory’s] ability to repay debt, leading to lower credit ratings and higher debt servicing costs
 - Tasmanian Treasury, [Fiscal Sustainability Report 2026](#), 27th February 2026

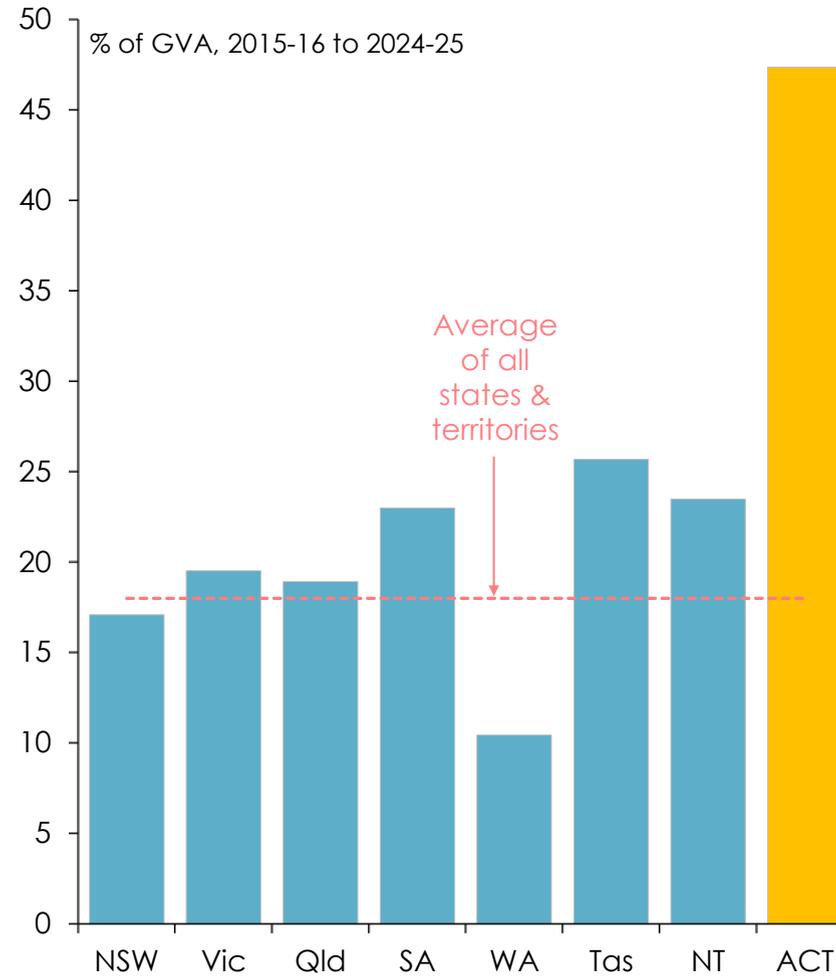
Unusual characteristics of the ACT

The public sector represents an unusually large share of the ACT's economy, reflecting Canberra's status as the national capital

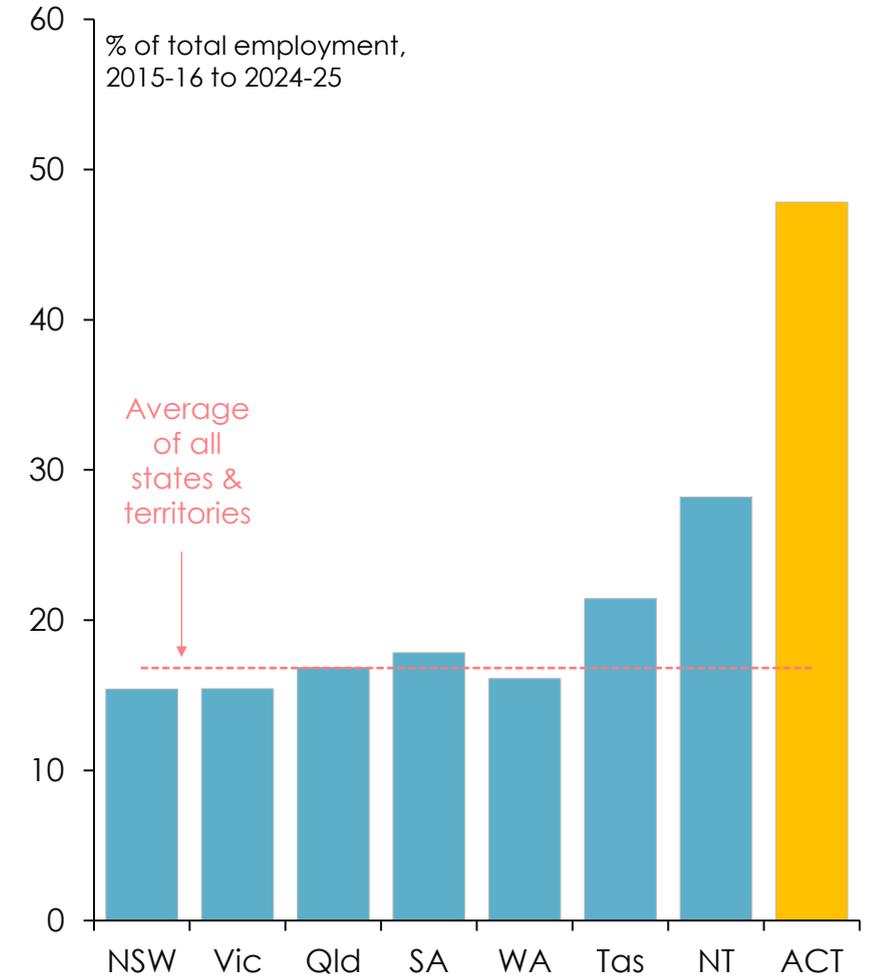
Public sector demand as a share of gross state product



'Non-market services' as a share of gross value added



Public sector employment as a share of total employment



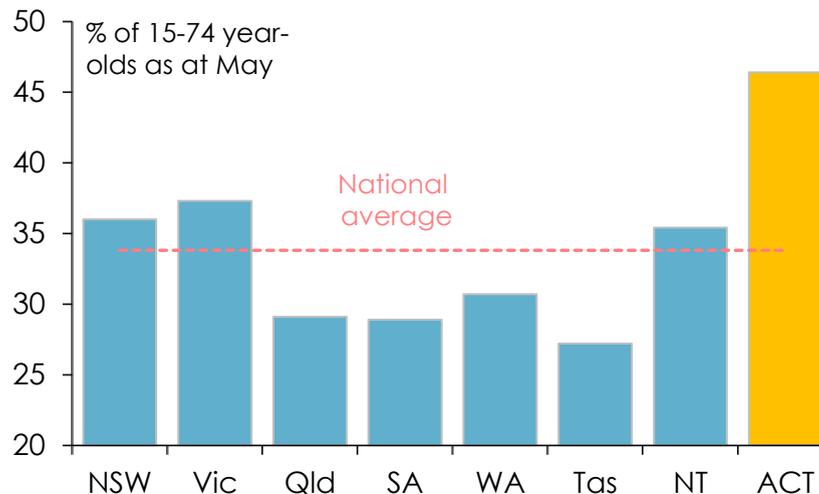
Sources: ABS, [Australian National Accounts: State Accounts, 2024-25](#); [Public sector employment and earnings, 2024-25](#).

Canberrans are typically younger, better-educated, more likely to be employed and better-off financially than other Australians

Median age



Population with university degree



Mean household disposable income



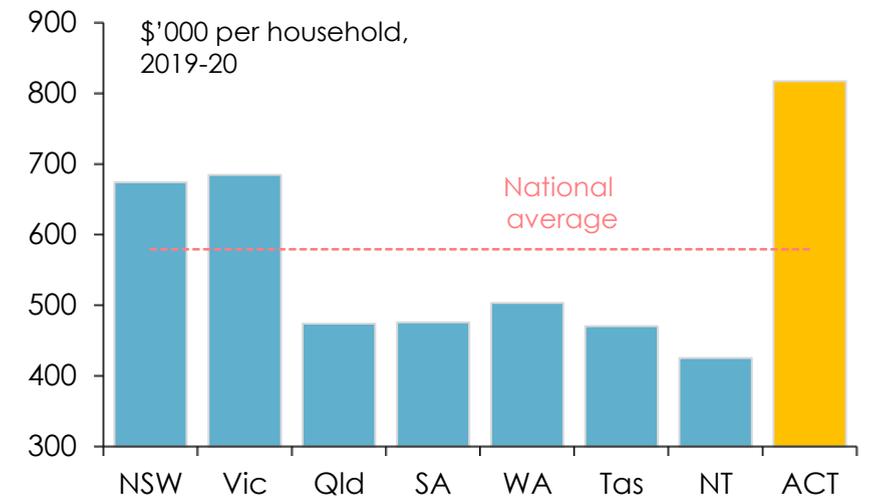
Population aged 65 and over



Population in employment



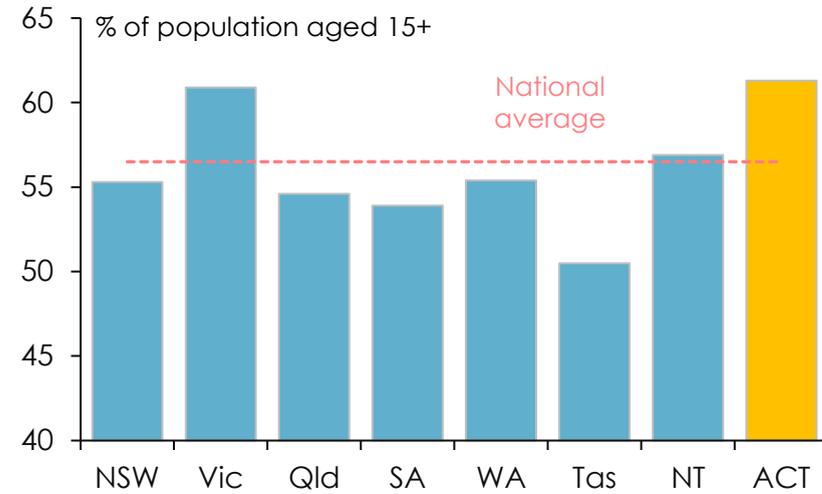
Median household net worth



Sources: ABS, [National, state and territory population](#), June 2025; [Education and Work](#), May 2025; [Labour Force](#), December 2025; [Australian National Accounts: State Accounts](#), 2024-25; and [Household Income and Wealth](#), 2019-20 (latest available).

Largely for those reasons, Canberrans typically enjoy better health than most other Australians

Population in good/excellent health



With cancer



Daily smokers



Population with >2 chronic conditions



With heart, stroke or vascular disease



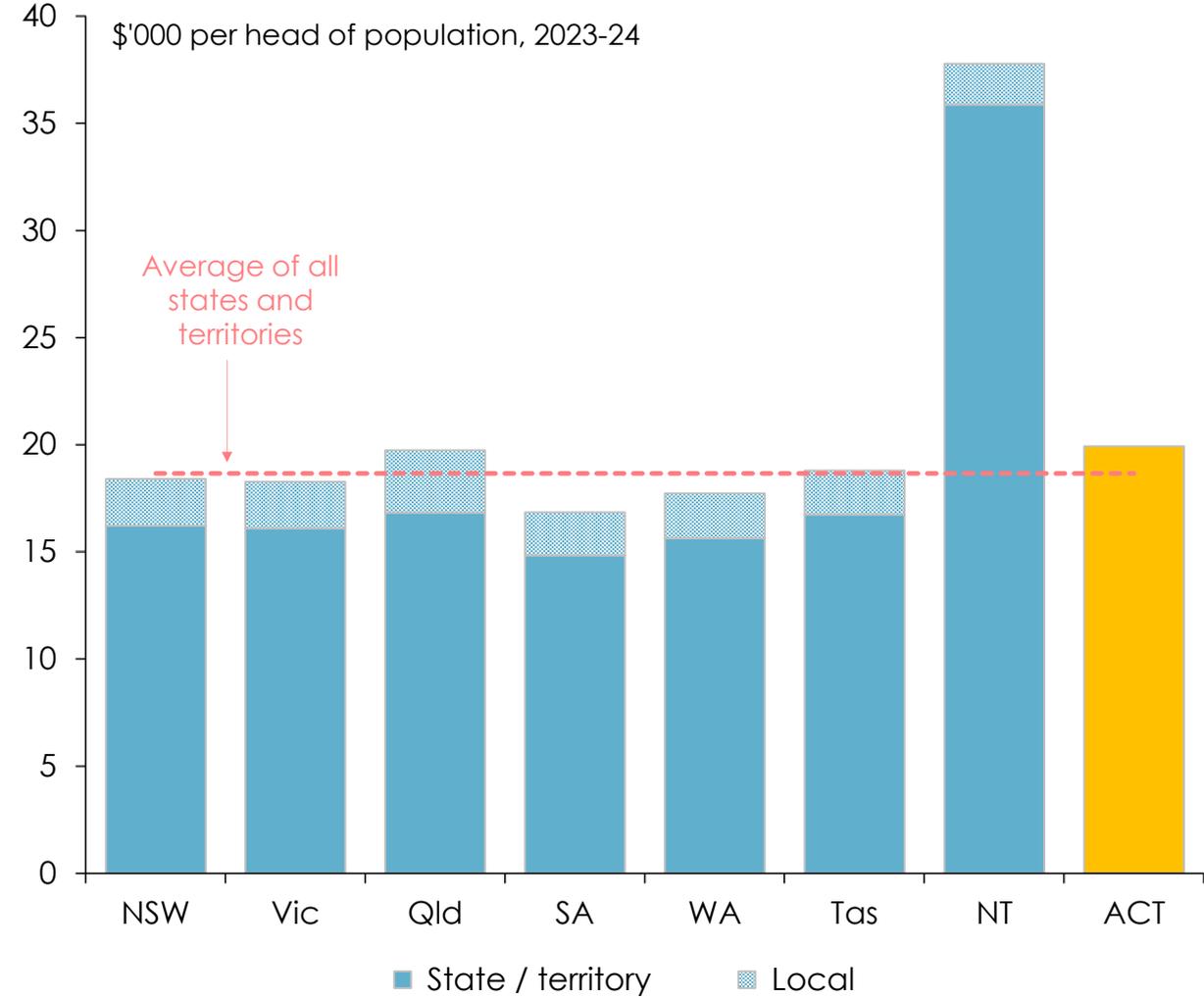
High/v. high psychological stress



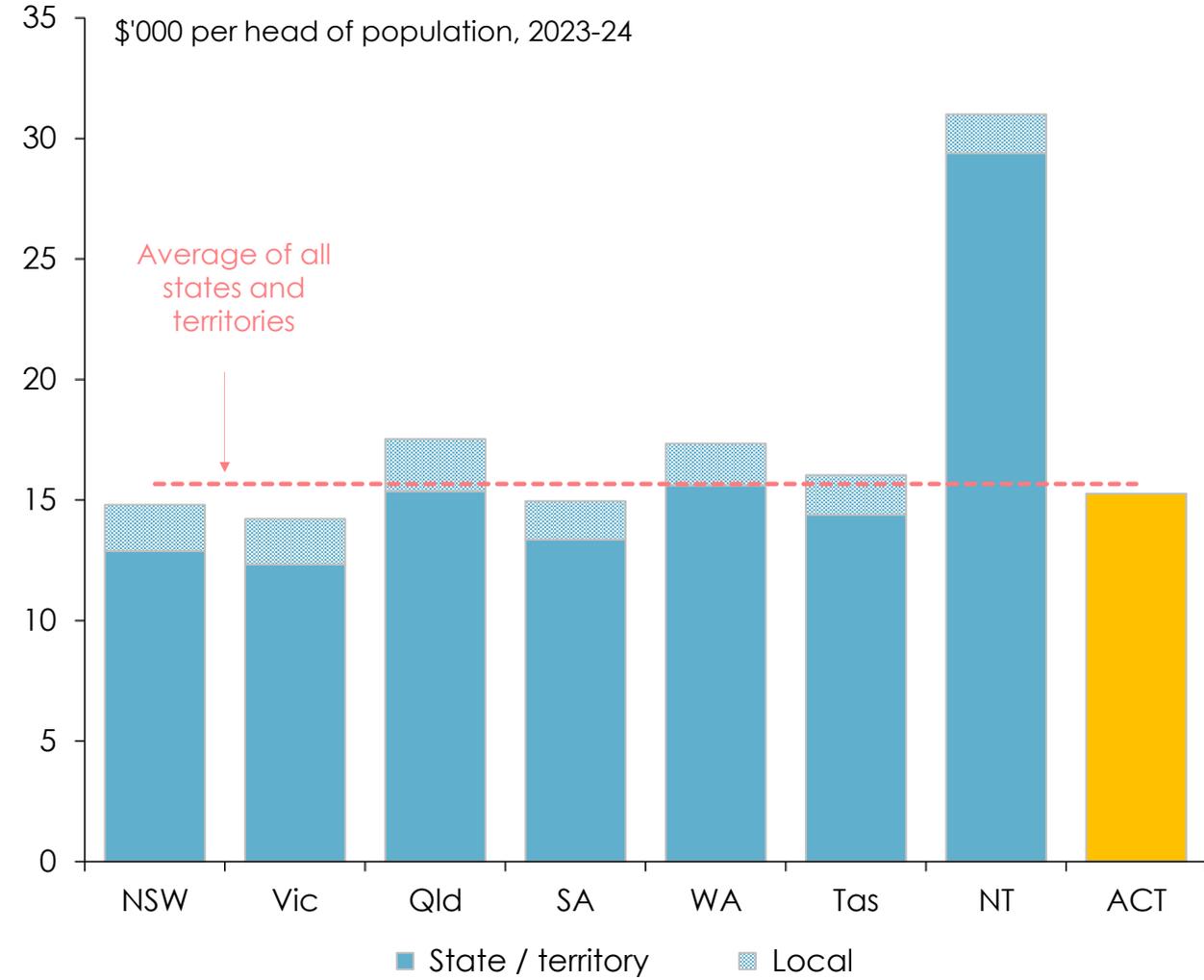
Source: ABS, [National Health Survey, 2022](#).

The ACT uniquely performs functions undertaken by local governments in other jurisdictions – even so, it’s about average size, per capita

Operating expenses plus net purchases of financial assets per head of population, 2023-24



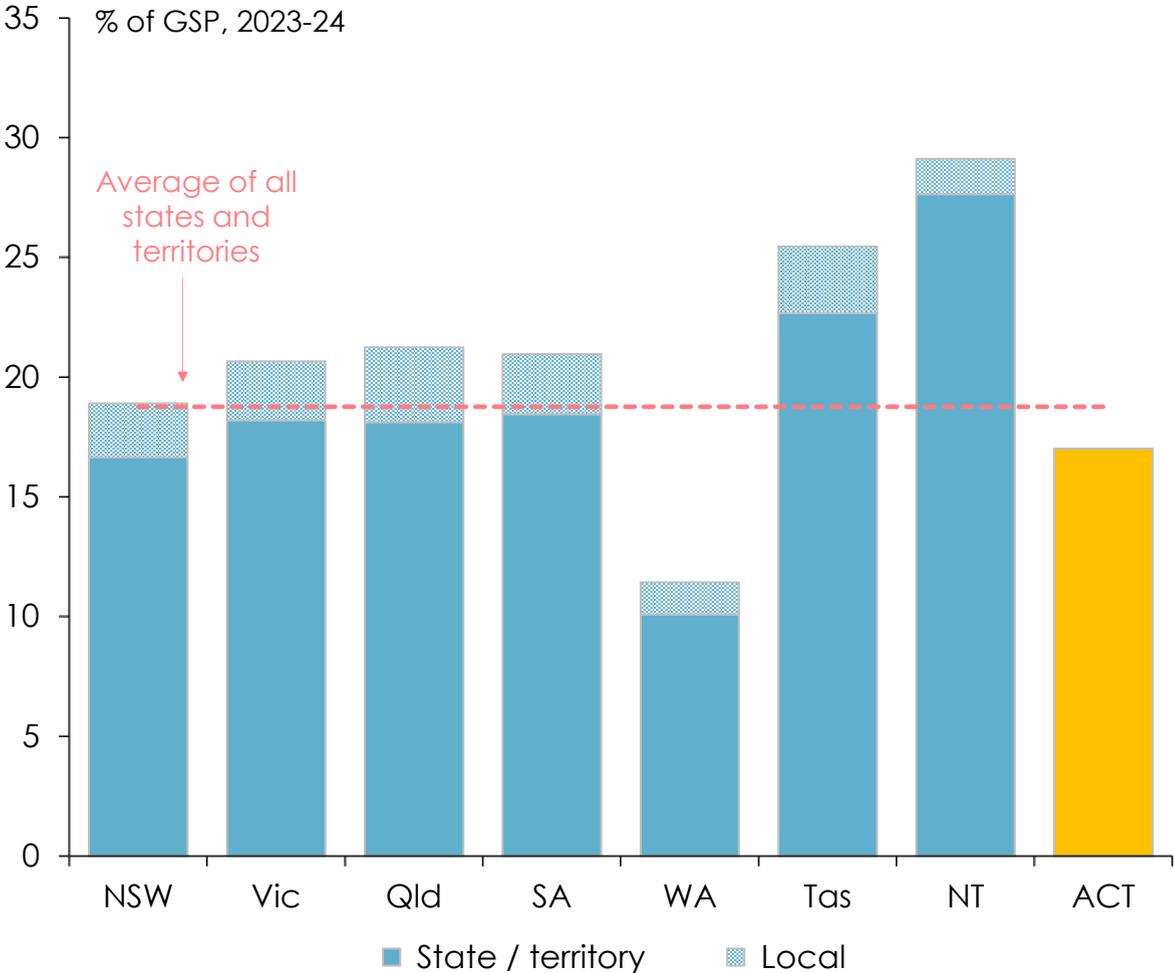
Operating revenue per head of population, 2023-24



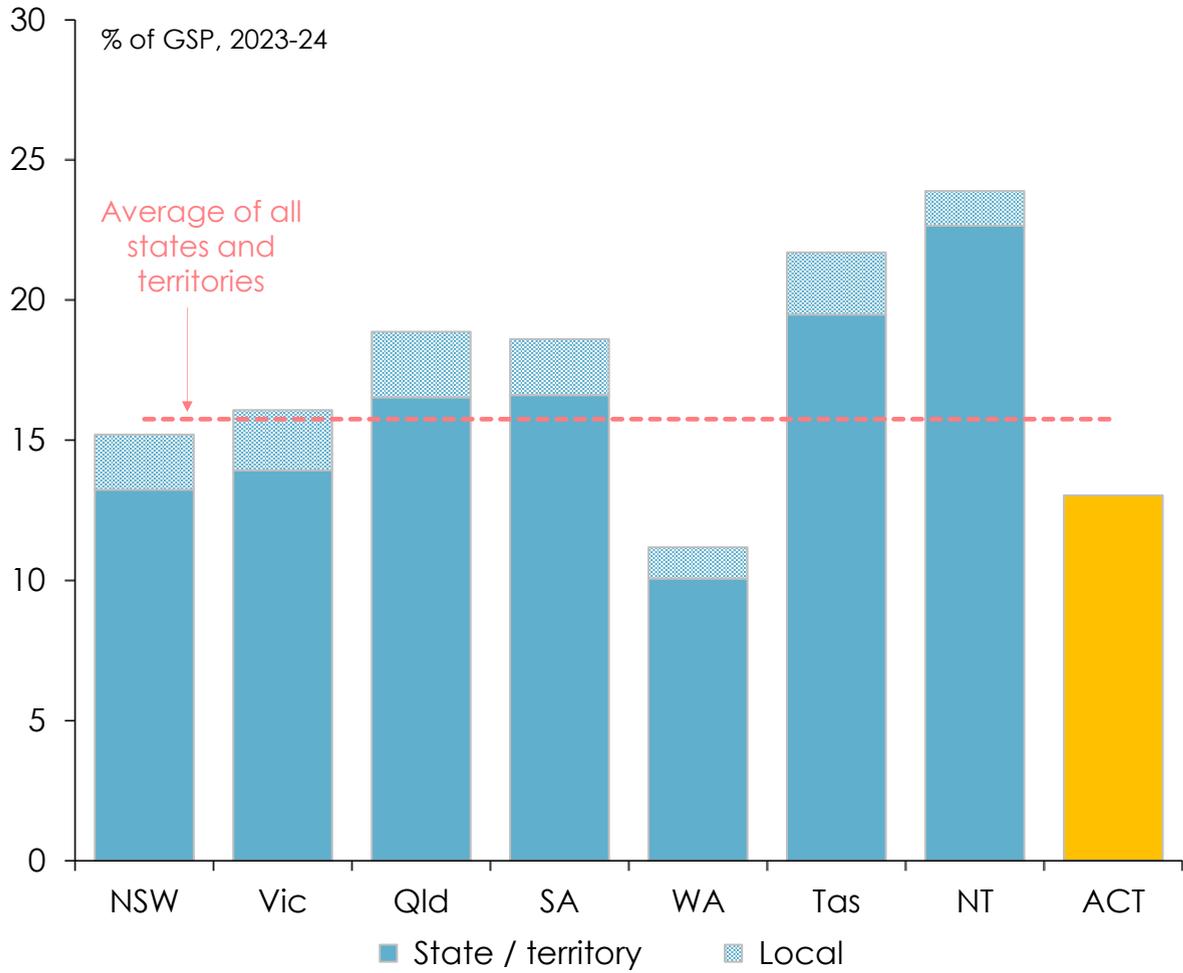
Source: ABS, [Government Finance Statistics, Annual](#), 2023-24 financial year (note: 2024-25 data to be released on 21st April) and [National, state and territory population](#), June 2025

As a percentage of gross state product, the ACT government is smaller than that of most other jurisdictions (despite including local government)

Operating expenses plus net purchases of financial assets as proportion of gross state product, 2023-24



Operating revenue as proportion of gross state product, 2023-24

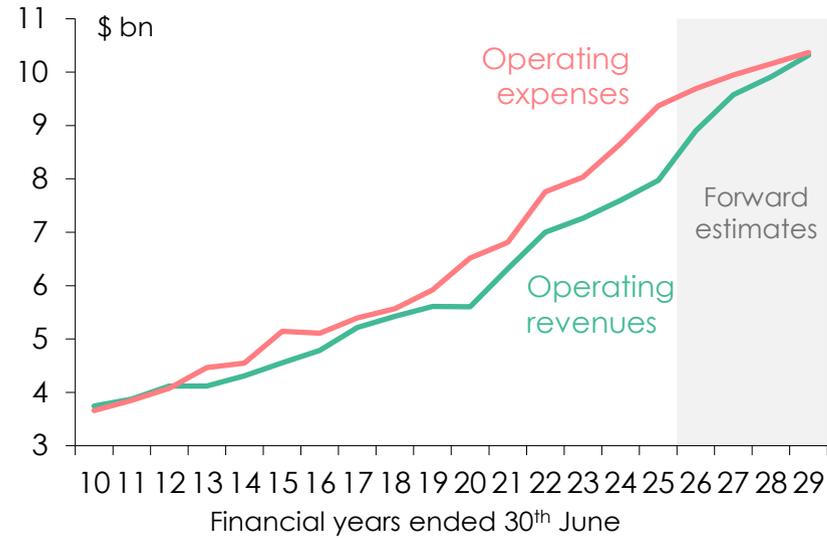


Source: ABS, [Government Finance Statistics, Annual](#), 2023-24 financial year (note: 2024-25 data to be released on 21st April) and ; [Australian National Accounts: State Accounts](#), 2024-25

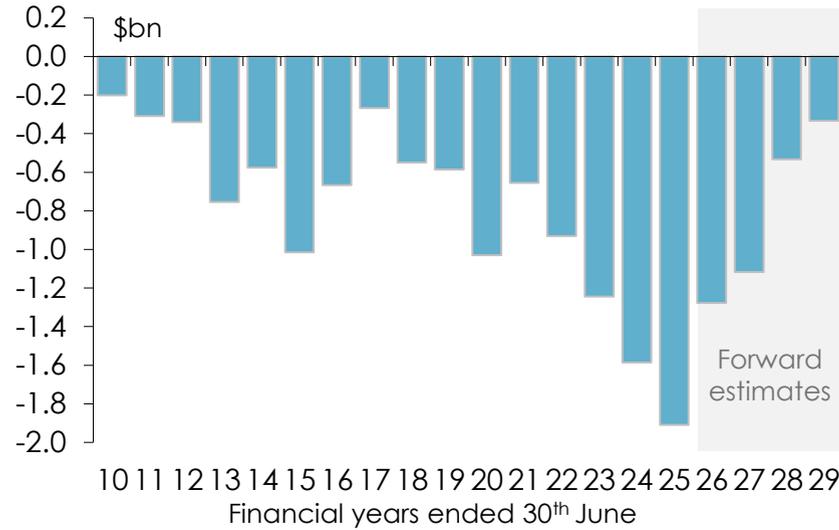
The ACT's public finances

The fiscal position of the ACT's general government sector has deteriorated over the past decade, and particularly since 2022-23

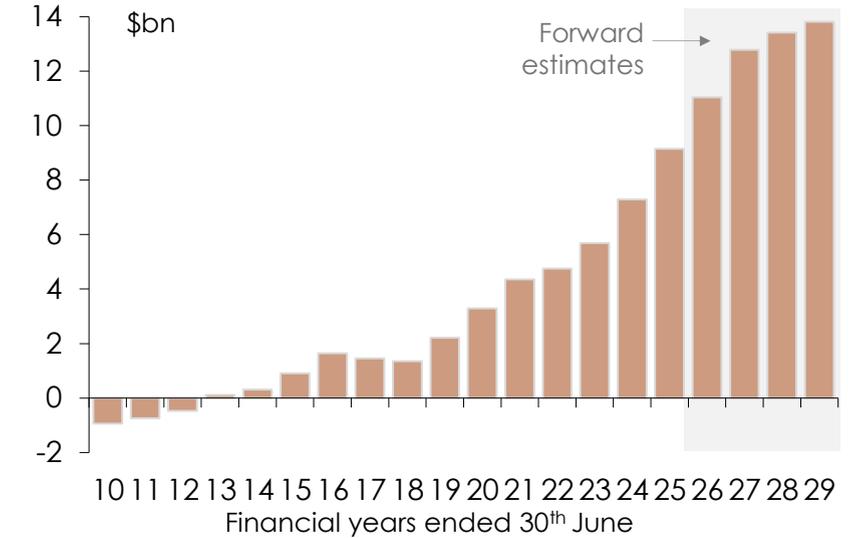
'Operating' revenue and expenses



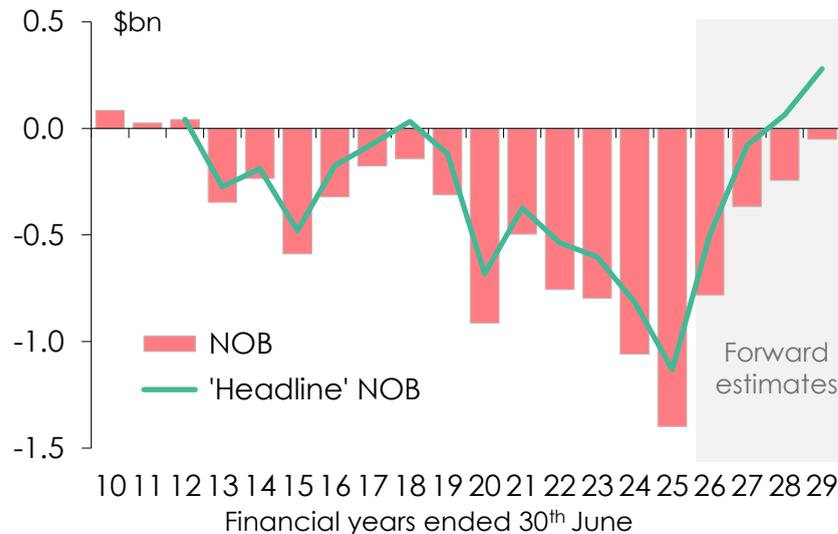
Fiscal balance



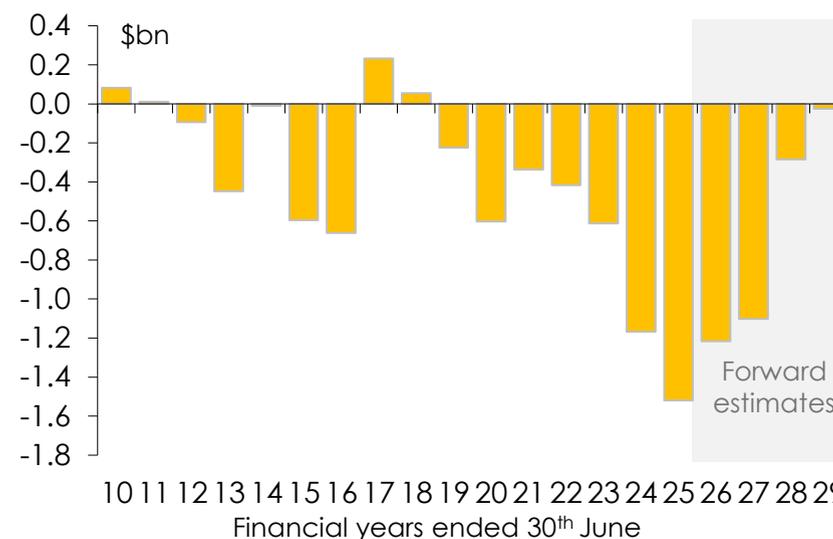
Net debt



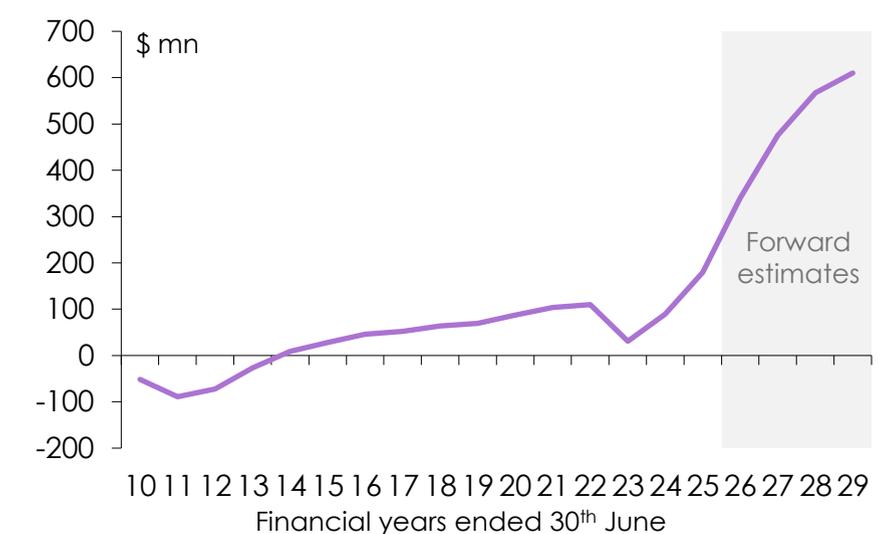
Net operating balance (NOB)



Cash balance



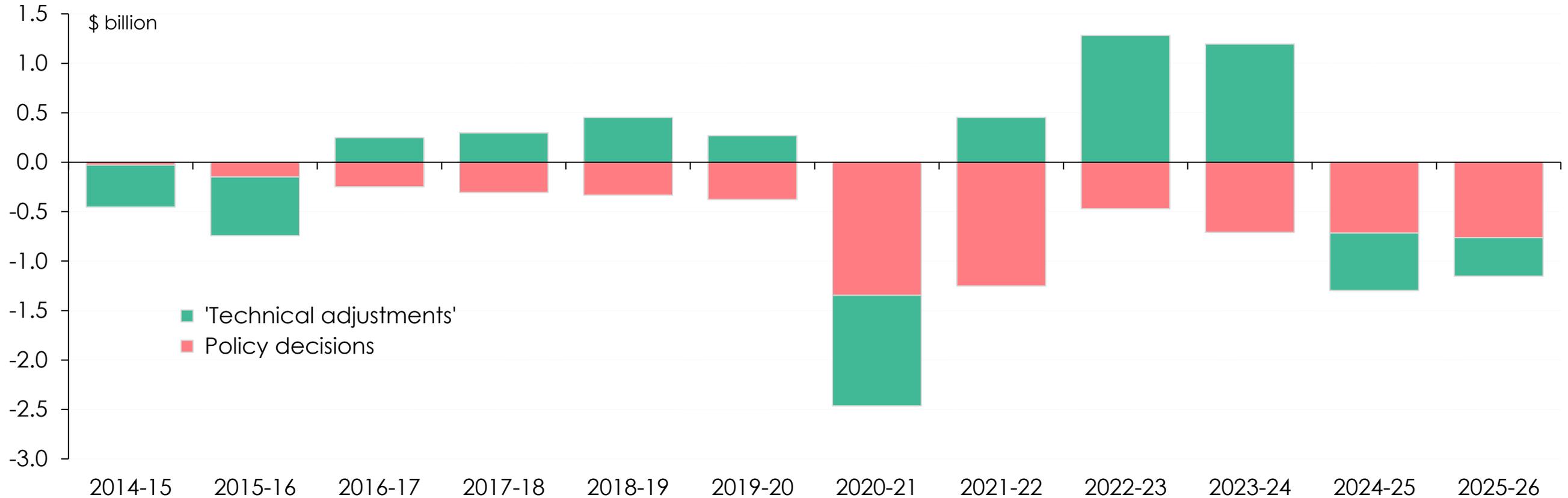
Net interest payments



Note: The 'general government sector excludes public corporations. The 'headline' operating balance includes the super-annuation return adjustment. Both measures of the NOB exclude net purchases of non-financial assets ('capex'). Sources: ACT Treasury, [Previous ACT budgets](#); [Consolidated Annual Financial Statements](#), 2024-25 and previous years; and [2025-26 Budget Review](#).

The deterioration in the ACT's fiscal position over the past decade is entirely attributable to 'policy decisions' ...

Impact of policy decisions and 'technical adjustments' (aka 'parameter variations') on forward estimates of the ACT general government sector net operating balance over rolling four-year periods

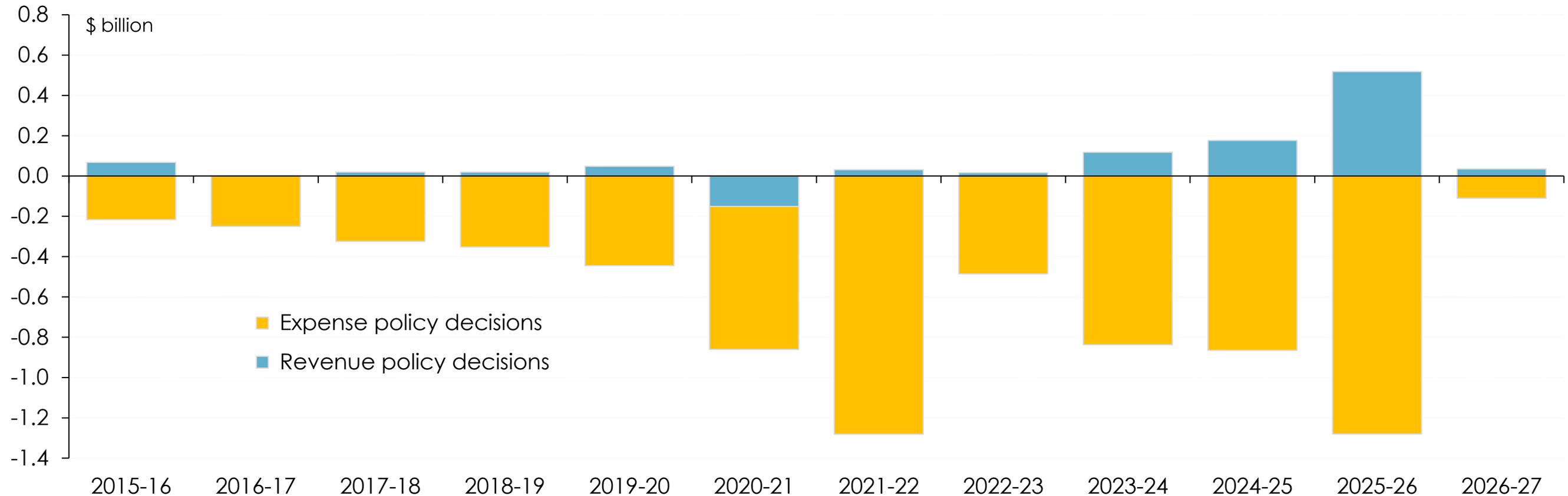


'Policy decisions' (to increase or decrease spending or revenue) have detracted at least \$6.3 billion from the 'net operating balance' over the past 11 Budgets (of which \$2.6 billion has been since 2022-23), while 'technical adjustments' (to assumptions underpinning forward estimates) have improved the net operating balance by at least \$1.1 billion (or by \$1.5 billion since 2022-23)

Note: The figures presented above under-state the total impact of policy decisions and technical adjustments over the period shown since they only cover the four years of the forward estimates period for each successive Budget. Source: ACT Treasury, [Previous ACT budgets](#) and [2025-26 Budget Review](#).

... in particular, to increase spending, of which only about one-sixth was 'paid for' by decisions to increase revenues

Impact of expense and revenue policy decisions on forward estimates of the ACT general government sector net operating balance over rolling four-year periods

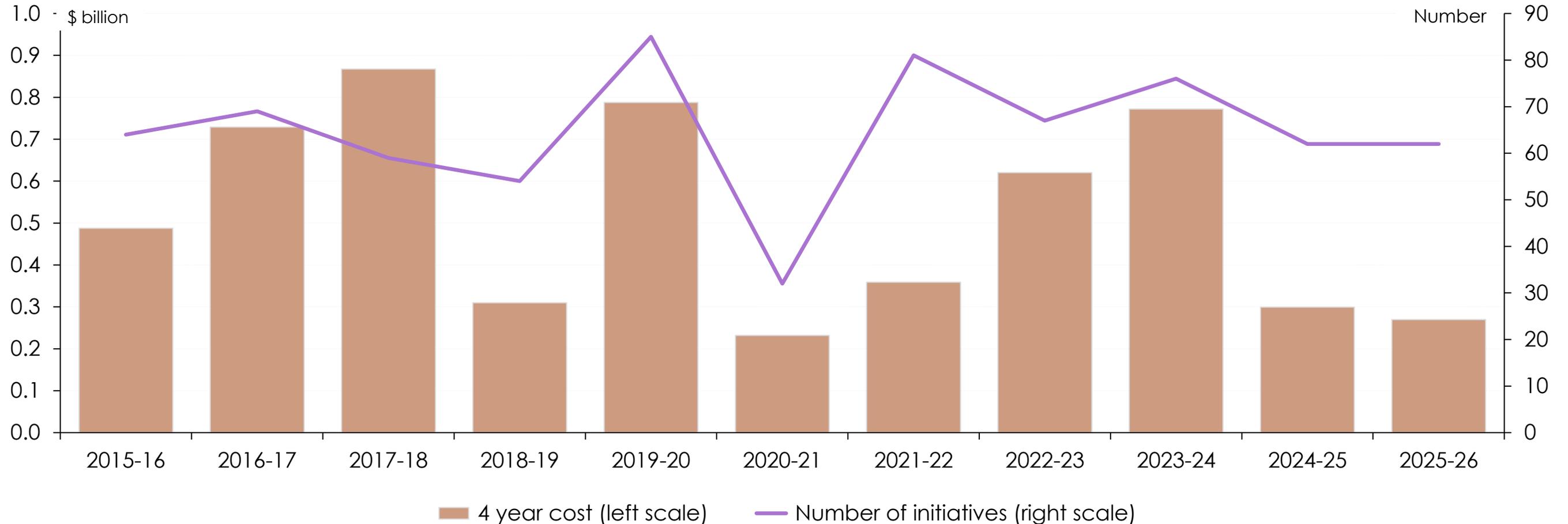


'Expense policy decisions' have worsened the 'net operating balance' by at least \$7.2 billion over the past decade (of which \$3.6 billion has occurred since 2022-23), while 'revenue policy decisions' have improved the 'net operating balance' by only \$0.9 billion (nearly all of which has occurred since 2023-24)

Note: The figures presented above under-state the total impact of expense and revenue policy decisions over the period shown since they only cover the four years of the forward estimates period for each successive Budget. Source: ACT Treasury, [Previous ACT budgets](#) and [2025-26 Budget Review](#).

A large number of 'capital initiatives' – entirely funded by debt – have also detracted from the overall cash balance

Number and 4-year cost of 'capital initiatives' funded in successive Budgets

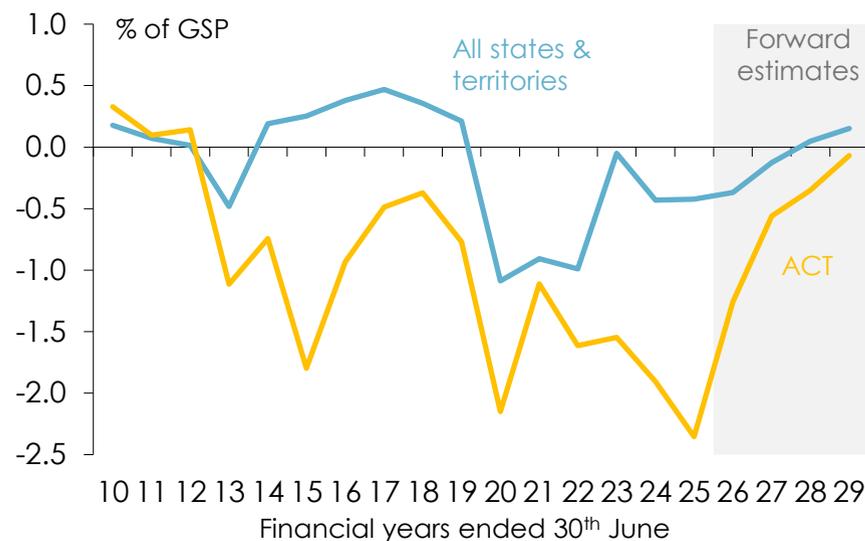


Budgets over the past decade have also included provisions for 'capital initiatives' totalling at least \$5.7 billion – which have been entirely funded by debt (since the net operating balance has been in deficit throughout this period)

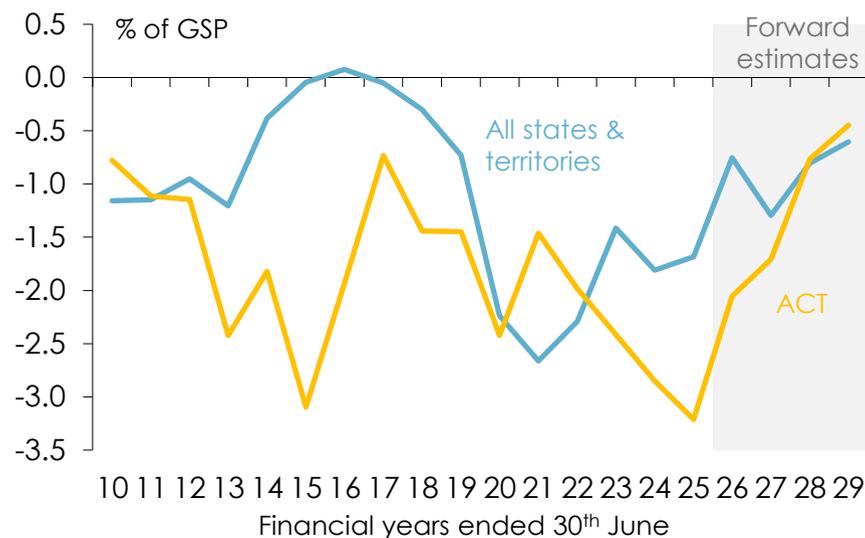
Note: The figures presented above may under-state the total impact of 'capital initiatives' shown since they only cover the four years of the forward estimates period for each successive Budget. Source: ACT Treasury, [Previous ACT budgets](#) and [2025-26 Budget Review](#).

The ACT's general government fiscal position has been, and is forecast to remain, worse than the average of all states and territories

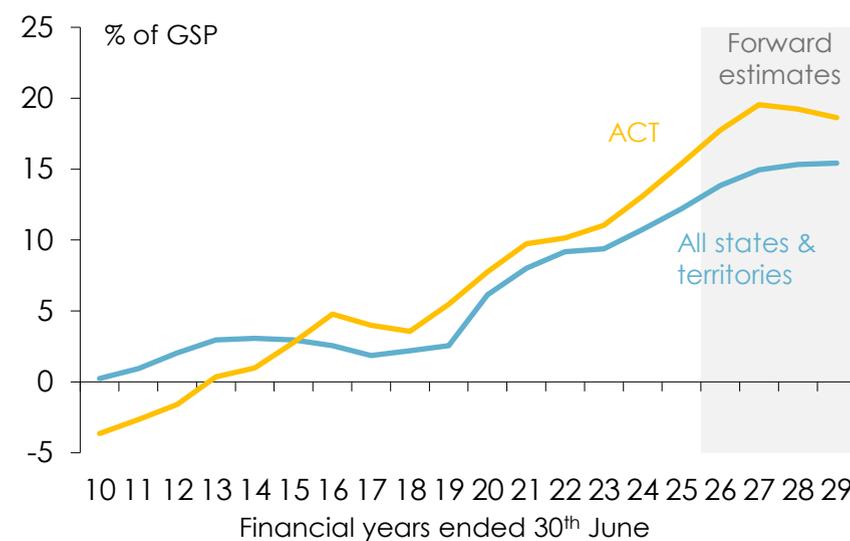
Net operating balance



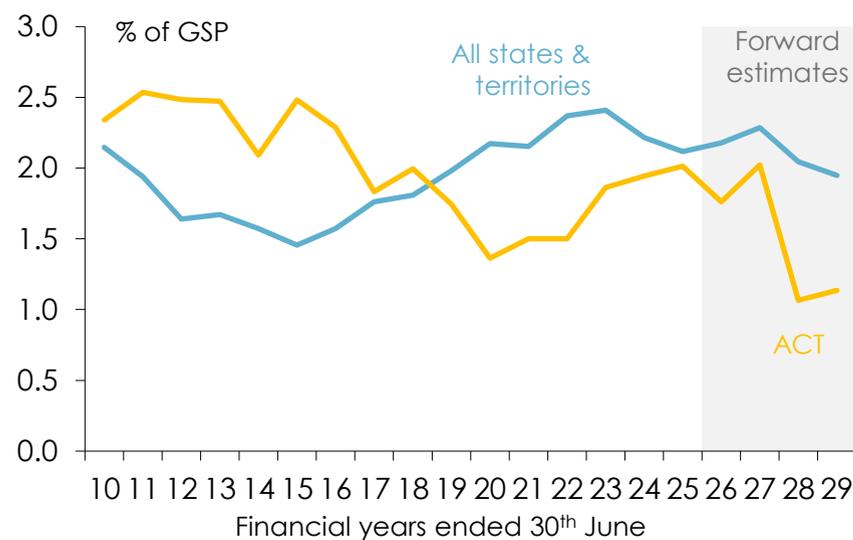
Fiscal balance



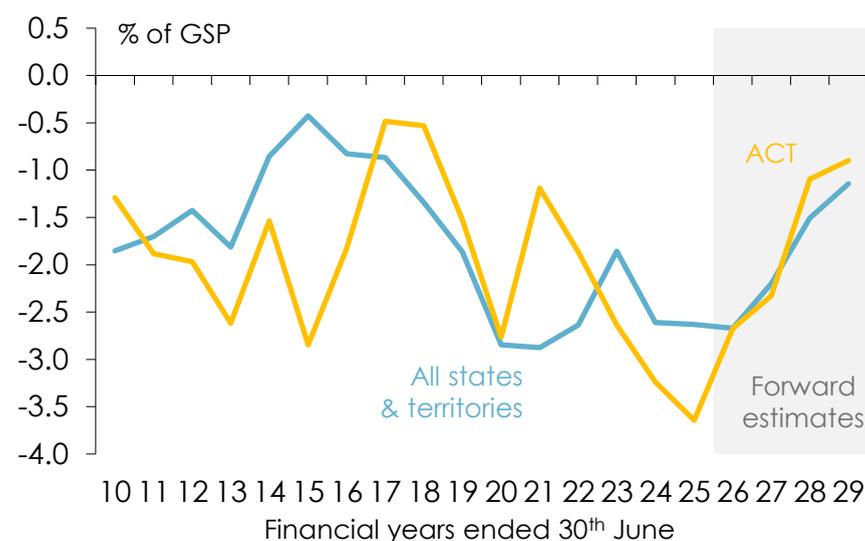
Net debt



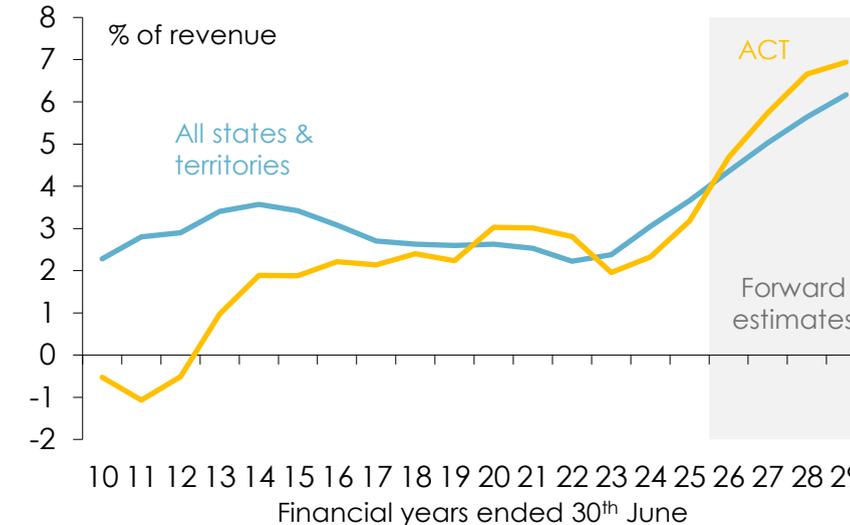
Purchases of non-financial assets



Cash balance



Net interest payments

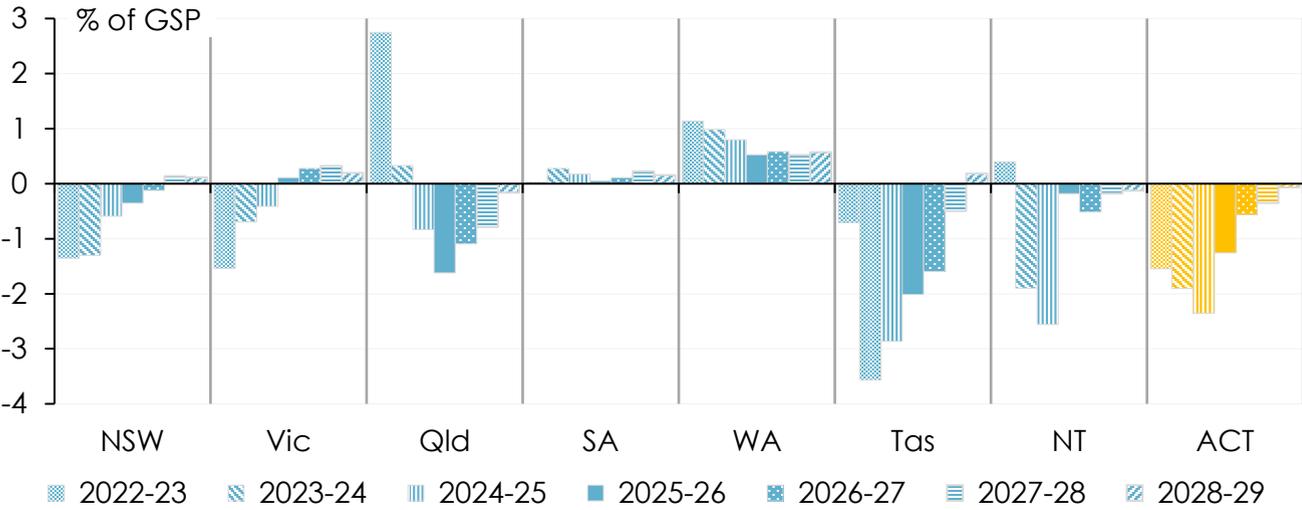


Note: The 'general government sector excludes public corporations. 'GSP' is (nominal) gross state product.

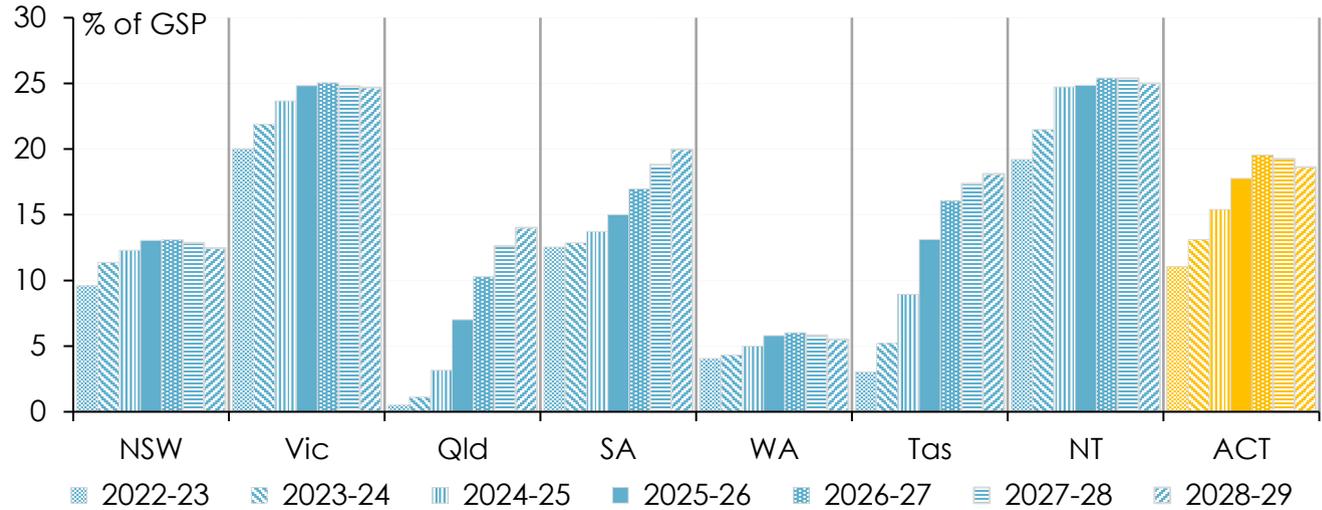
Sources: Consolidated financial reports and budget papers for the ACT and other states and territories.

The ACT's general government finances aren't in as bad a condition as Victoria's, Tasmania's or the NT's – but they're worse than other states

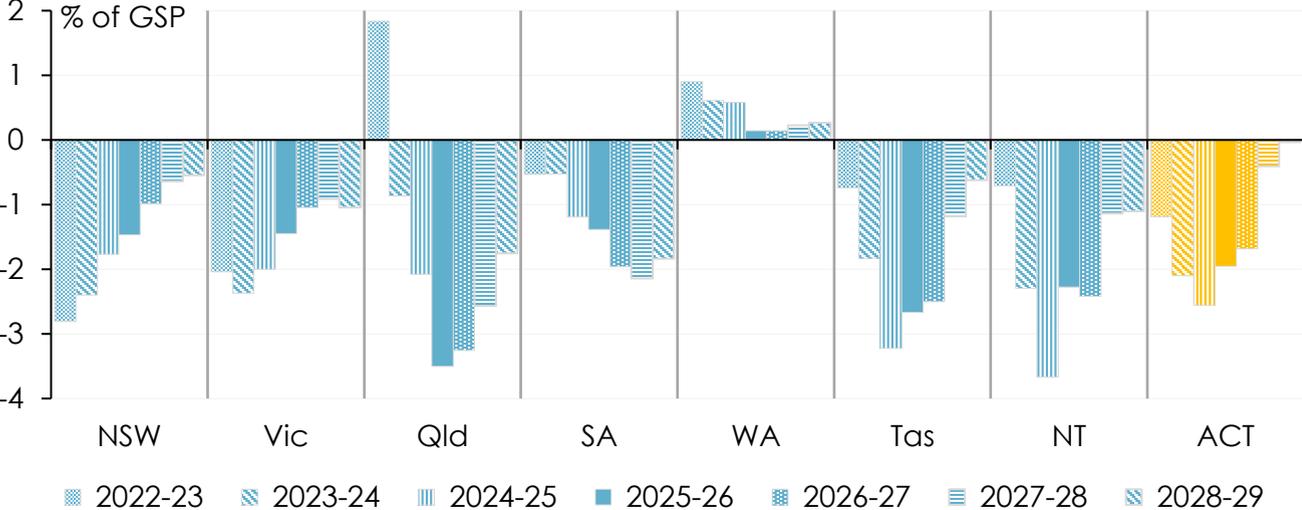
General government net operating balances



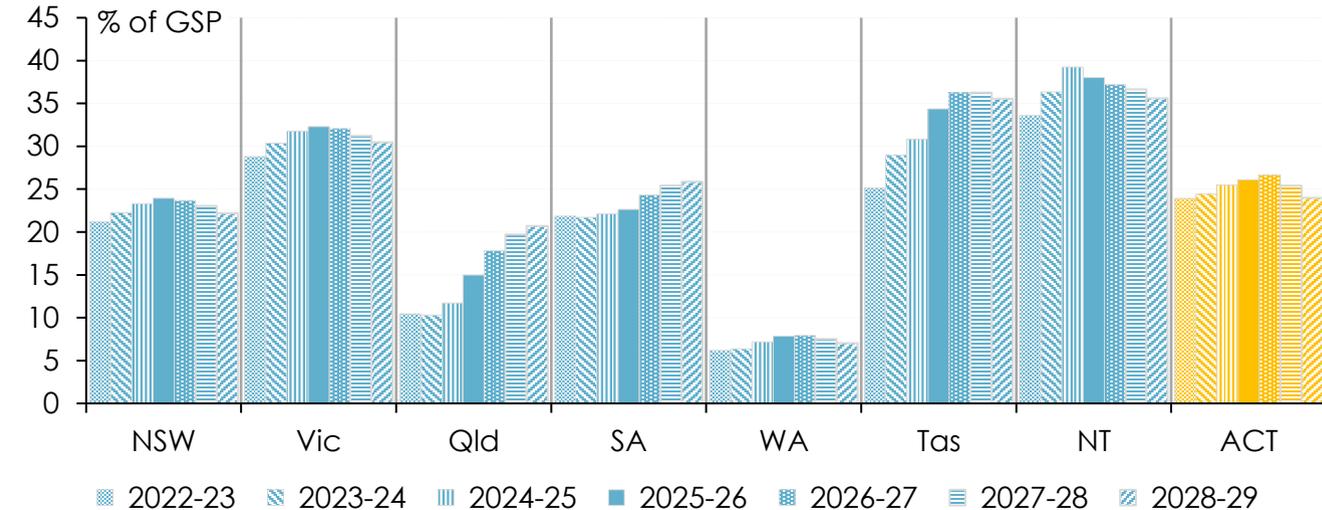
General government net debt



General government cash balances



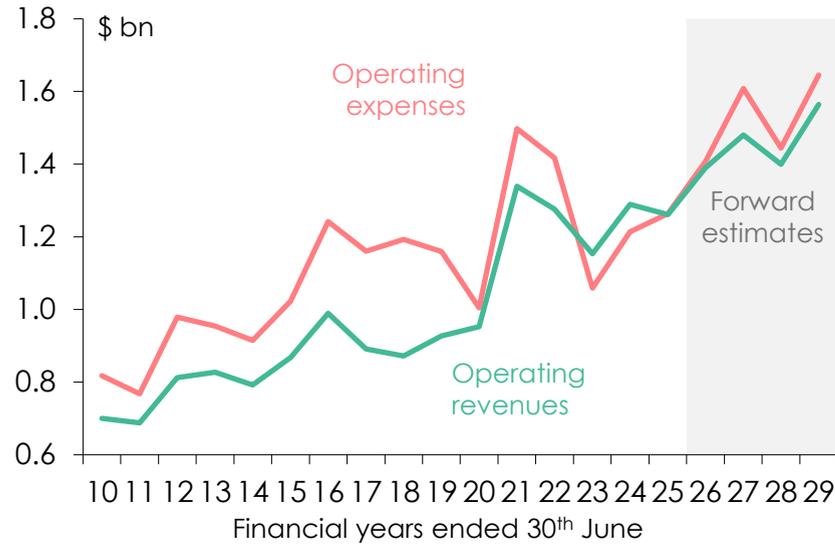
General government net financial liabilities



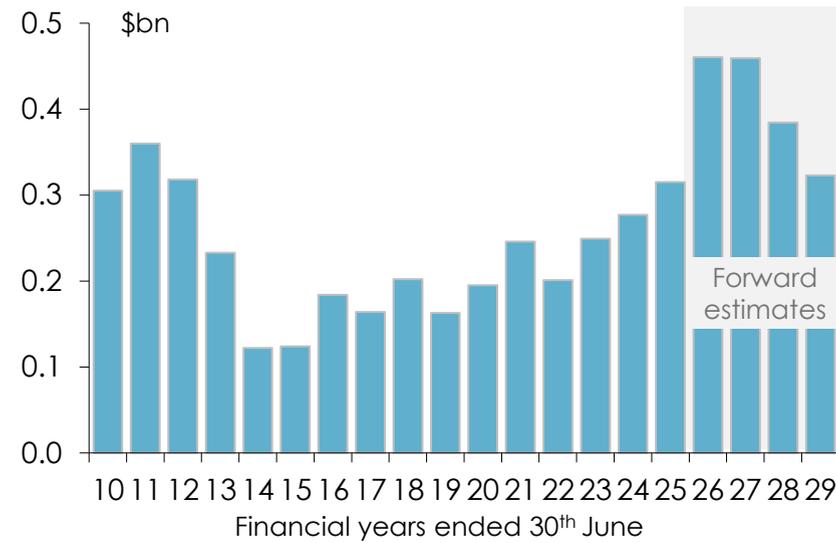
Note: The 'general government sector excludes public corporations. 'GSP' is (nominal) gross state product. Sources: Consolidated financial reports and budget papers for the ACT and other states and territories.

The fiscal position of the ACT's public trading enterprises sector has also deteriorated, reflecting operating losses and increased capex

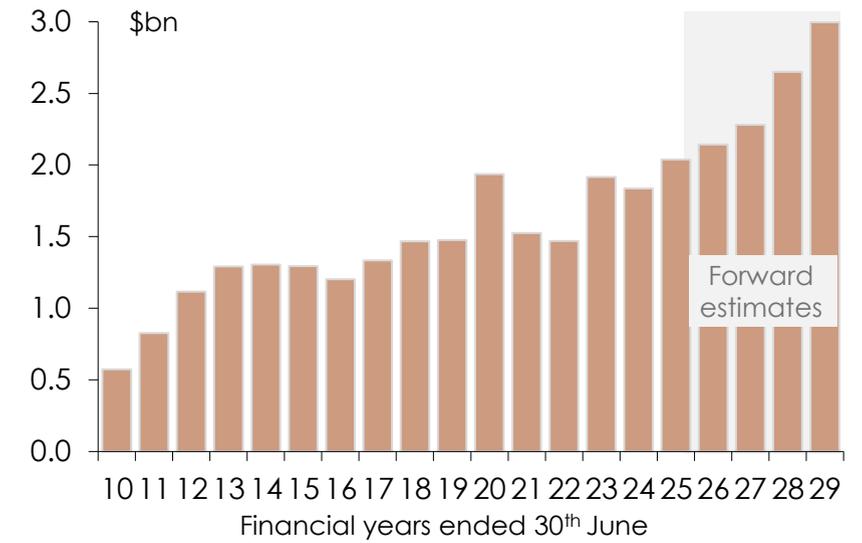
'Operating' revenue and expenses



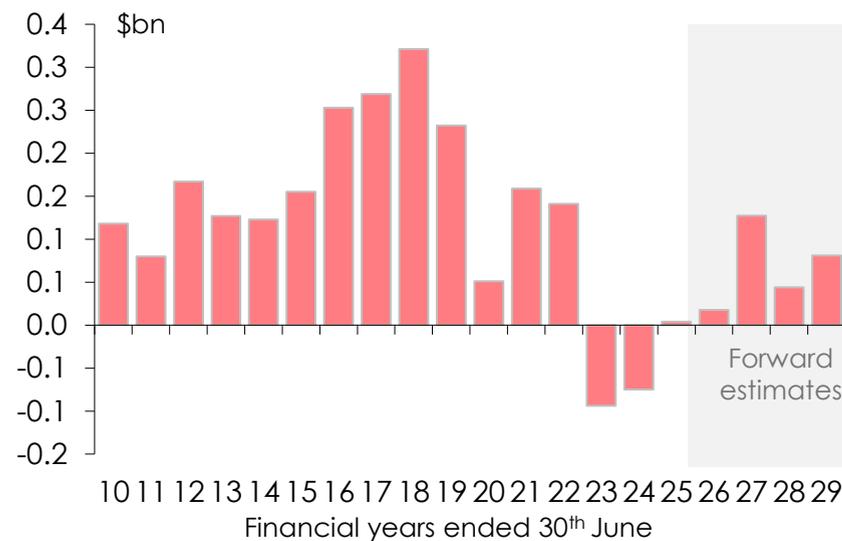
Purchases of non-financial assets



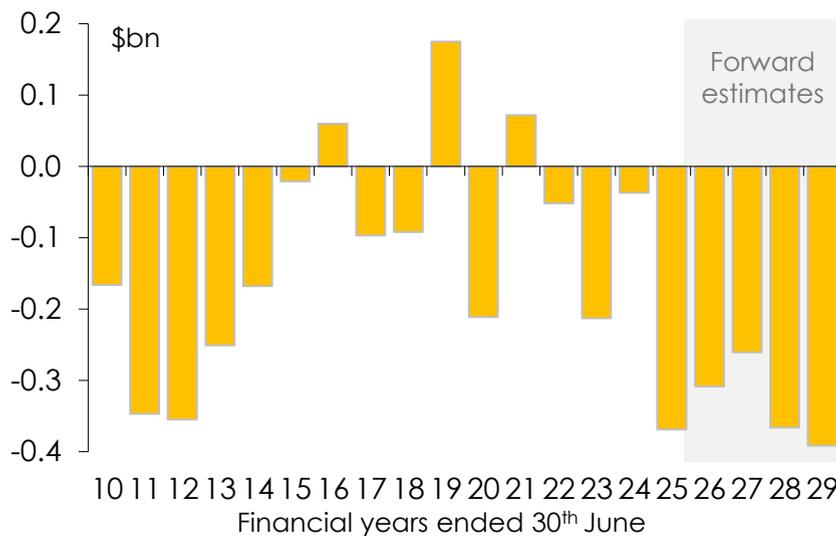
Net debt



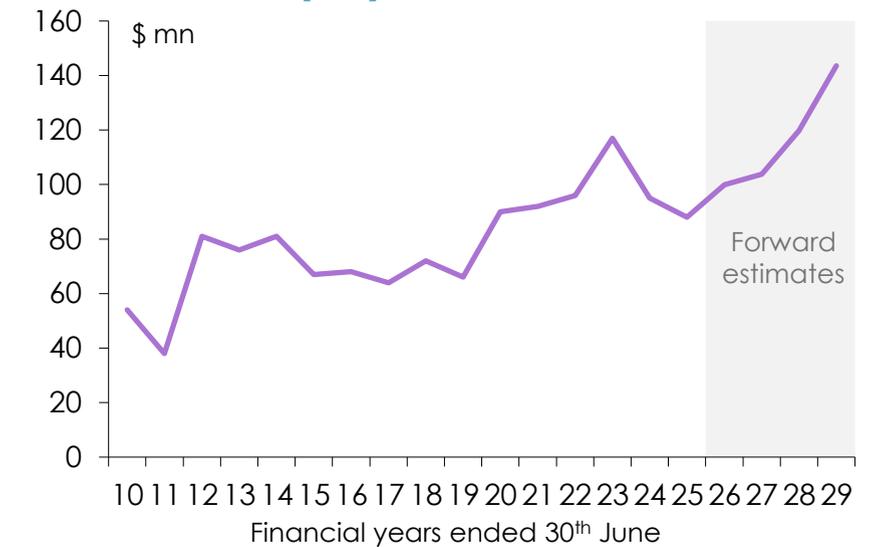
Net operating balance (NOB)



Cash balance



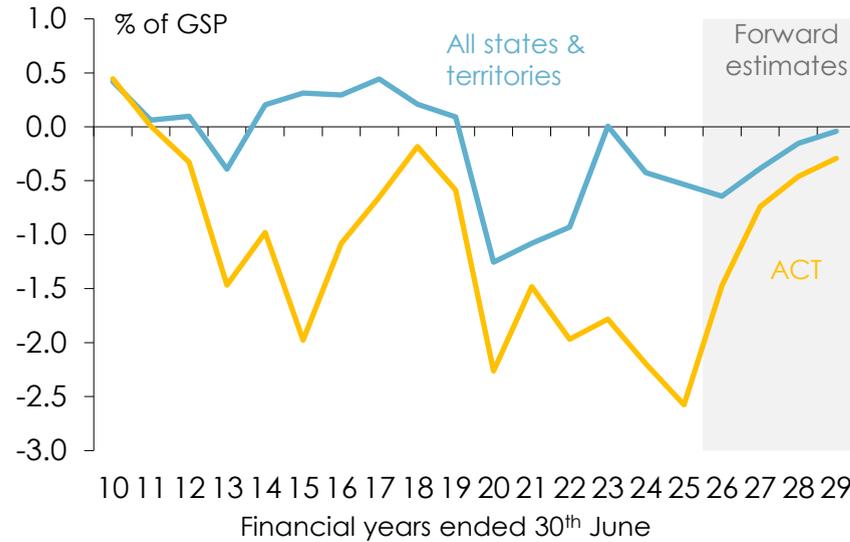
Net interest payments



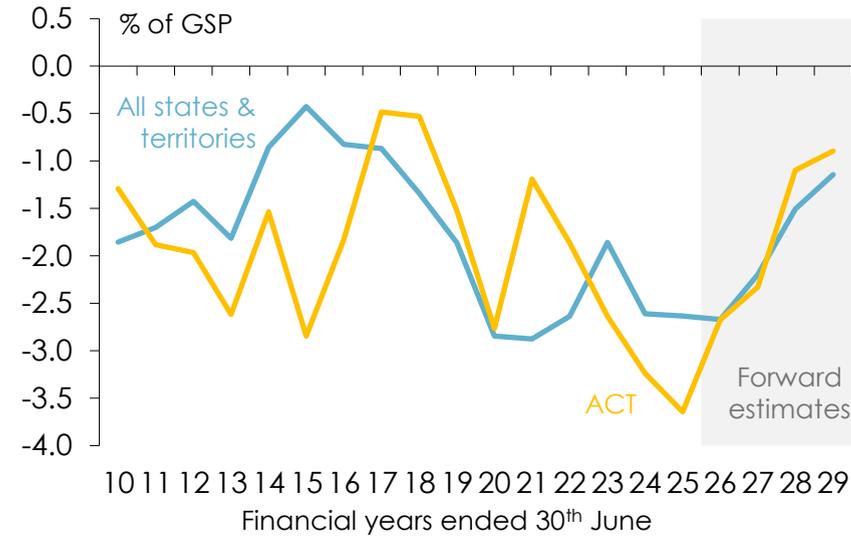
Sources: ACT Treasury, [Previous ACT budgets](#); [Consolidated Annual Financial Statements](#), 2024-25 and previous years; and [2025-26 Budget Review](#).

When public trading enterprises are included, the ACT's overall fiscal position is still, in most respects, worse than that of the all-states average

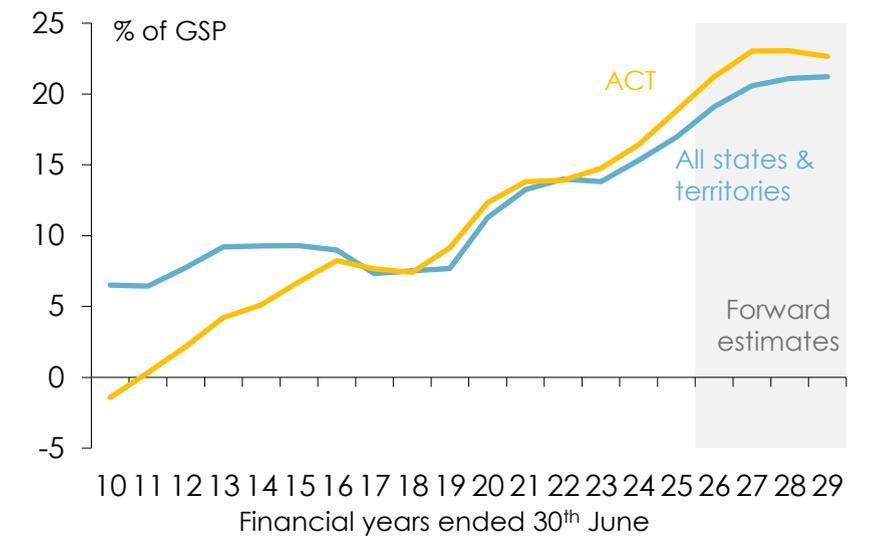
Net operating balance



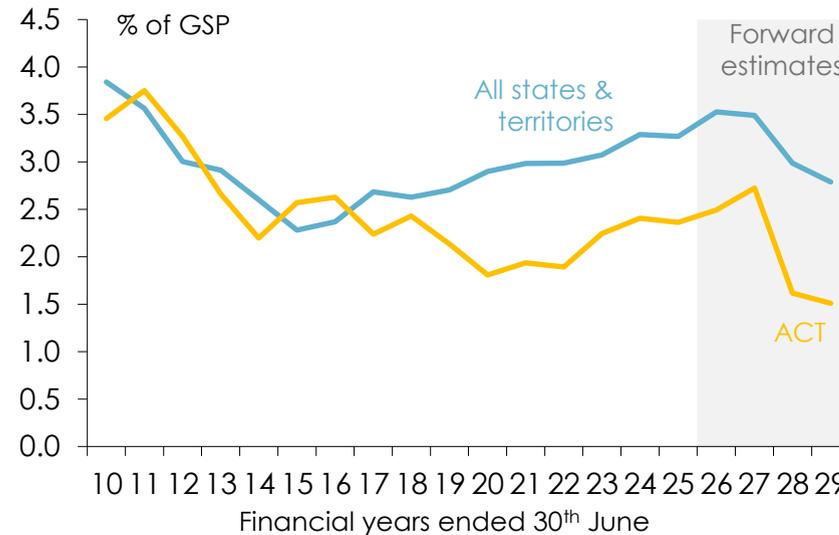
Fiscal balance



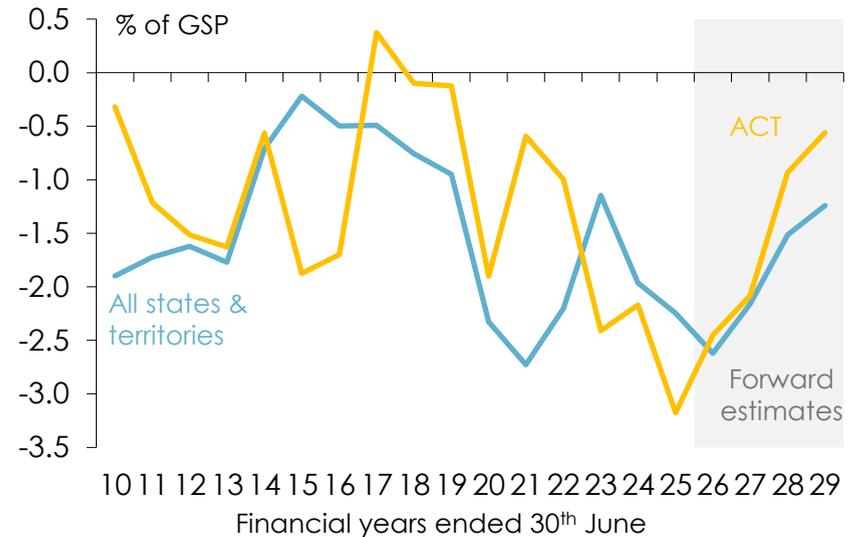
Net debt



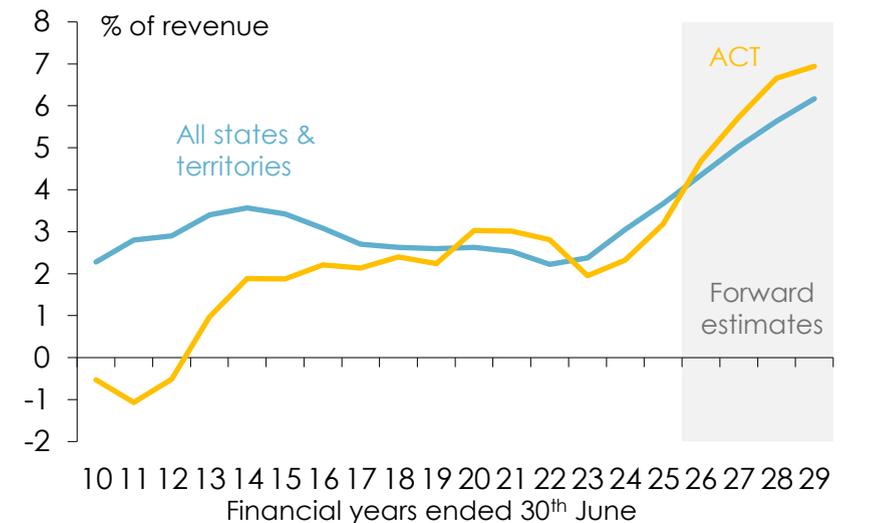
Purchases of non-financial assets



Cash balance



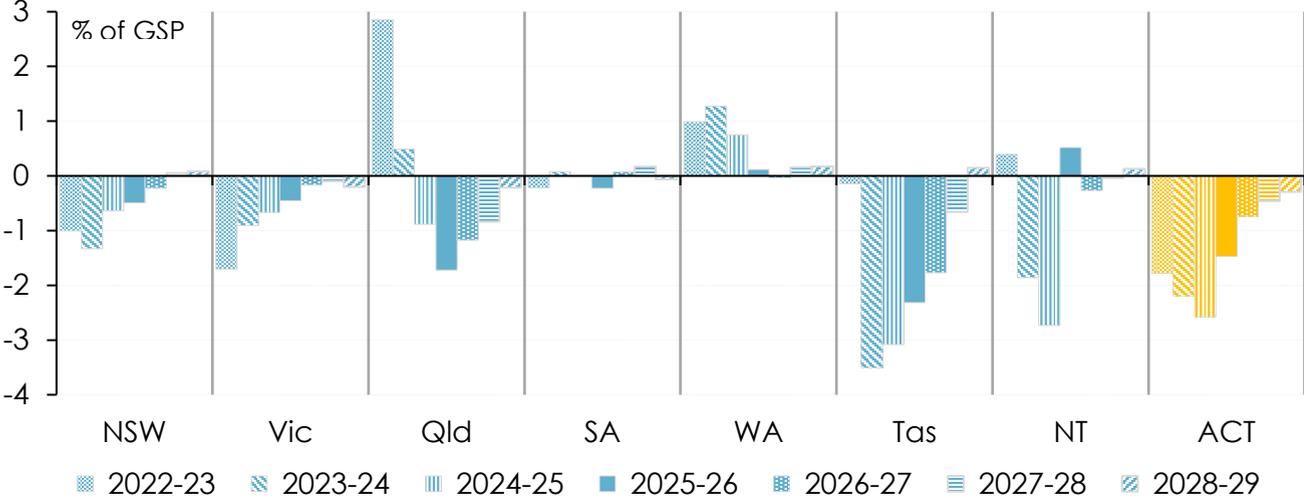
Net interest payments



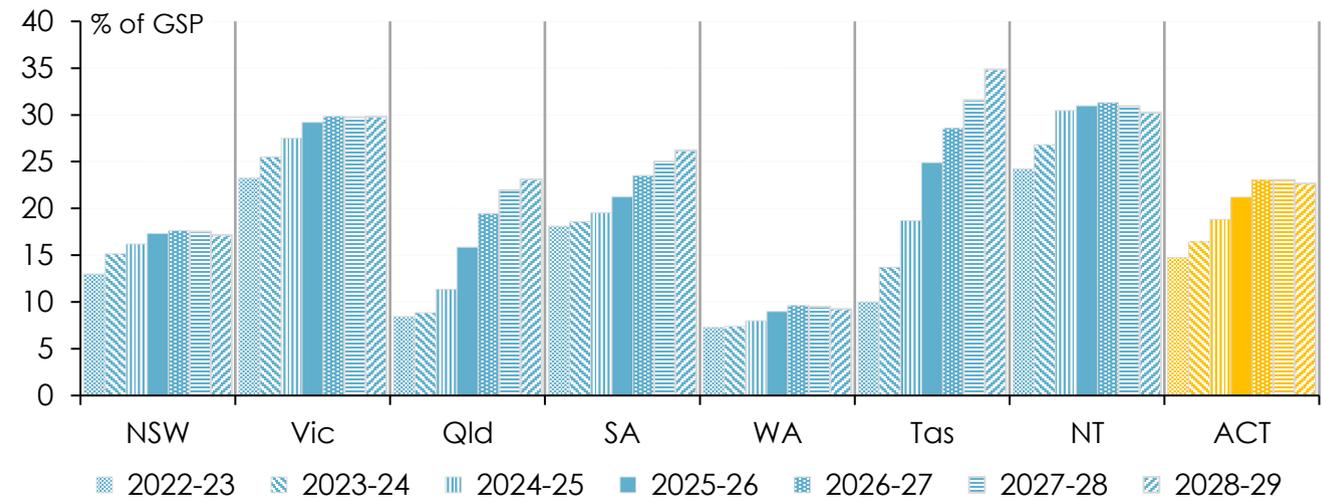
Note: The 'non-financial public sector' comprises the consolidated 'general government' and public non-financial corporations' (or trading enterprises) sectors. It excludes public financial corporations. 'GSP' is (nominal) gross state product. Sources: Consolidated financial reports and budget papers for the ACT and other states and territories.

The ACT's overall public sector finances are the third or fourth-worst of all states and territories

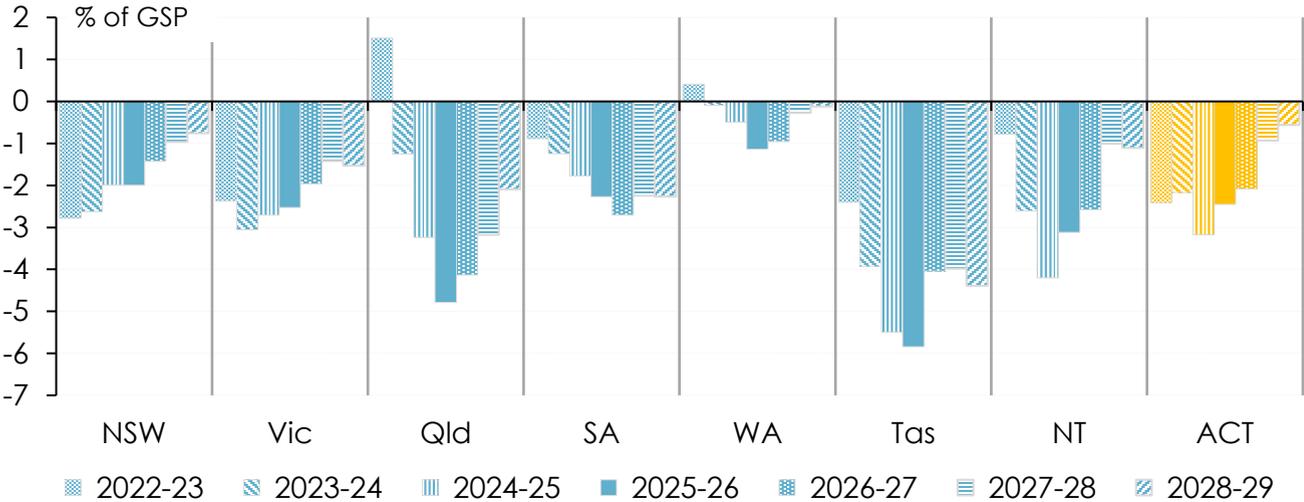
Non-financial public sector net operating balances



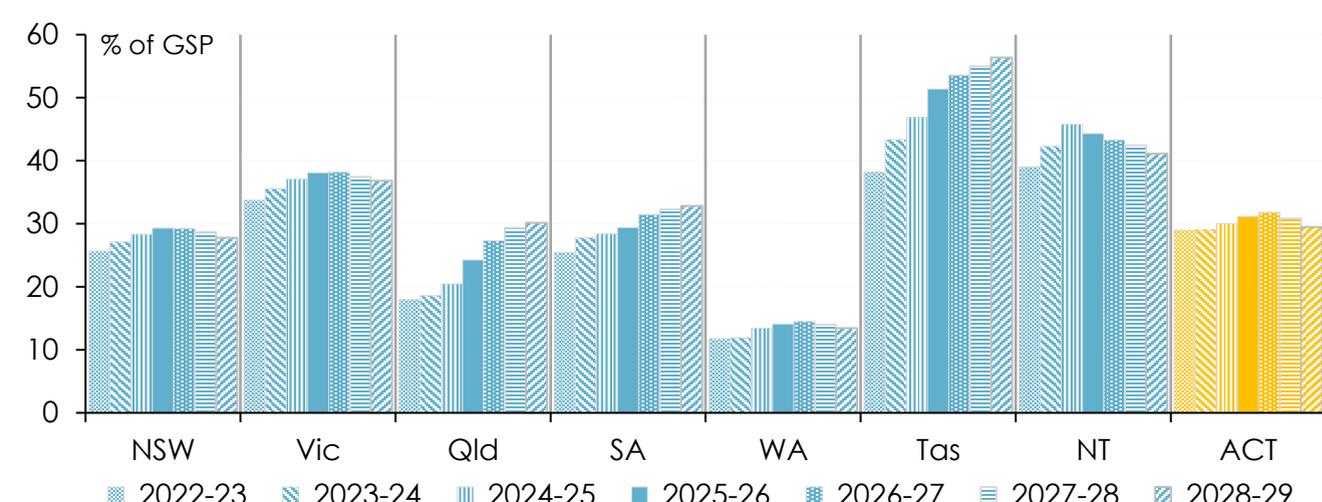
Non-financial public sector net debt



Non-financial public sector government cash balances



Non-financial public sector net financial liabilities

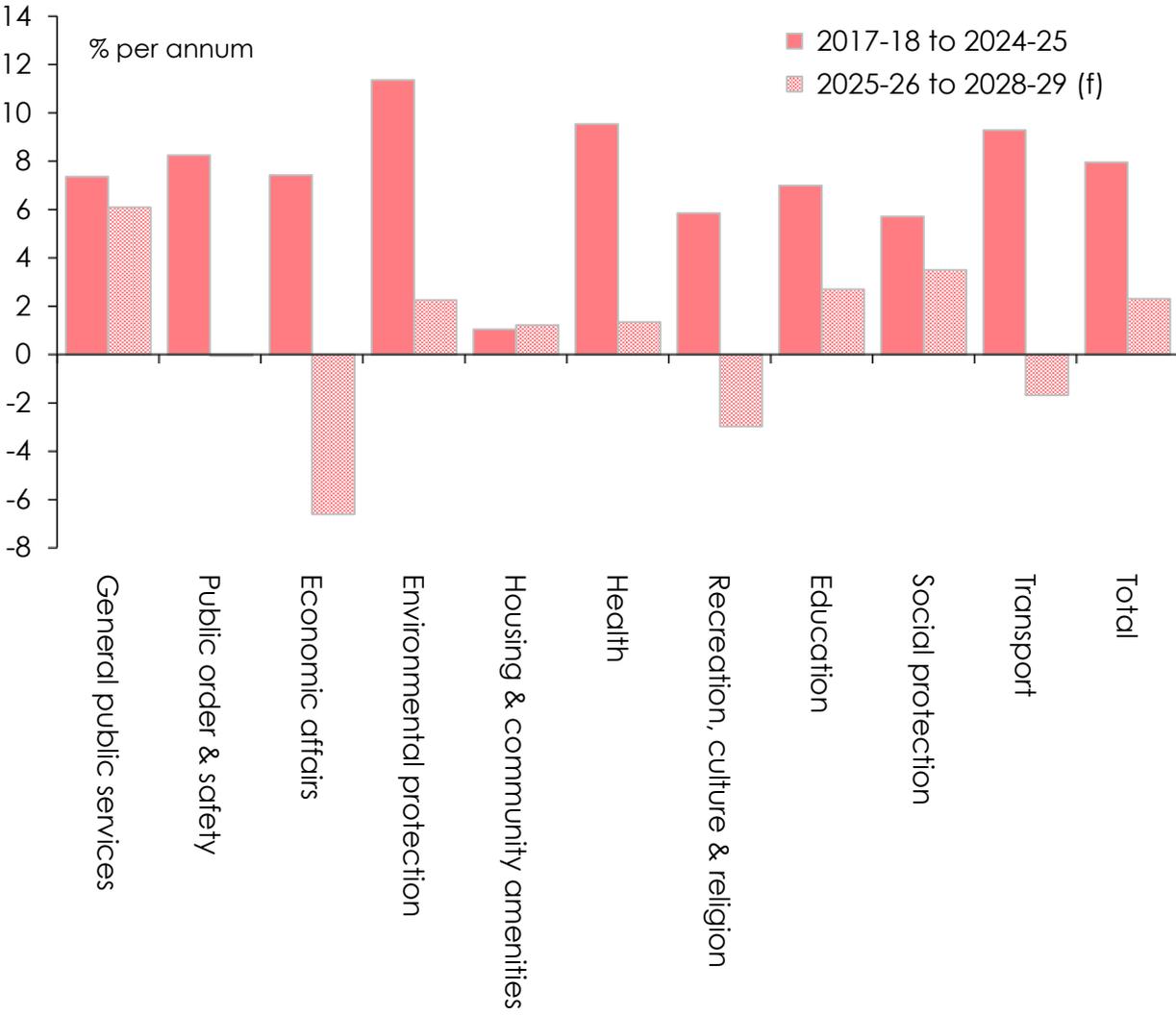


Note: 'GSP' is (nominal) gross state product.
Sources: Consolidated financial reports and budget papers for the ACT and other states and territories.

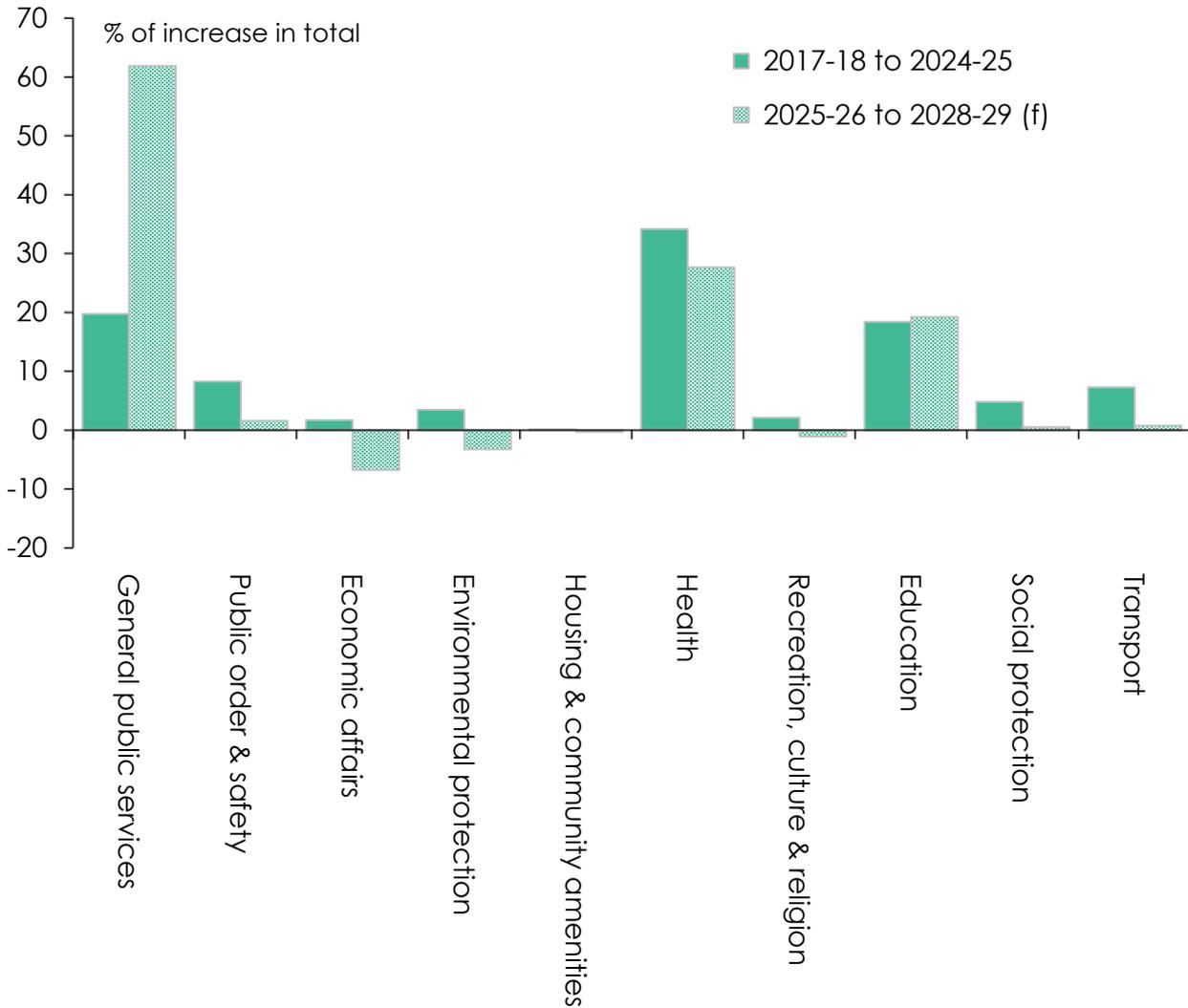
Issues to consider in determining how best to respond to the ACT's fiscal challenges

Health, education and general public services (including interest) account for most of the growth in 'operating' expenses

Growth in 'operating' expenses by function, 2017-18 to 2024-25 and (forecast) 2025-26 to 2028-29



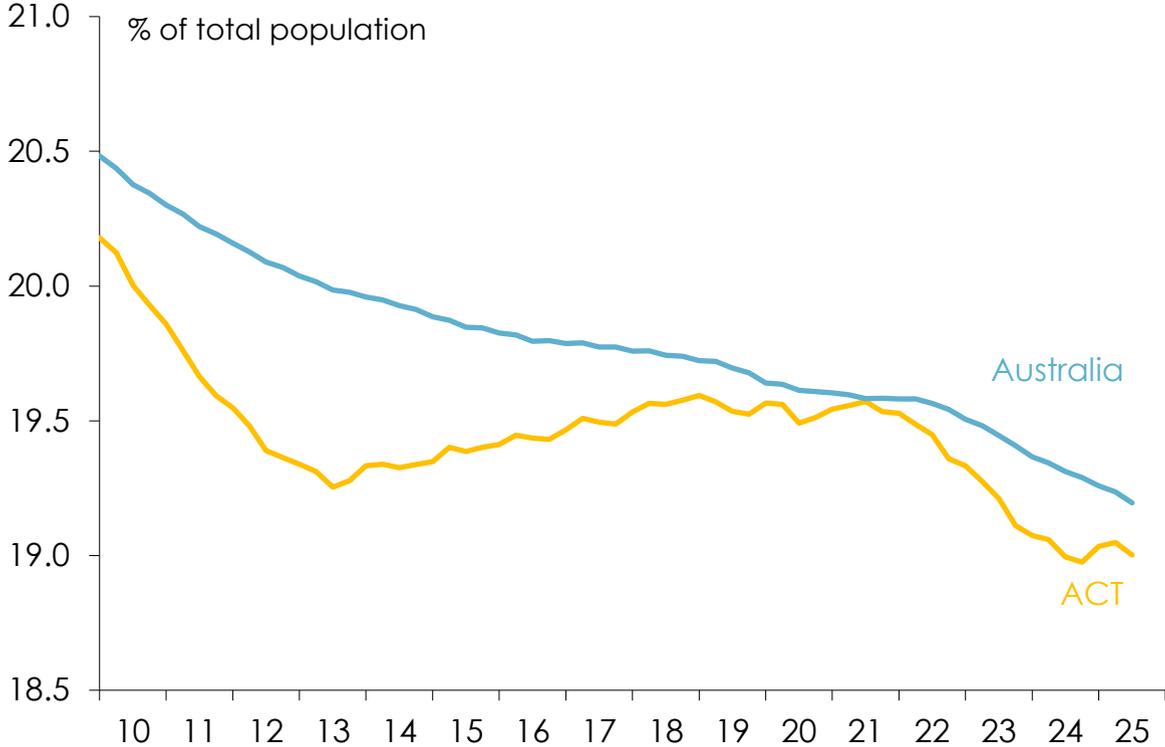
Share of growth in total 'operating' expenses by function, 2017-18 to 2024-25 and 2025-26 to 2028-29



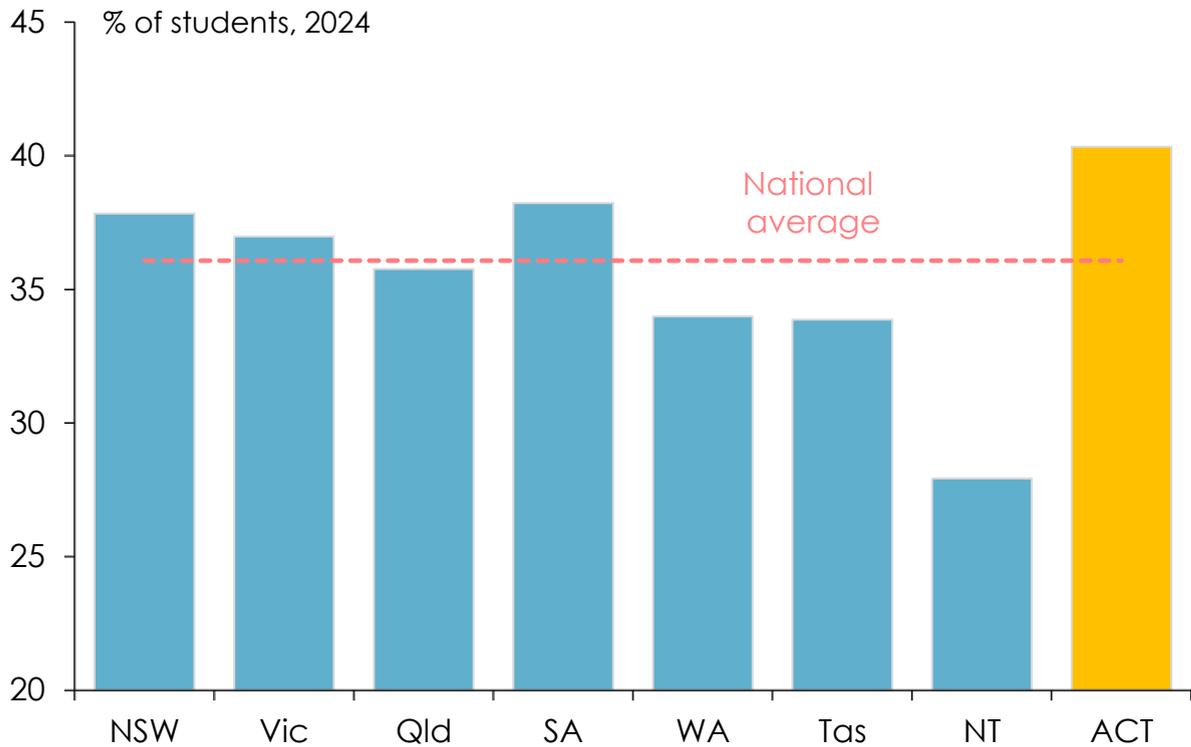
Sources: ACT Treasury, [Consolidated Annual Financial Statements](#), 2024-25 and previous years; and [2025-26 Budget Outlook](#).

The ACT ought to be able to spend less (per head) on education given a slightly smaller school-age cohort and greater use of private schools

Proportion of population aged 4-19, ACT and national average



Proportion of students attending private schools, states and territories, 2024



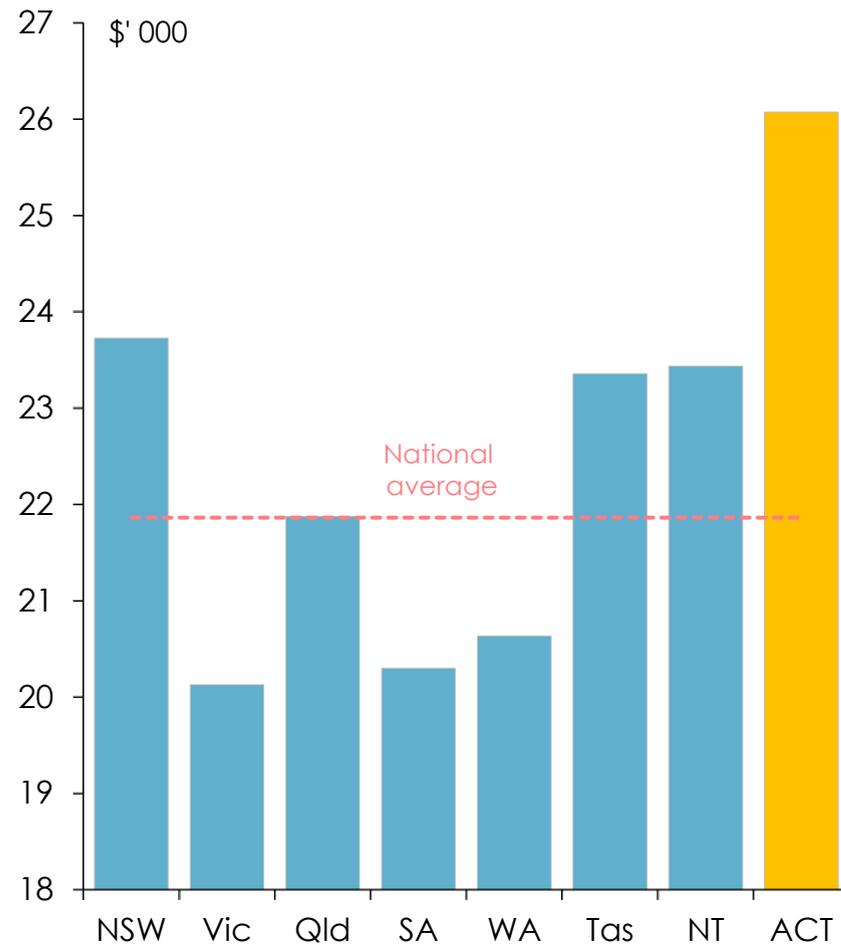
School-age (4-19) young people represent a smaller proportion of the ACT's population than of the national average

A larger proportion of students attend private schools in the ACT (40.2%) than in any other state or territory, more than 5 percentage points above the national average

Sources: ABS, [National, state and territory population](#), June 2025; [Schools](#), 2024, Table 43a.

In fact, the ACT spends more per student on school education than any other state or territory – but doesn't get better outcomes

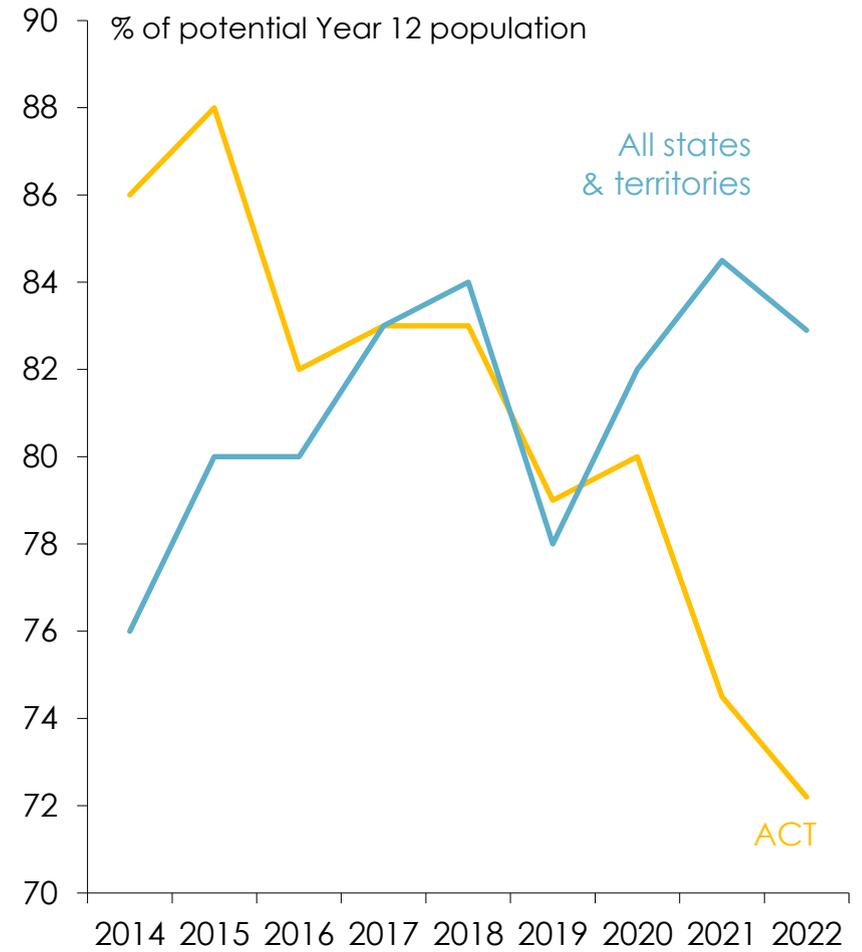
State & territory recurrent expenditure on government schools, per FTE student, 2023-24



Year 12 certification rates, all students



Year 12 certification rates, students from high SES households

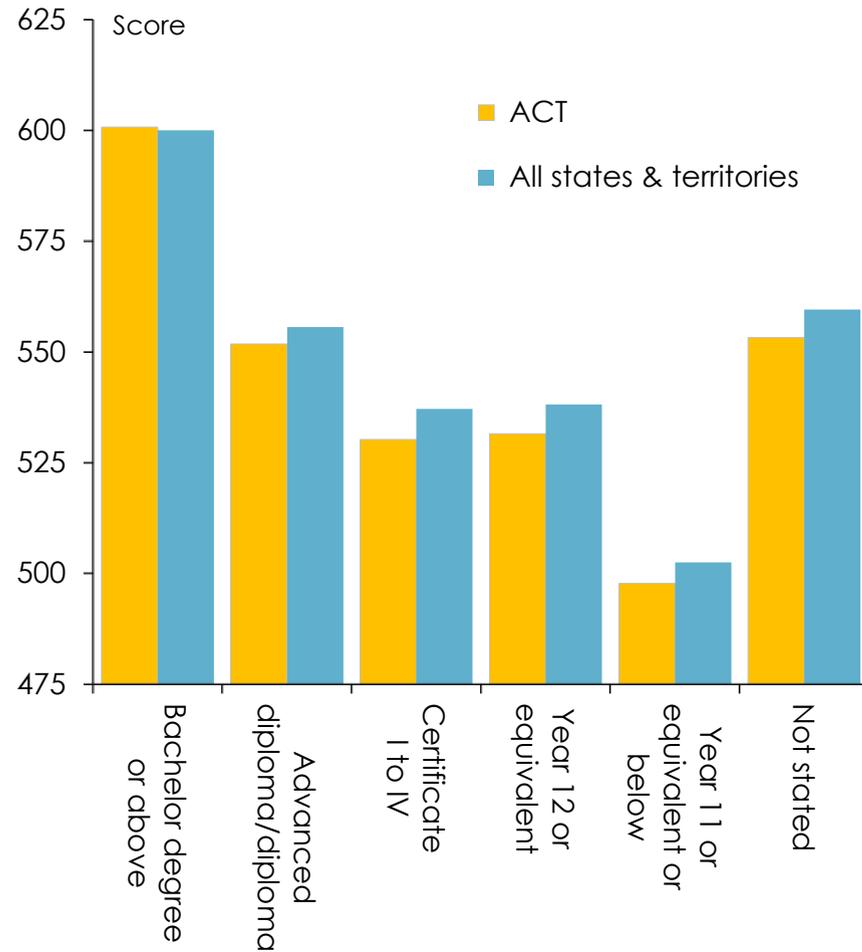


Note: Government expenditure includes user cost of capital. The Year 12 certification rate is the number of students who meet the requirements of a Senior Secondary Certificate or equivalent expressed as a percentage of the potential Year 12 population (which is the estimated resident population aged 15–19 years, as at 30 June, divided by five). Source: Productivity Commission, [Report on Government Services 2026 - Part 4: School education](#), Tables 4A.32 and 4A.56.

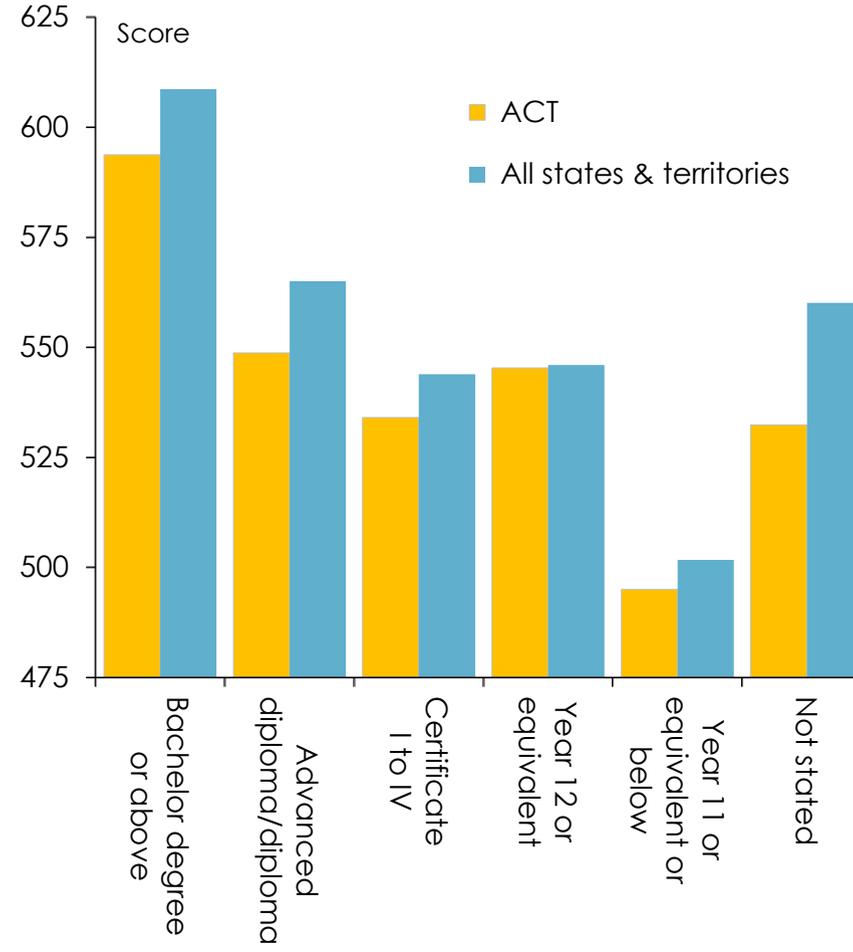
ACT Year 9 NAPLAN scores don't compare favourably with national averages after taking account of parental education levels

Year 9 NAPLAN scores, ACT vs average for all states and territories, by parental education, 2025

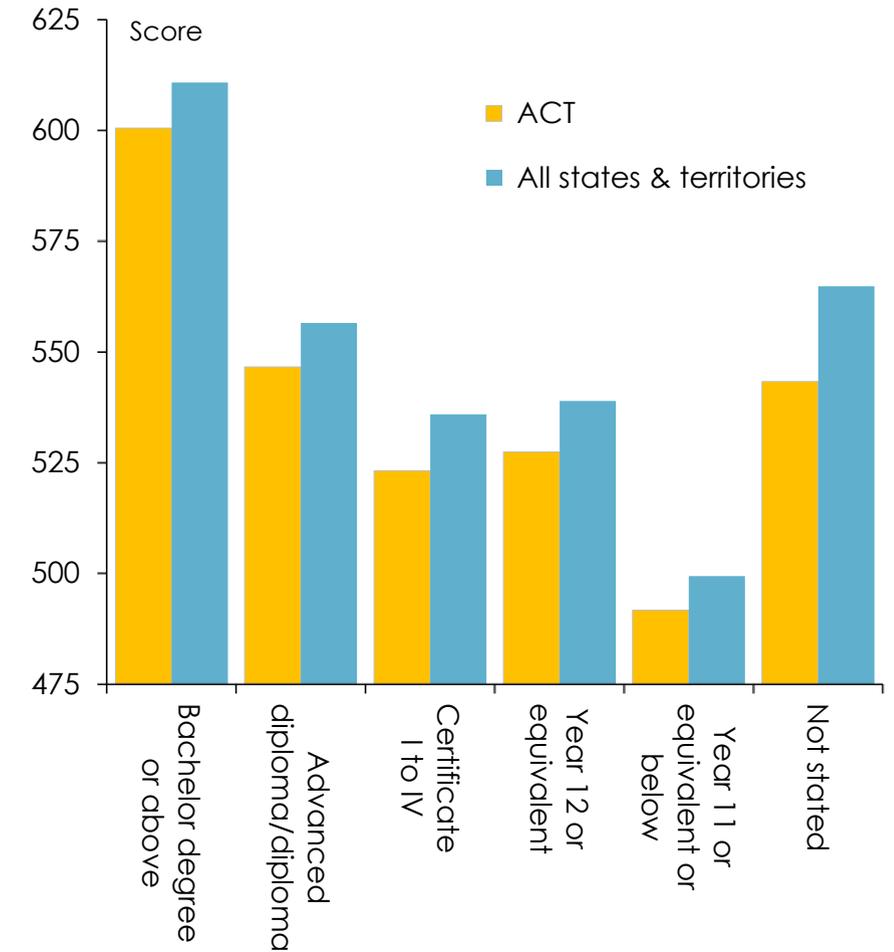
Reading



Writing



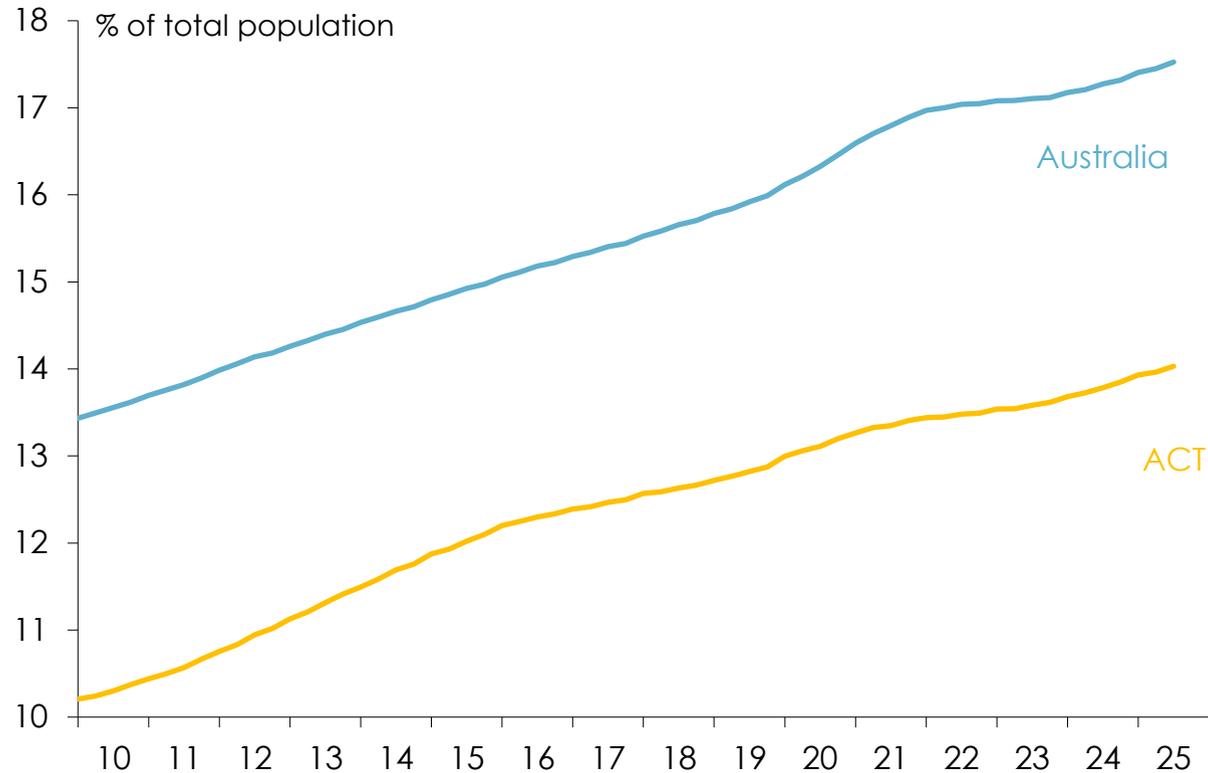
Numeracy



Source: Productivity Commission, [Report on Government Services 2026 - Part 4: School education](#), Tables 4A.37, 4A.41 and 4A.45.

The ACT ought to be able to spend less (per head) on health than other jurisdictions given younger population and wider use of private insurance

Proportion of population aged 65 and over, ACT and national average



The proportion of the ACT's population which is aged 65 & over is smaller than, and has been increasing less rapidly than, the corresponding proportion of the population of Australia as a whole

Proportion of taxpayers with private health insurance, states and territories, 2022-23

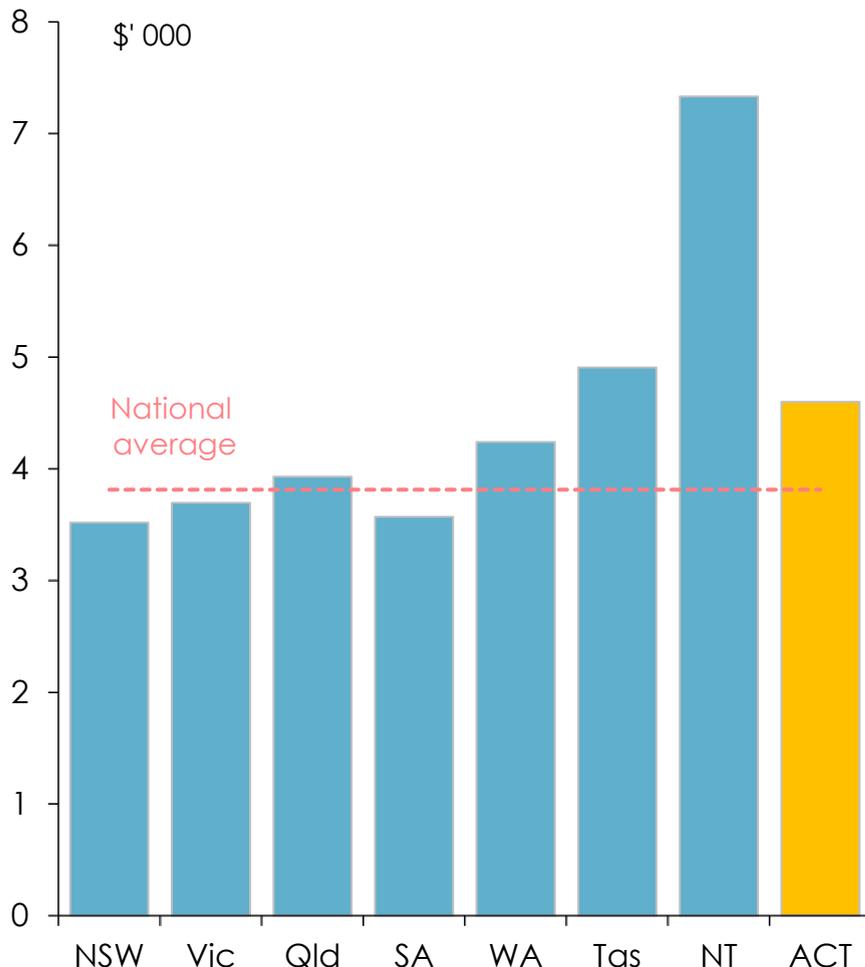


66.5% of ACT taxpayers have private health insurance – a higher proportion than of any other jurisdiction except WA, and more than 10 percentage points above the national average

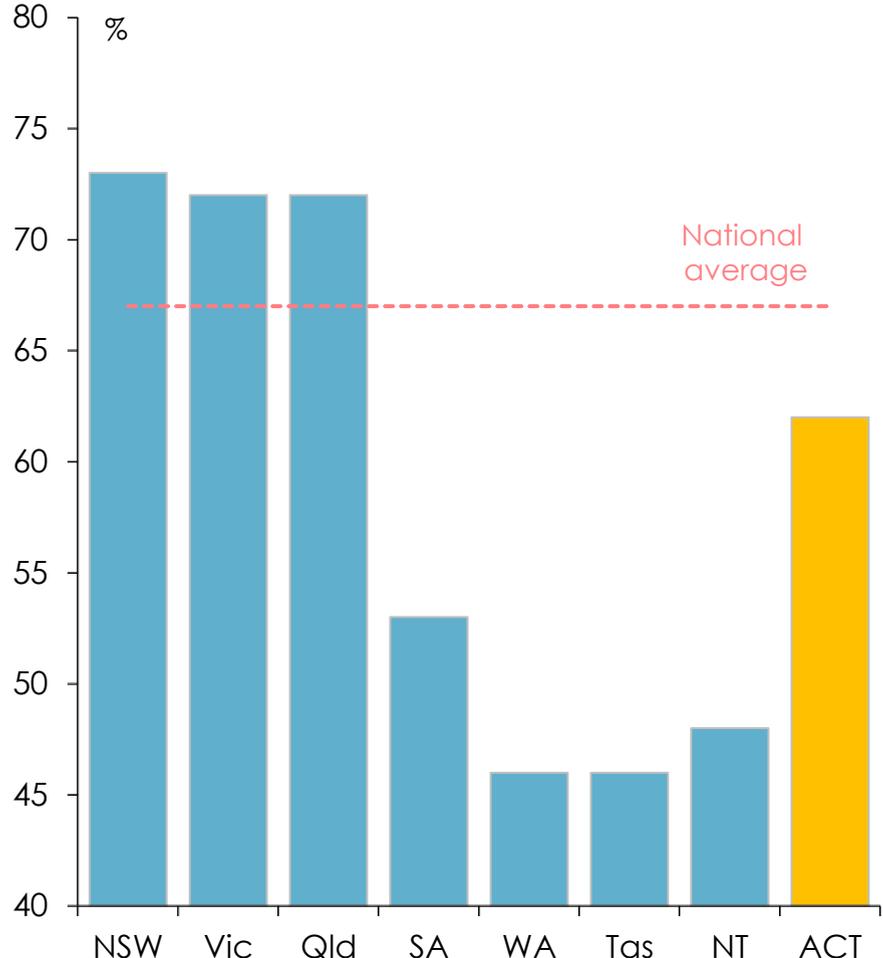
Sources: ABS, [National, state and territory population](#), June 2025; Australian Taxation Office, [Taxation Statistics](#), 2022-23, Table 5.

The ACT spends more per person on public hospitals than the national average, but in important respects patients get worse results

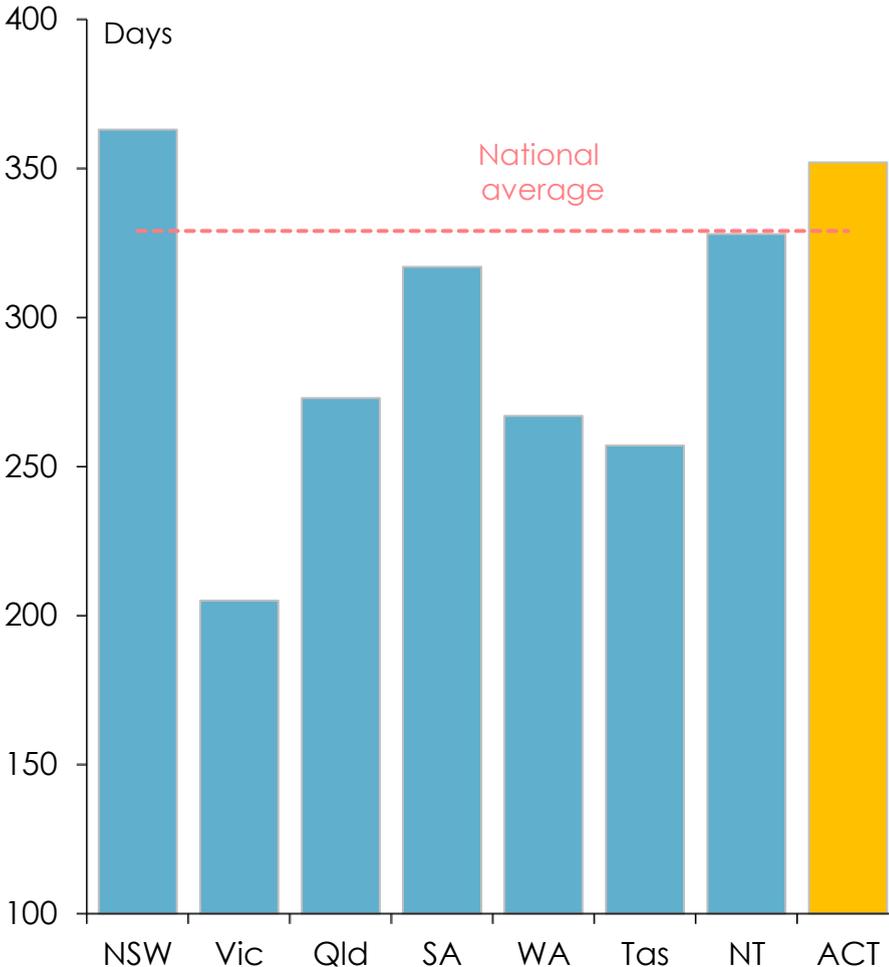
State & territory recurrent expenditure on public hospitals, per person, 2023-24



Percentage of patients seen on time in emergency departments at public hospitals, 2024-25



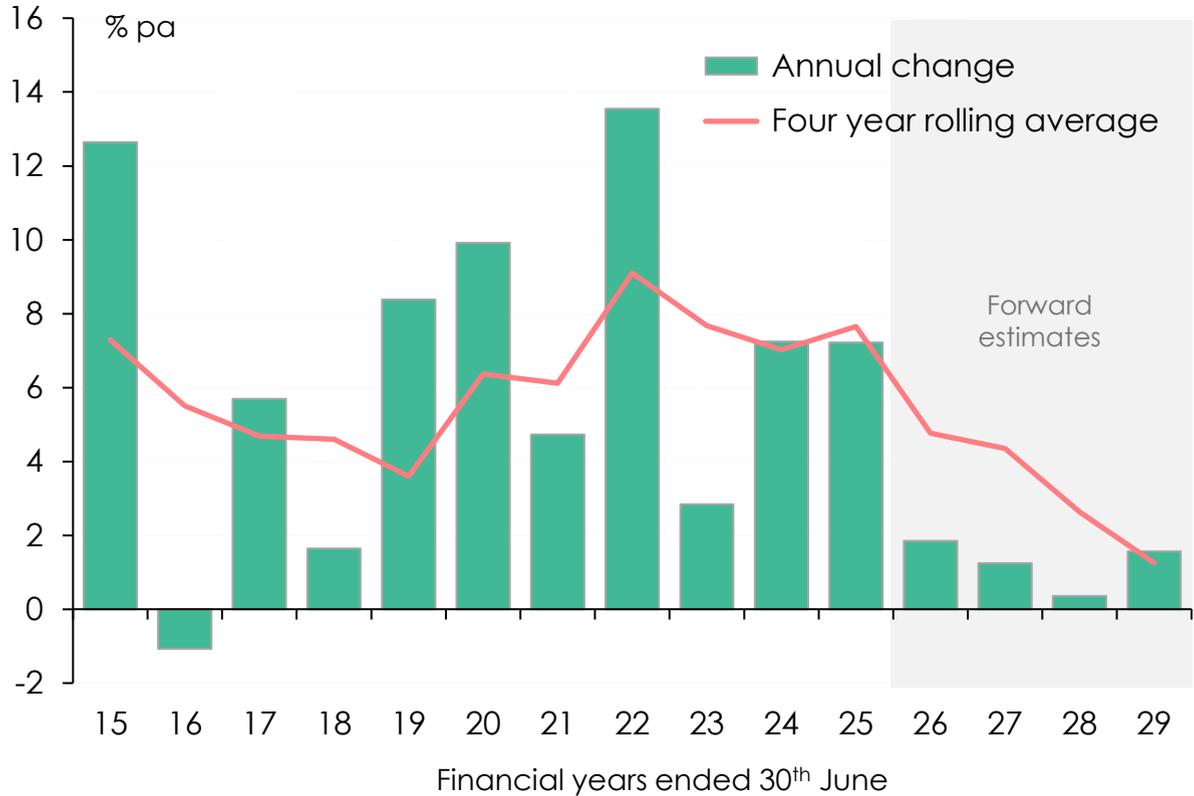
Waiting times for elective surgery in public hospitals, 90th percentiles, 2024-25



Source: Productivity Commission, [Report on Government Services 2026 - Part 12: Public hospitals](#), Tables 12A.2, 12.A.14 and 12.A. 23.

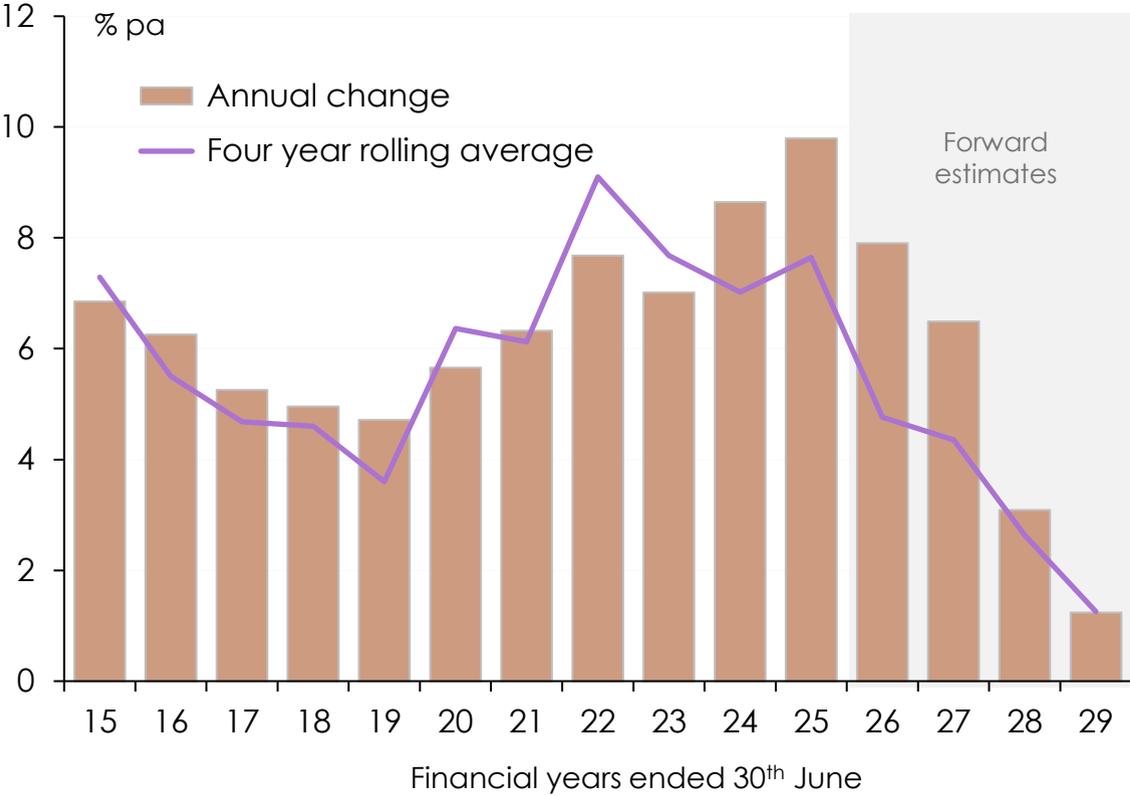
The 2025-26 Budget Review forward estimates imply an unprecedented degree of spending restraint

Growth in total 'operating expenses' excluding interest



The most recent *Budget Review* projects that growth in operating expenses excluding interest will slow to just 1.3% per annum over the four years to 2028-29 (half the forecast for the Canberra CPI) – from an average of 5.9% per annum over the past decade

Growth in employee expenses

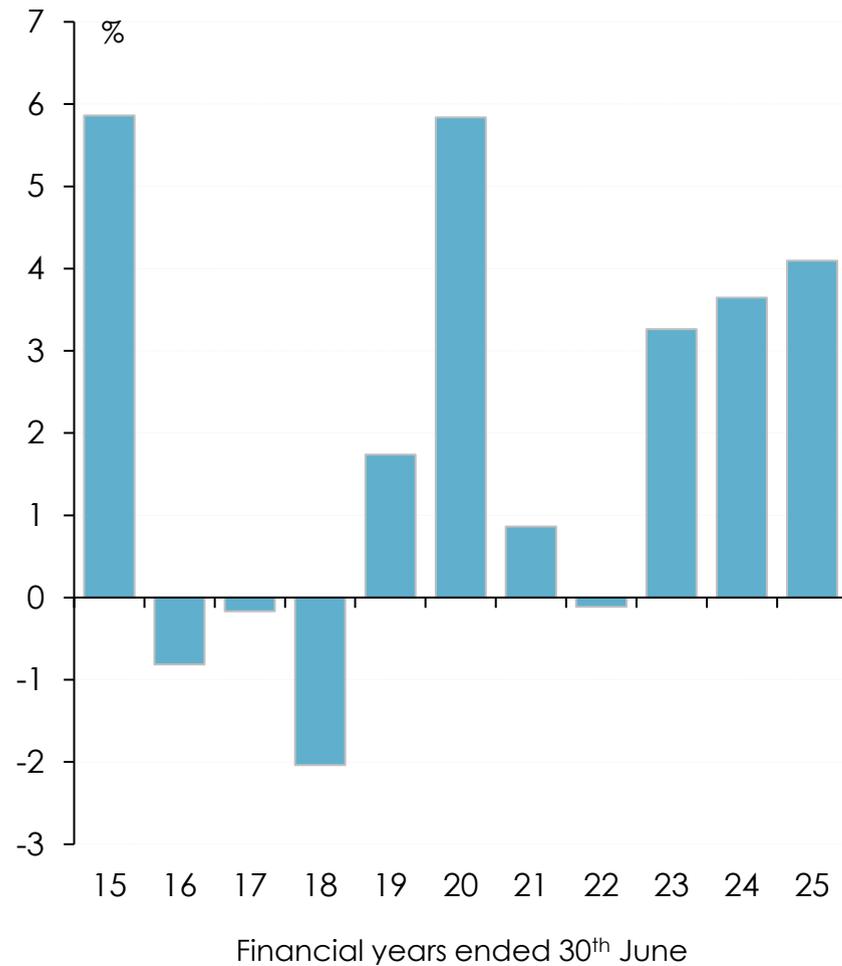


The most recent *Budget Review* projects that growth in employee expenses will slow to just 1.2% per annum over the four years to 2028-29 (compared with the forecast for ACT wages of 3¼% pa, on average) – from an average of 7.4% per annum over the past decade

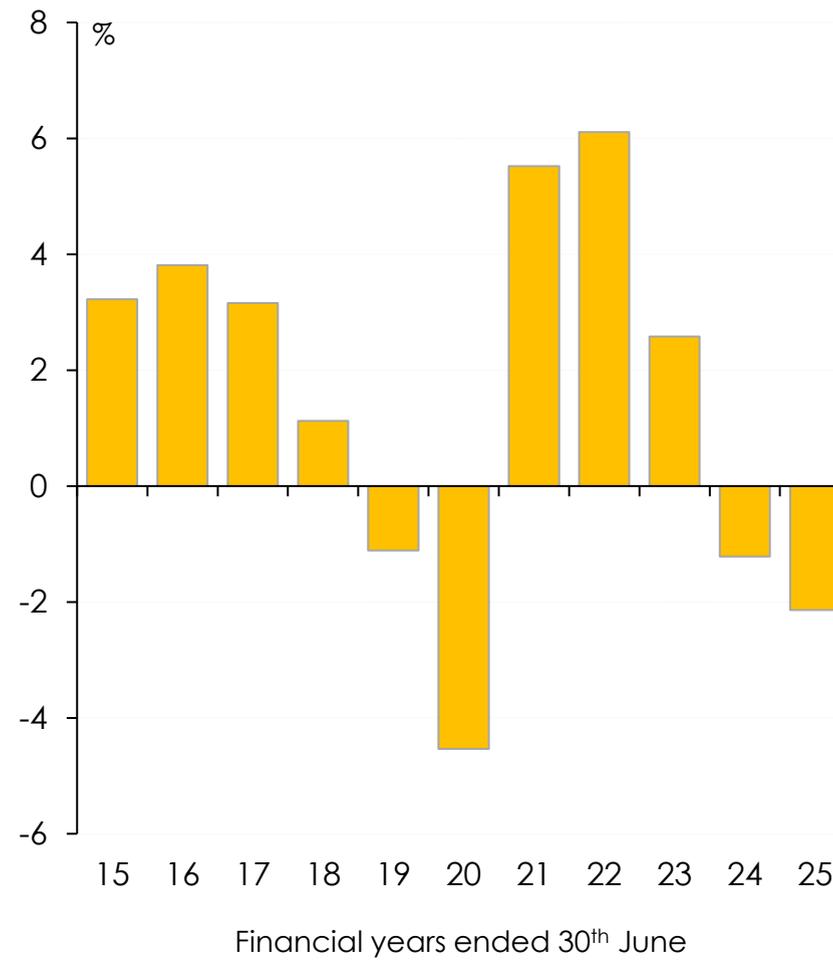
Sources: ACT Treasury, [Previous ACT budgets](#); [Consolidated Annual Financial Statements](#), 2024-25 and previous years; and [2025-26 Budget Review](#).

Budget forecasts, particularly of spending, have become an increasingly inaccurate guide to eventual outcomes ...

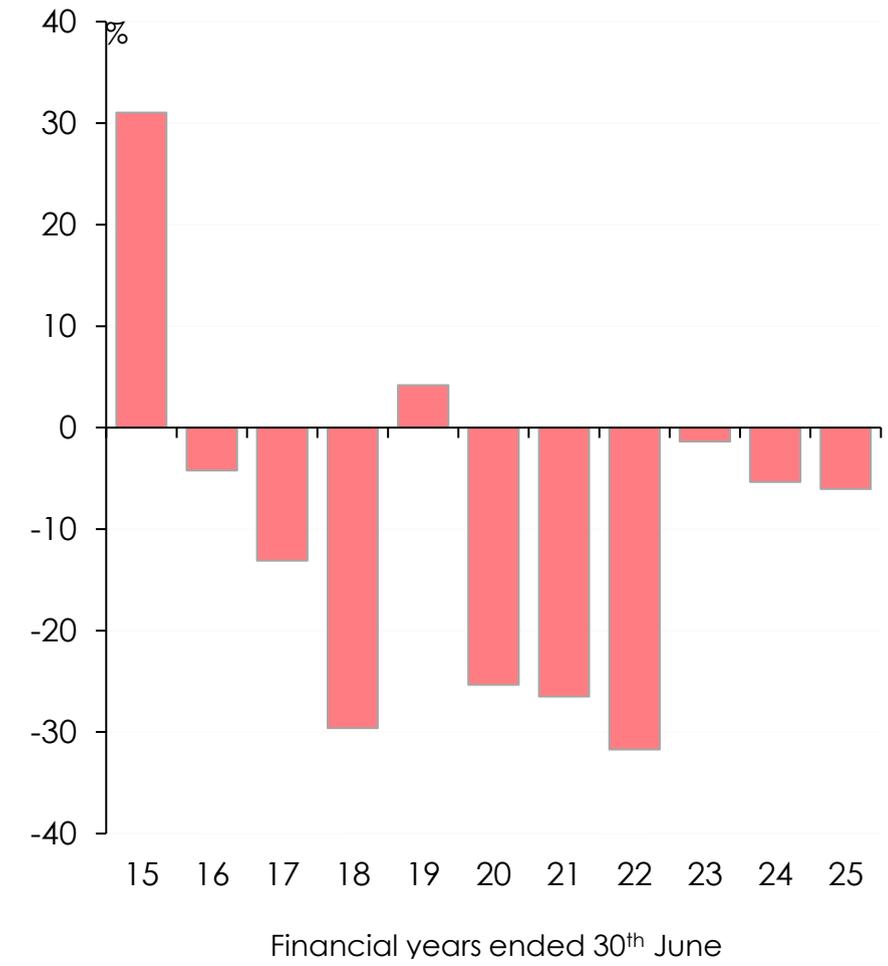
Actual 'operating' expenses compared with immediately preceding Budget estimates



Actual 'operating' revenues compared with immediately preceding Budget estimates



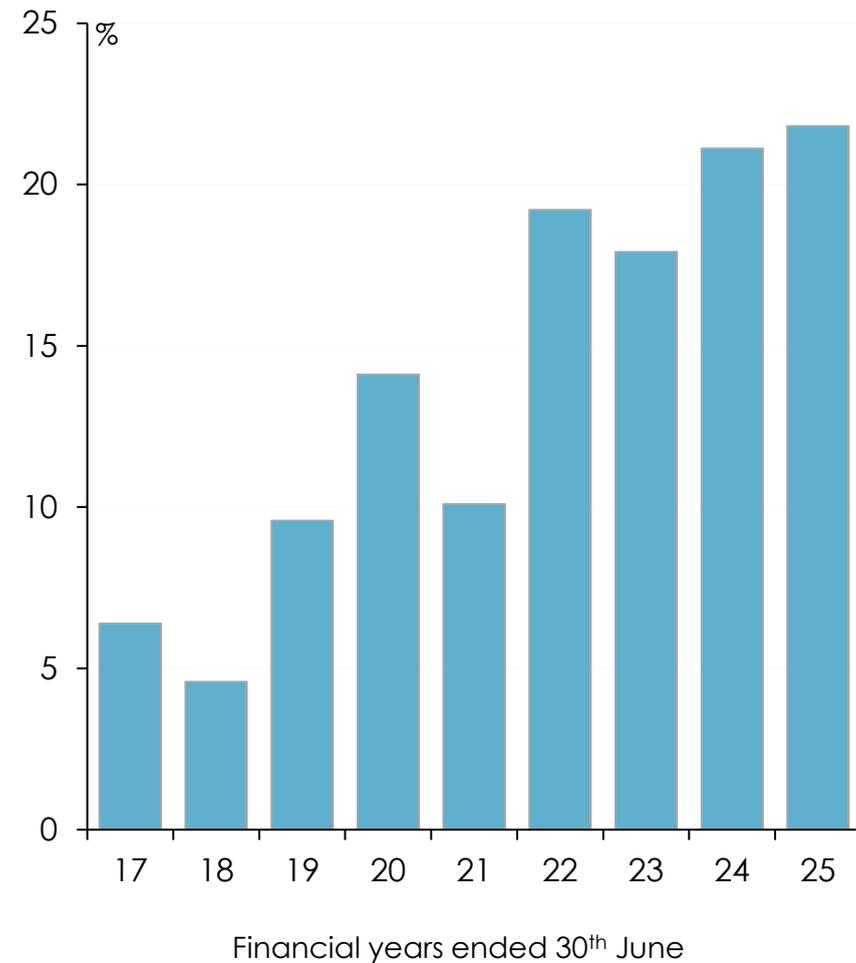
Actual capital works spending compared with immediately preceding Budget estimates



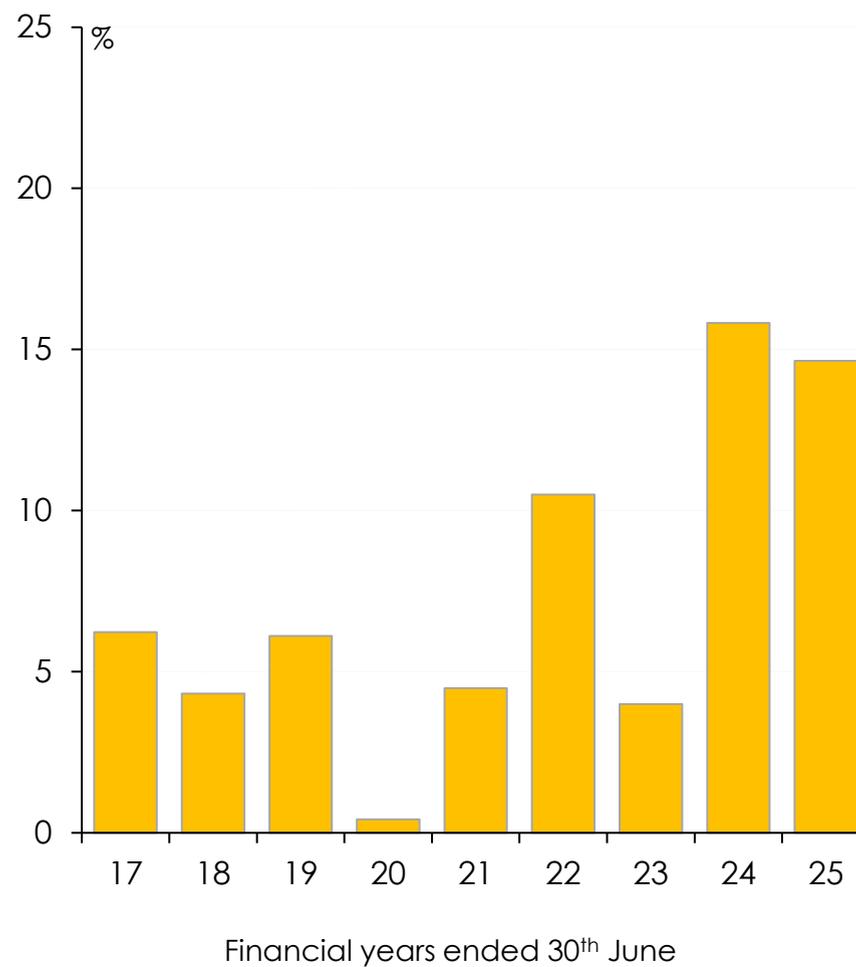
Sources: ACT Treasury, [Previous ACT budgets](#) and [Consolidated Annual Financial Statements](#), 2024-25 and previous years.

... and longer-term forward estimates even more so

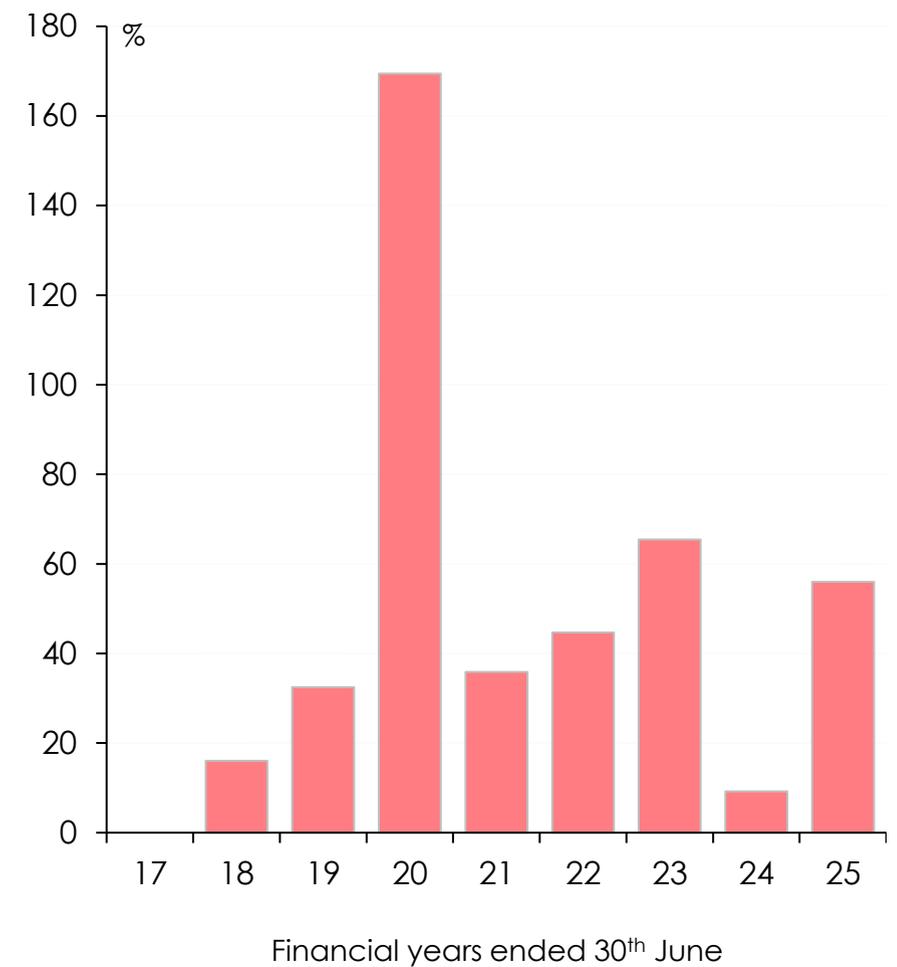
Actual 'operating' expenses compared with Budget estimates three years earlier



Actual 'operating' revenues compared with Budget estimates three years earlier



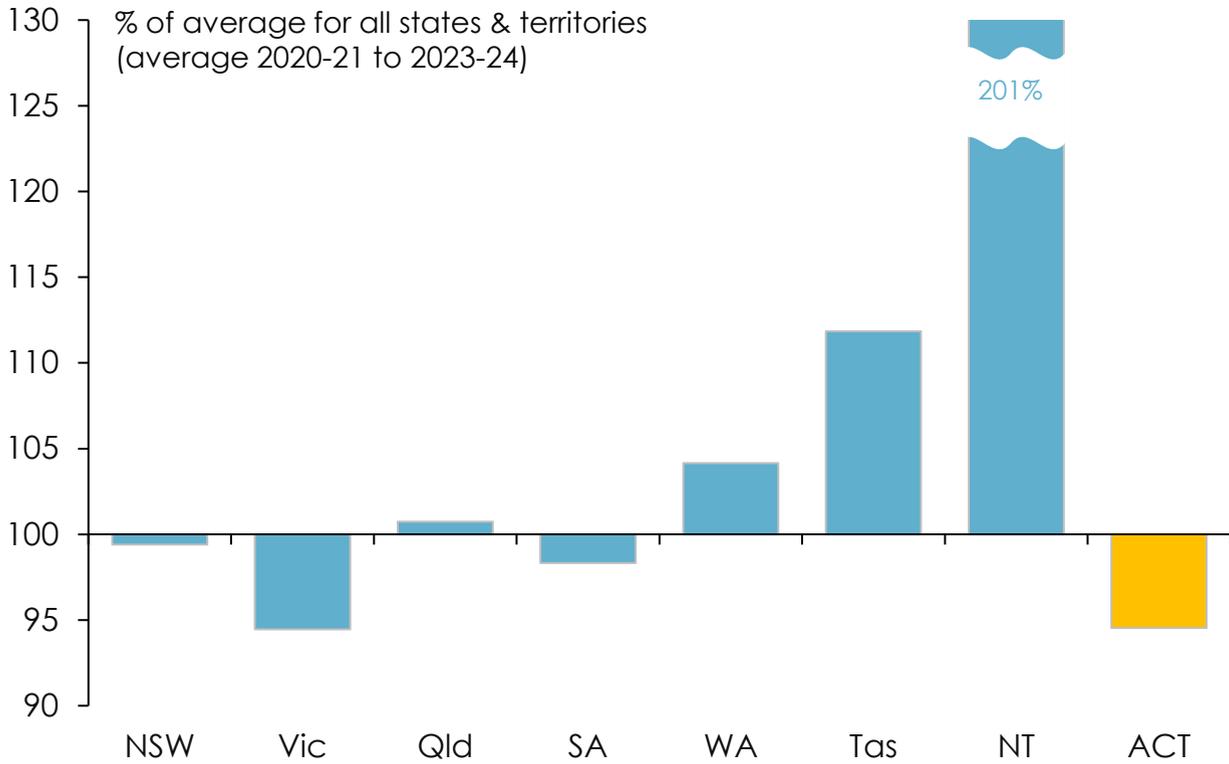
Actual capital works spending compared with Budget estimates three years earlier



Sources: ACT Treasury, [Previous ACT budgets](#) and [Consolidated Annual Financial Statements](#), 2024-25 and previous years.

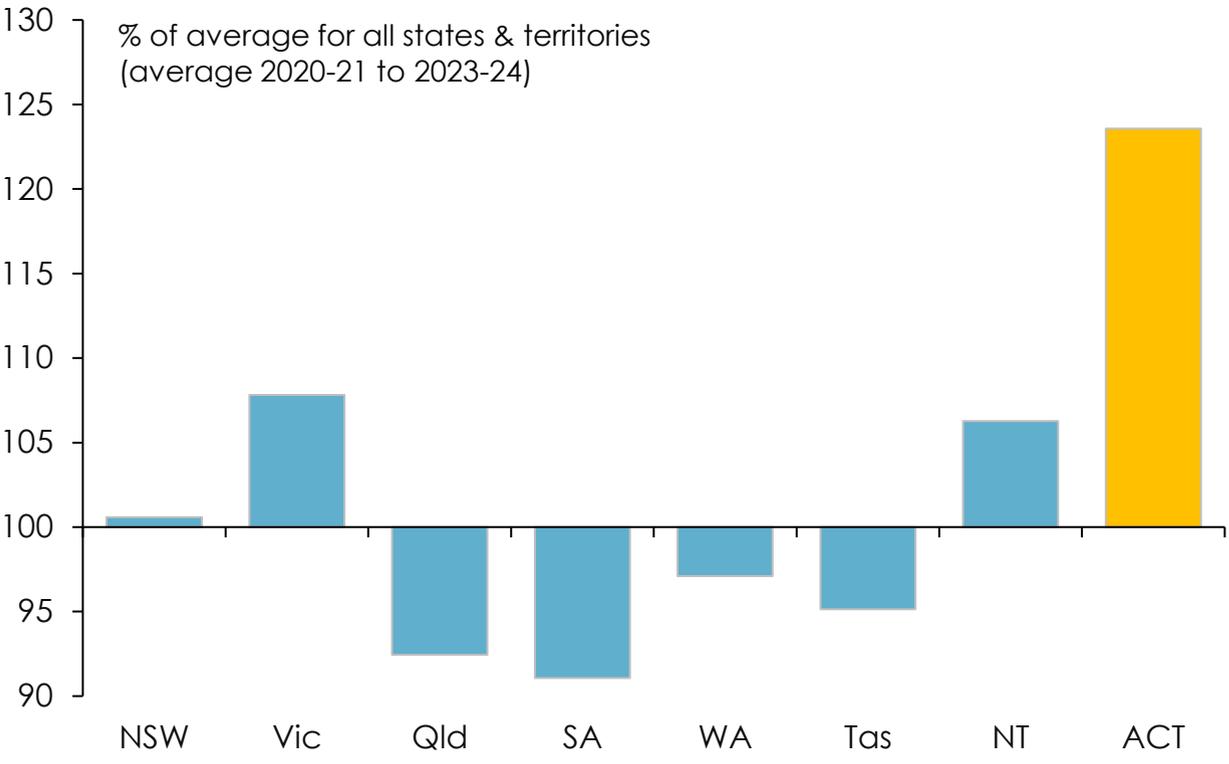
It costs the ACT relatively less to provide the average level of services to its population – but the ACT actually spends a lot more than that

Expenditure needs, as assessed by the Commonwealth Grants Commission



The ACT doesn't need to spend as much (per capita) as other states & territories in order to provide its population with the same range and quality of public services as other jurisdictions (because it is more compact, and has fewer needs)

Level of service provision, as assessed by the Commonwealth Grants Commission

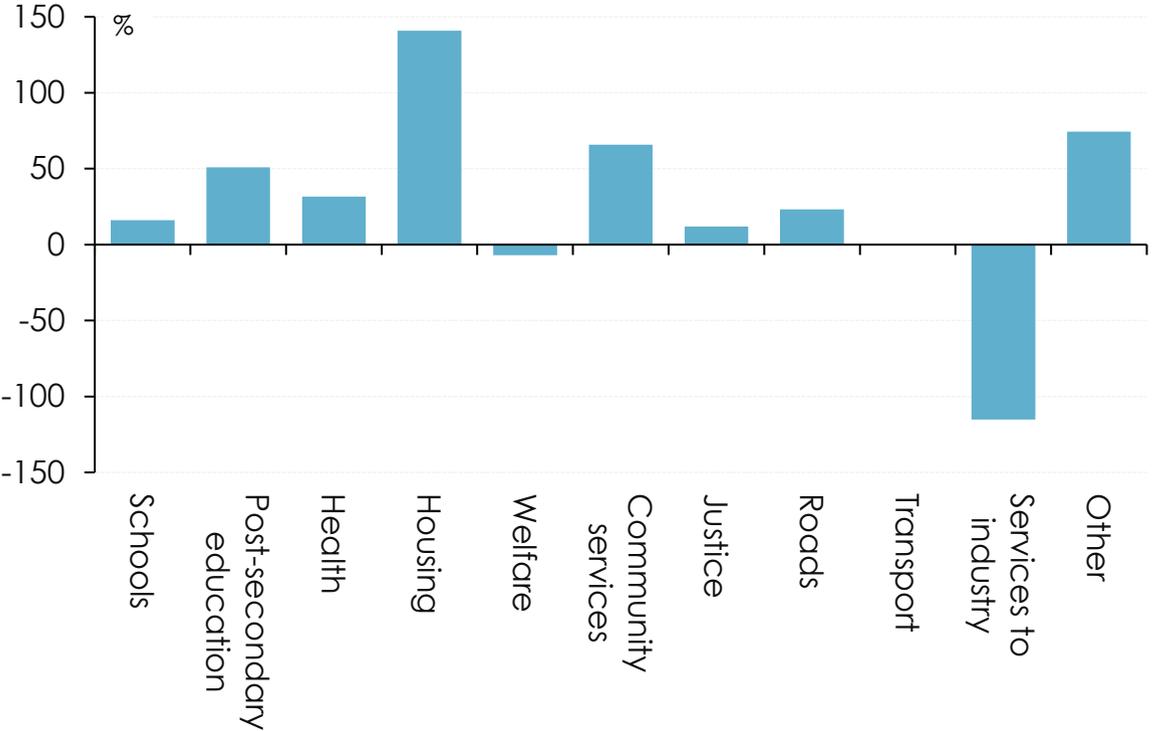


The ACT spends (considerably) more than it 'needs' to in order to provide its population with the same range and quality of public services as other jurisdictions – partly because it (uniquely) provides local government services

Note: 'Expenditure needs' are the per capita spending required, according to the Grants Commission's assessments, required to provide a state or territory's population with the all-states-and-territories average level of services. A ratio above (below) 100 suggests above (below) average costs to provide average levels of services. 'Level of service provision' is the ratio of actual per capita expenses to 'assessed' expenses (required to provide the average level of services). Source: Commonwealth Grants Commission, [GST Relativities 2025-26 0- Tables, charts and supporting data](#), Revenue and expense ratios, March 2025, and Corinna calculations.

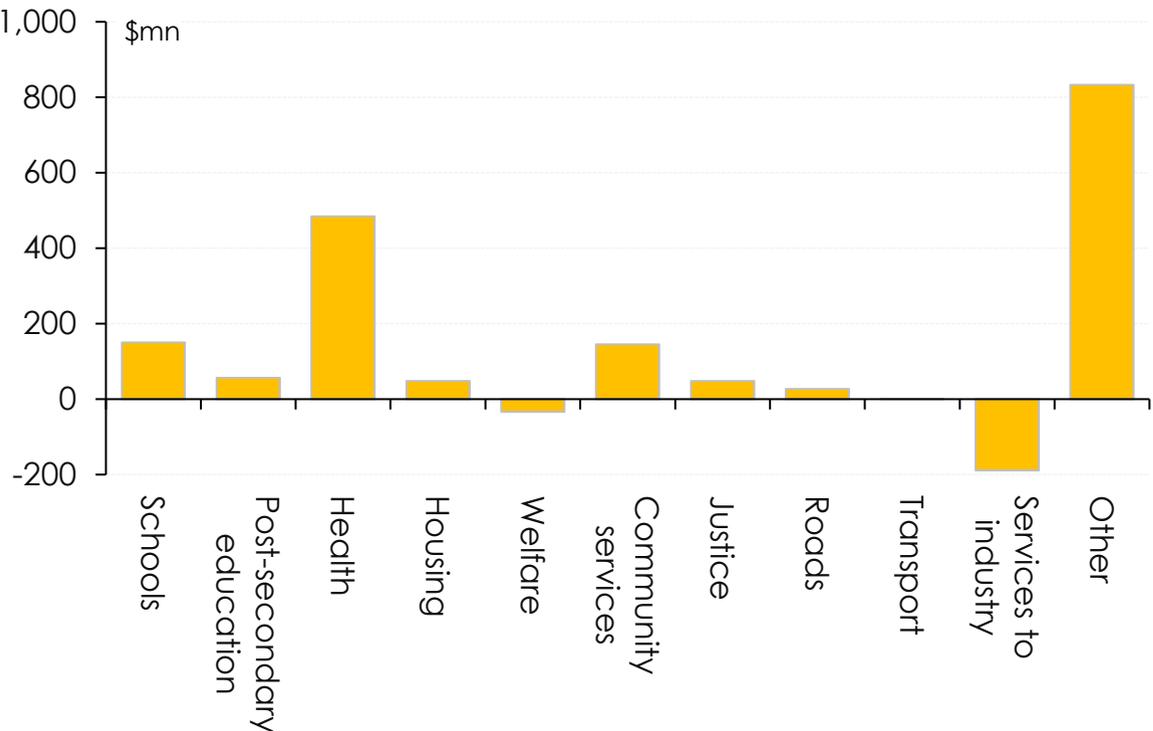
The Grants Commission's assessments of ACT spending relative to what's needed to provide the average level of services provide some insights

Ratio of actual ACT Government spending (per capita) in 2023-24 to spending assessed by the CGC as being required to provide the 'average' level of services



The ACT spends more per capita on most areas of service provision (apart from welfare) than the Grants Commission assesses as being necessary to provide the all-states-and-territories average level of services with average efficiency (note 'other' includes local government-type services)

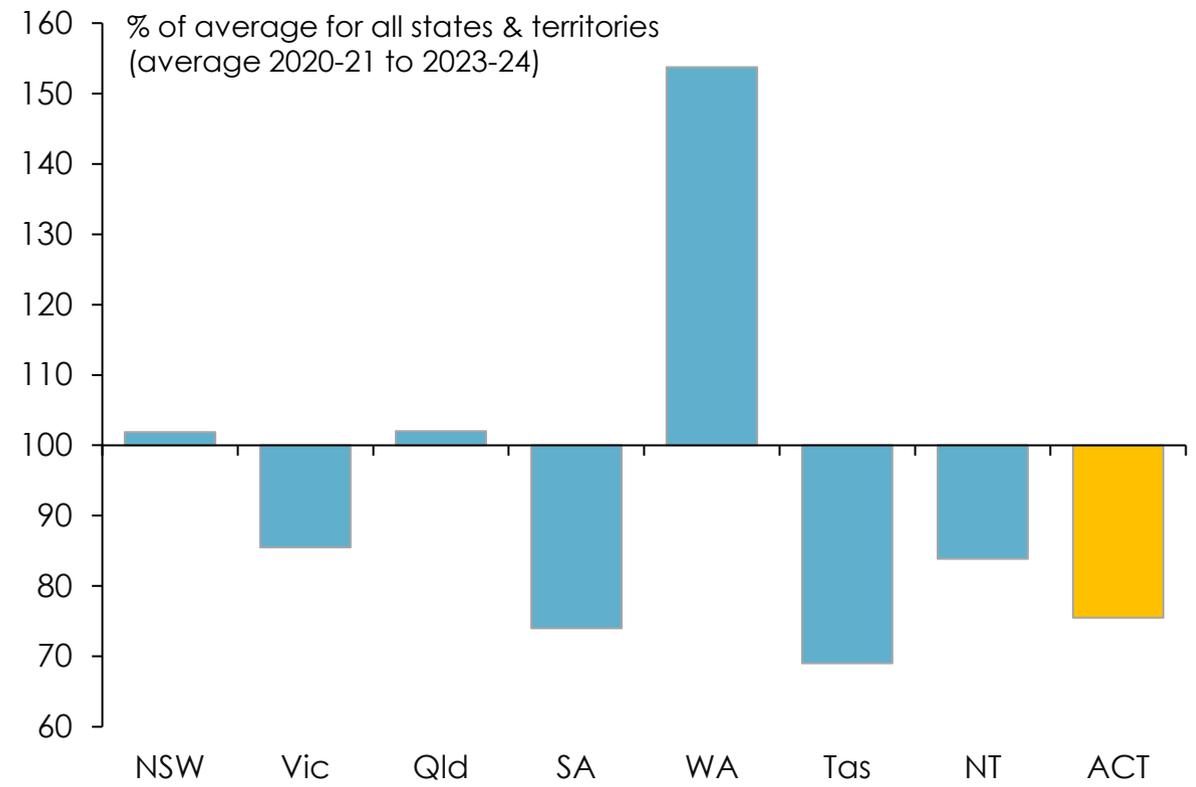
Difference between actual and 'assessed' spending by the ACT Government in 2023-24 expressed in dollar terms



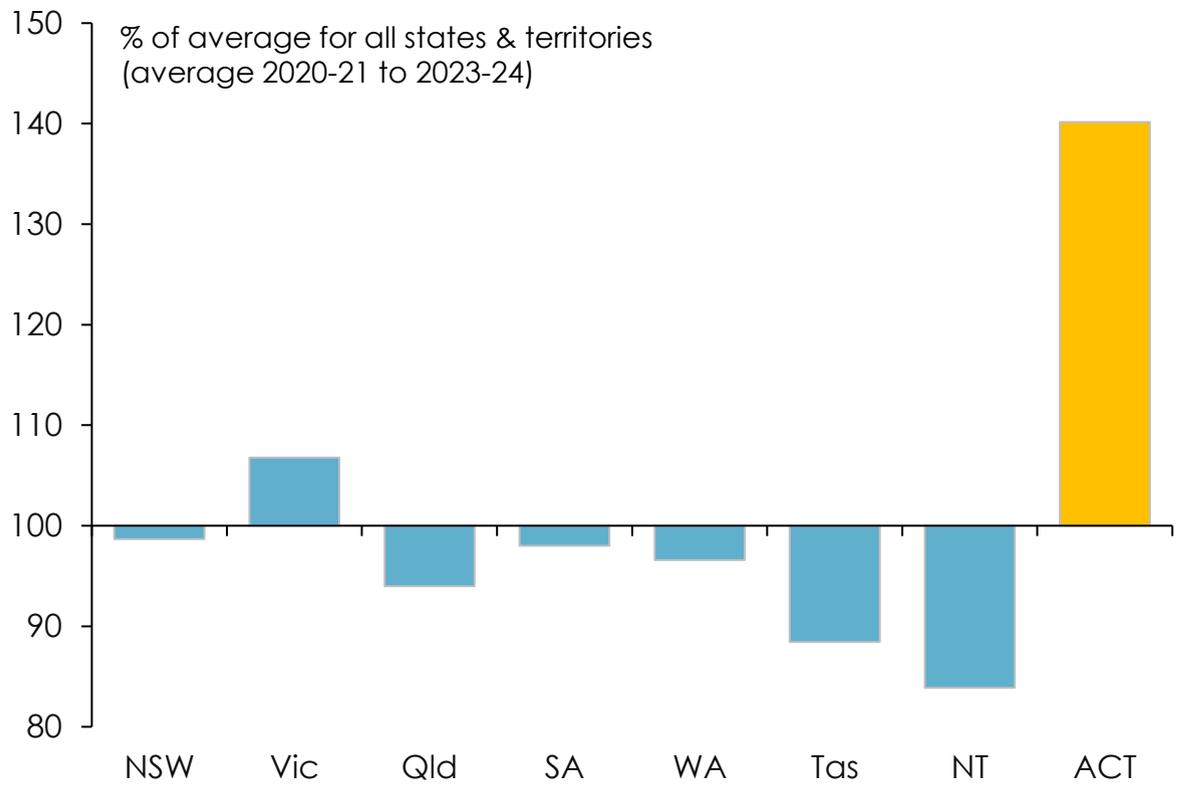
Conceptually, the ACT Government could have reduced spending by \$739 mn (6.4%) if it spent the amounts assessed by the Grants Commission as being required to provide the average level of services with average efficiency (this calculation excludes 'other')

The ACT has less capacity to raise revenue than most other jurisdictions – but it raises more than the average from the revenues sources it does have

Revenue-raising capacity, as assessed by the Commonwealth Grants Commission



Revenue-raising effort, as assessed by the Commonwealth Grants Commission



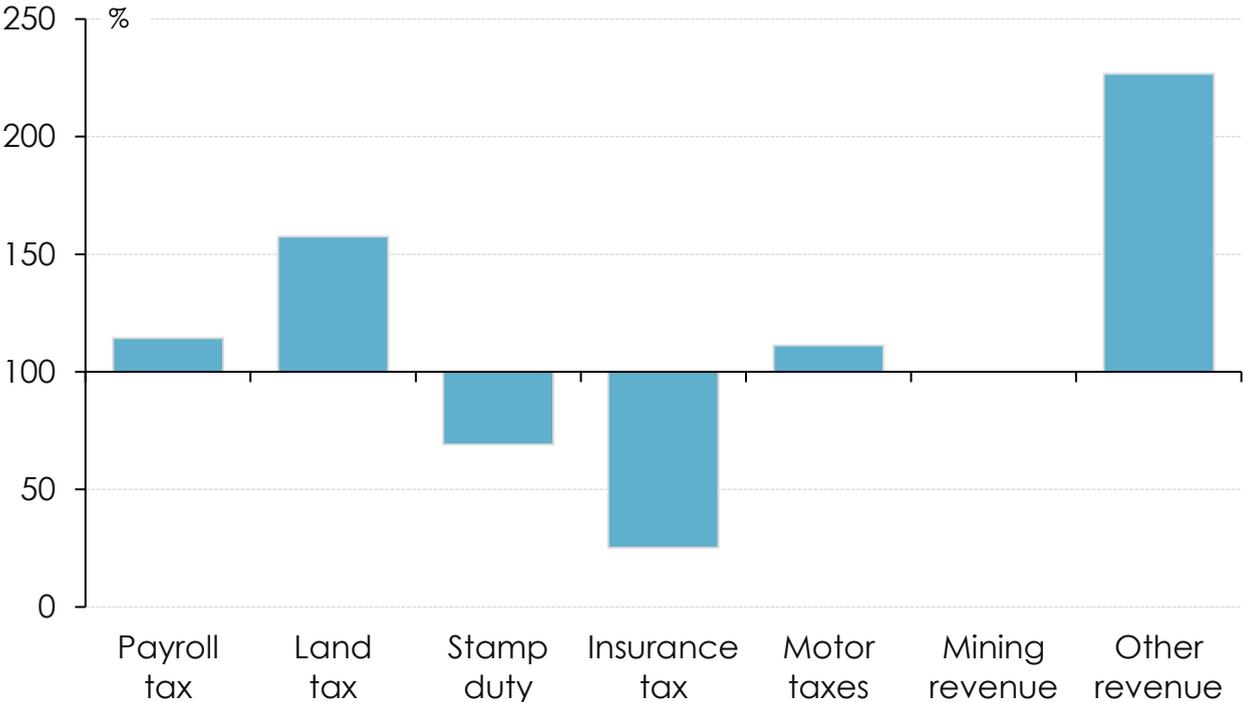
The ACT's capacity to raise revenue is less than that of most other jurisdictions, principally because it can't tax the largest employer and landholder (the Commonwealth), and it has no mining industry on which it can levy royalties

The ACT does however collect relatively more revenue from the tax bases it does have than other jurisdictions, partly because it also collects municipal rates, but also because most of its tax rates are relatively high

Note: 'Revenue-raising capacity' is the ratio of 'assessed revenue' (per capita) to the average revenue (per capita) of all states and territories, where 'assessed revenue' is the revenue which the Grants Commission assesses each state or territory would raise if it taxed its revenue base at the average rate of all states and territories. 'Revenue-raising effort' is the ratio of actual revenue (per capita) to actual revenue. Source: Commonwealth Grants Commission, [GST Relativities 2025-26 0- Tables, charts and supporting data](#), Revenue and expense ratios, March 2025, and Corinna calculations.

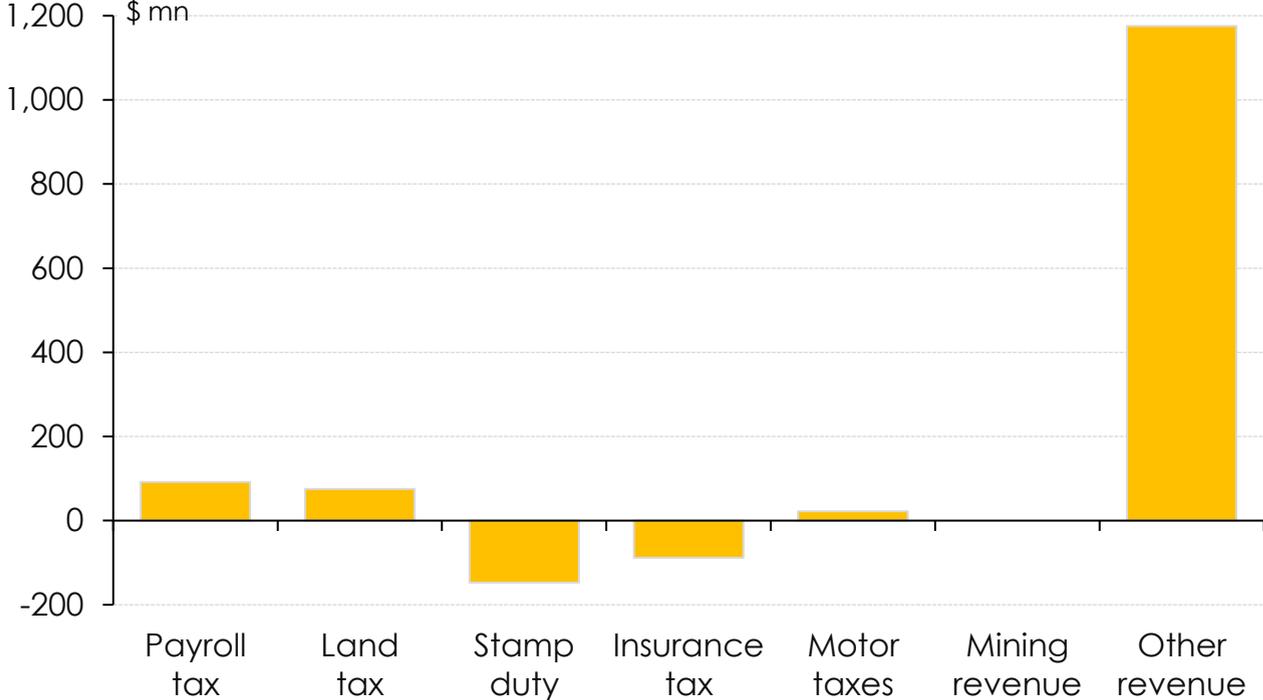
The CGC's assessment of ACT revenue-raising doesn't suggest much room for raising more revenue – unless it wants to be a 'high tax' jurisdiction

Ratio of actual ACT Government revenue (per capita) in 2023-24 to that assessed by the CGC as would be raised by an all-state-and-territories average tax regime



The ACT collects more per head from most taxes – except stamp duties and insurance taxes – than the Grants Commission assesses it would if its tax regime were equivalent to the 'all-states-and-territories' average (note 'other' includes municipal rates which only the ACT levies)

Difference between actual and 'assessed' spending by the ACT Government in 2023-24 expressed in dollar terms



Hence, bringing the ACT's tax regime into line with the 'all-states-and-territories average' (leaving aside municipal rates) would require the ACT to reverse its property tax reforms and increase a notoriously 'bad' tax (on insurance premiums)

The ACT has the highest payroll tax rate of any jurisdiction, and the equal second-highest rates of duty on motor vehicle transfers

Effective state and territory payroll tax rates at various annual payroll levels for 2024-25

Rate of tax payable on selected size payrolls (%)

<i>Payroll \$ mn</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>Tas</i>	<i>NT</i>	<i>ACT</i>
1.5	1.09	1.62	0.72	0.00	2.12	0.67	0.00	0.00
2	2.18	2.43	1.90	3.47	3.17	1.50	0.00	0.00
5	4.14	4.85	4.02	4.36	5.08	4.26	4.10	4.11
10	4.80	4.85	4.92	4.65	5.50	5.18	5.50	5.48
50	5.32	5.65	5.15	4.89	5.50	5.93	5.50	6.58
100	5.38	5.75	5.18	4.92	5.50	6.01	5.50	7.06
500	5.44	6.63	5.60	4.94	5.50	6.08	5.50	7.67

Effective state and territory duties payable on transfer of ownership of motor vehicles

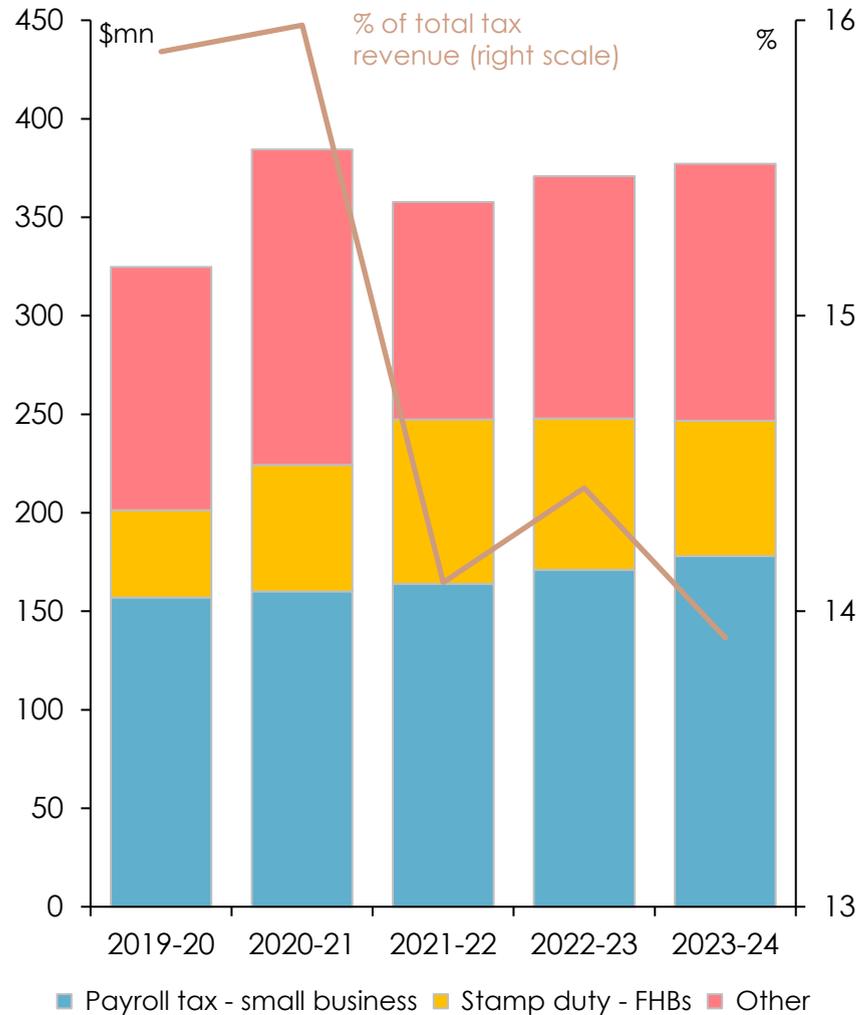
Rate of duty payable new vehicles of selected values (%)

<i>Value (\$'000)</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>Tas</i>	<i>NT</i>	<i>ACT</i>
10	3.00	4.20	3.00	3.40	2.75	3.00	3.00	3.17
20	3.00	4.20	3.00	3.70	2.75	3.00	3.00	3.17
40	3.00	4.20	3.00	3.85	5.00	4.00	3.00	3.17
60	3.50	4.20	3.00	3.90	6.50	4.00	3.00	3.78
80	3.88	4.20	3.00	3.93	6.50	4.00	3.00	4.24
100	4.10	5.20	3.00	3.94	6.50	4.00	3.00	4.99
150	4.40	7.00	5.00	3.96	6.50	4.00	3.00	6.00
200	4.55	9.00	5.00	3.97	6.50	4.00	3.00	6.50

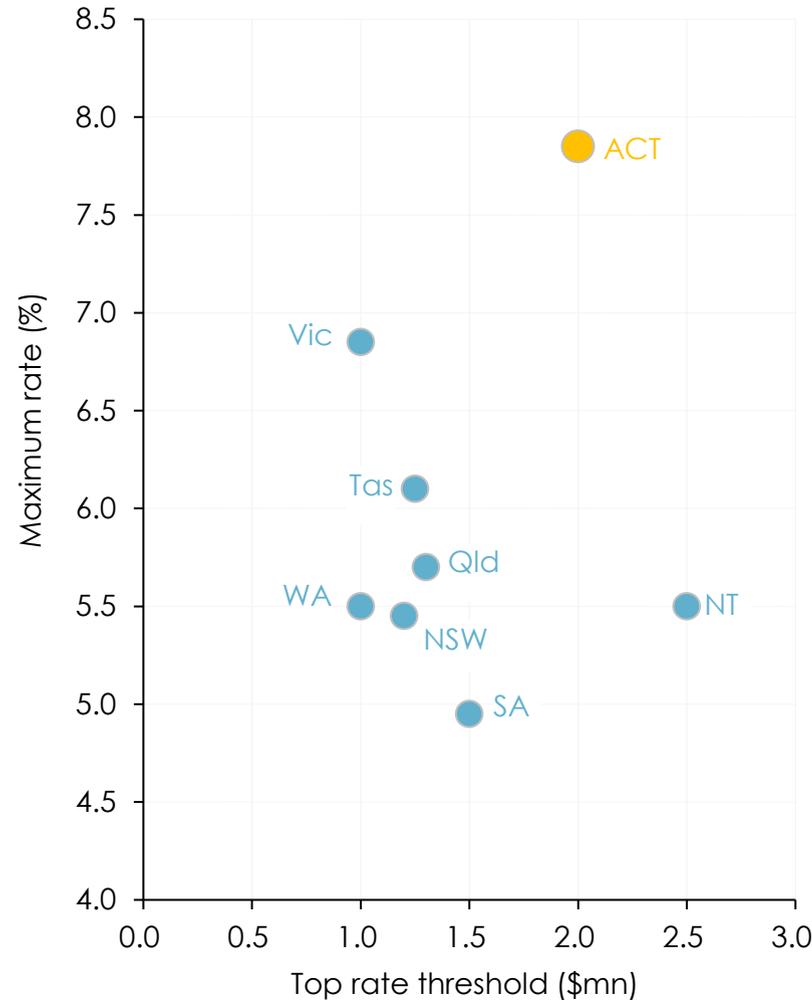
Sources: Western Australian Department of Treasury and Finance, [Overview of State Taxes and Royalties 2025-26](#), 27th November 2025, pp. 7 and 40

The ACT could consider reducing its 'tax expenditures' – especially the small business exemption from payroll tax

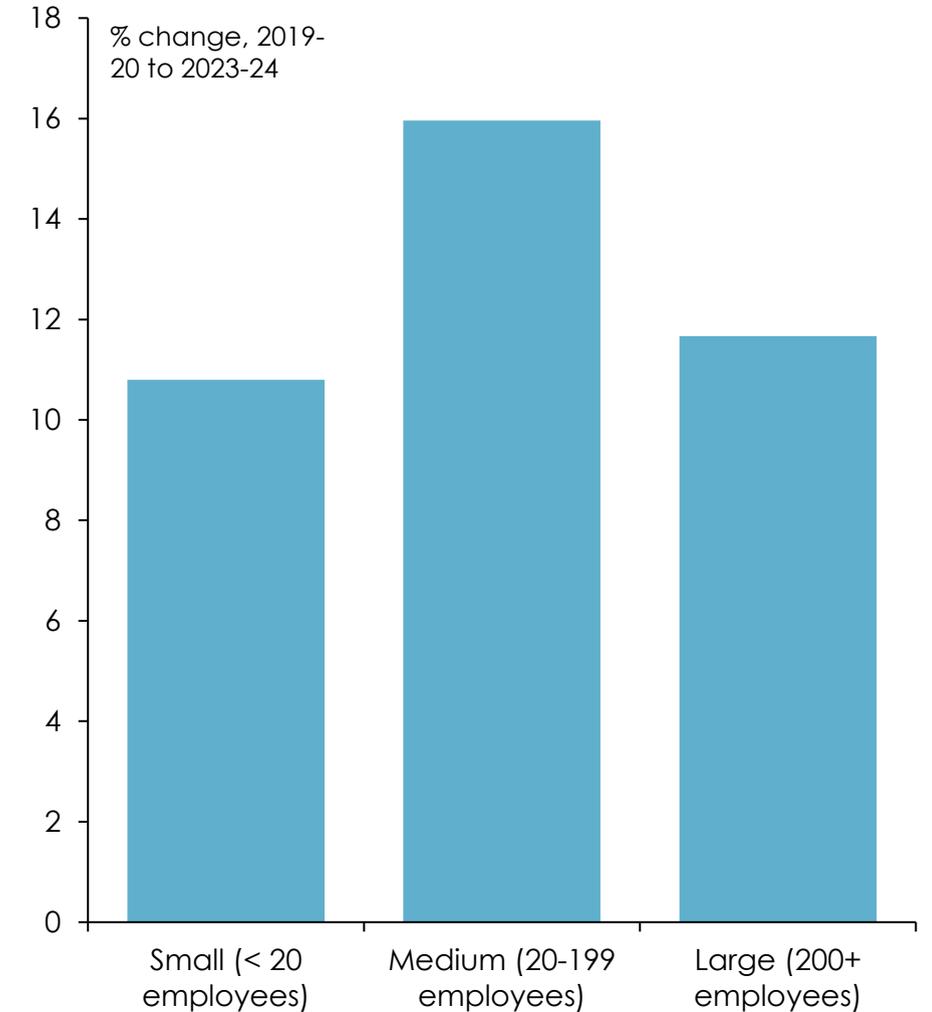
Revenue foregone through ACT 'tax expenditures'



Payroll tax rates and thresholds, states & territories, 2025-26



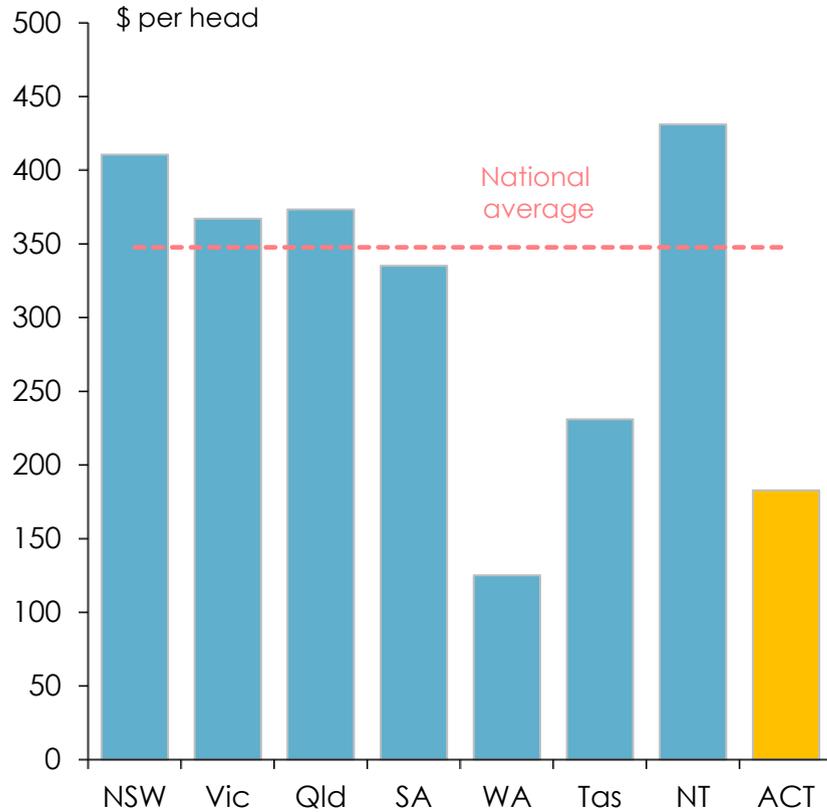
Employment growth by business size in the ACT, June 2020 - June 2024



Sources: ACT Treasury, [Tax Expenditure Statement 2023-24](#), May 2025; WA Department of Treasury & Finance, [Overview of State Taxes and Royalties 2025-26](#), November 2025; and ABS, [Australian Industry](#), 2023-24 financial year, May 2025.

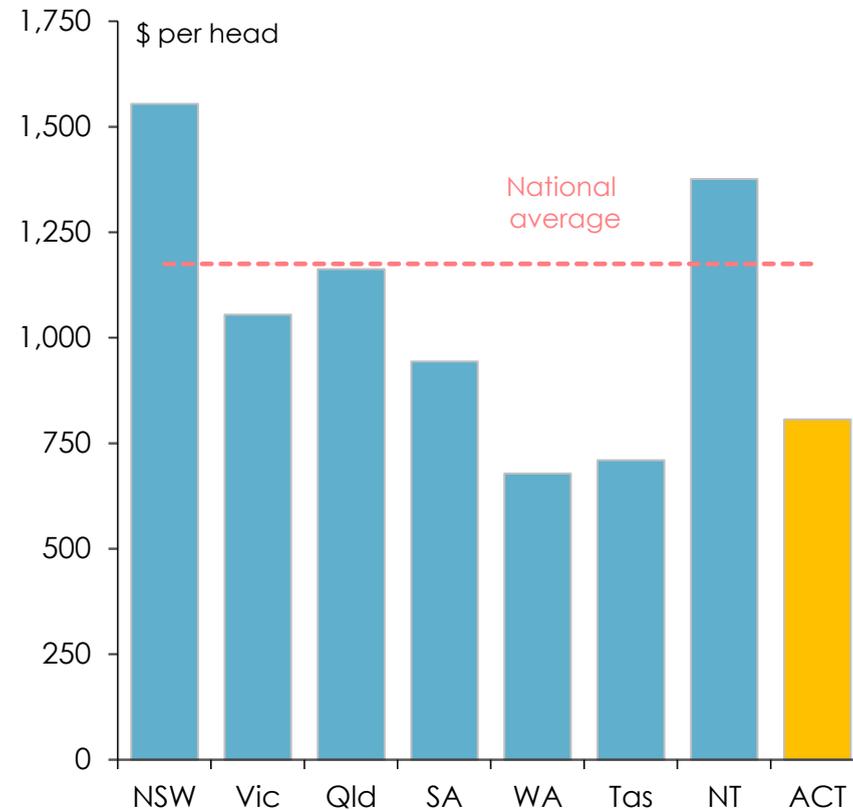
The ACT could raise more revenue from taxes on gambling

Gambling tax revenue per head of population, 2023-24



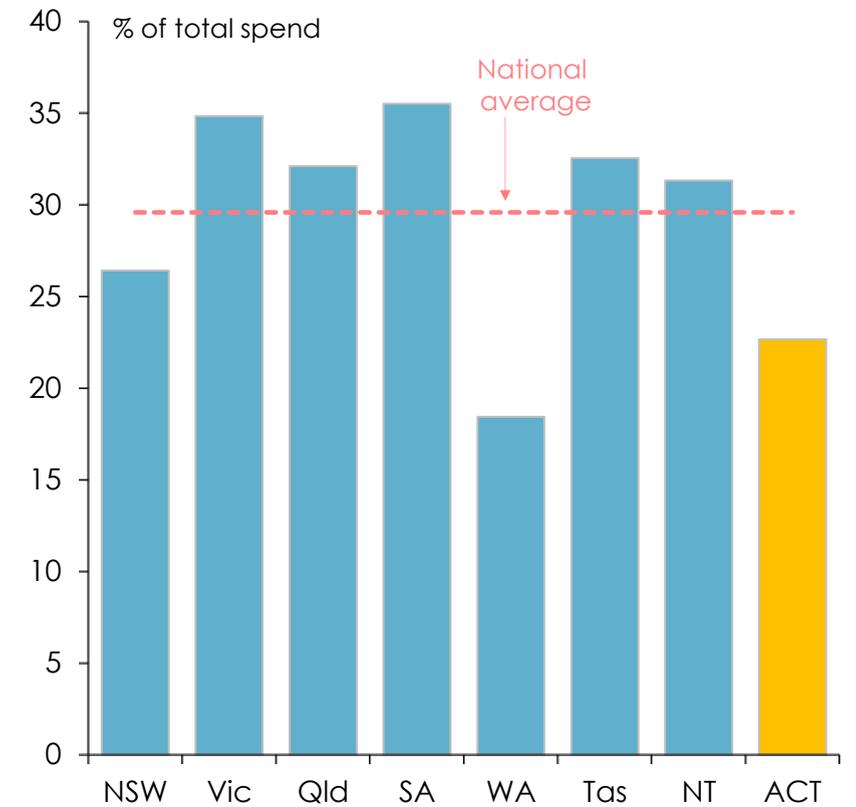
The ACT collects \$165 per head (47%) less from taxes on gambling than the average of all states & territories ...

Spending on gambling per head of population, 2023-24



... partly because Canberrans spend \$369 per head (31%) less on gambling than all Australians, on average ...

Revenue from gambling taxes as a pc of gambling spending, 2023-24



... but also because taxes represent a smaller percentage of the gambling spend than anywhere except WA

Some other observations and recommendations

The ACT's current fiscal strategy is vague – in contrast to that of (for example) South Australia

The ACT Government's fiscal strategy

Our fiscal strategy outlines the Government's plan to support economic growth and employment as well as:

- return the Budget to operating cash surpluses over the forward estimates period;
- return the Headline Net Operating Balance (HNOB) to surplus over the forward estimates period;
- ensure net debt is at sustainable levels over time, while delivering once in a generation infrastructure projects in health and transport;
- extinguish the Territory's unfunded defined benefit superannuation liability over the next decade; and
- deliver sustainable public finances through efficient expenditure alongside revenue measures supporting critical services and the needs of our community.

This is complemented by the Wellbeing Framework, which measures what matters to Canberrans and our quality of life, so that we can focus on what the community cares about in our decision making.

- ❑ **The fiscal strategy outlined in the 2025-26 Budget and re-affirmed in the 2025-26 Budget Review is vague and unspecific**
 - there are no numerical targets for any of the objectives laid out in the strategy

The SA Government's fiscal strategy

	2025-26 MYBR	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Target 1: net operating balance surplus				
Target	Achieve a net operating surplus every year			
2025-26 MYBR estimate (\$m)	80	187	394	287
Target 2: operating expense growth				
Target (%)	Average growth limited to trend growth in household income (4% per annum)			
2025-26 MYBR estimate^(a)				
Annual (%)	5.0%	2.3%	1.3%	2.3%
Average (%)	Average growth 2024-25 to 2028-29 of 2.7% per annum			
Target 3: achieve a level of net debt that is sustainable over the forward estimates				
	77.3%	88.4%	100.8%	109.7%
	(GGS net debt to revenue ratio)			
	104.1%	115.9%	125.8%	136.7%
	(NFPS net debt to revenue ratio)			

- ❑ **By contrast, the South Australian Government's fiscal strategy has explicit numerical targets**
 - which provide for greater budget discipline and greater accountability

Some immediate recommendations

- ❑ The principal focus of the ACT Government's fiscal strategy, and of analysis and commentary on the ACT's fiscal position, should be on the cash balance, not the 'operating balance' (headline or otherwise)
 - the 'operating balance' excludes capital expenditures
 - and it's the cash balance, not the 'operating balance', that primarily drives changes in net debt
- ❑ The ACT Government should continue to run cash surpluses until 'general government' net debt (currently forecast to peak at 19½% of GSP in 2026-27) is reduced to less than the average of all states and territories (about 15% of GSP)
- ❑ It should also seek to run cash surplus for the Territory public sector as a whole, with a view to stabilizing the Territory's total public sector debt at around the average of all states and territories (around 21% of GSP)
- ❑ The mix of measures to achieve a cash surplus – revenue increases, expenditure savings and/or asset sales – is largely a matter of political choices, rather than being suggested by economic principles or theories
 - as a practical matter, there appear to be more feasible options on the expenditure side than the revenue side of the Budget, given that the ACT is already a relatively high-taxing jurisdiction
 - but spending reductions should be carefully thought through, with a view to avoiding arbitrary measures such as 'efficiency dividends' or 'vacancy control'
 - setting a ceiling on the growth rate of aggregate spending – for example at less than the growth rate of nominal GSP – might provide a useful discipline
 - a more rigorous and transparent process for setting the overall level of capital expenditure, and for determining which projects are selected for funding, would also be useful

Important information

This document has been prepared by Saul Eslake on behalf of Corinna Economic Advisory Pty Ltd, ABN 165 668 058 69, whose registered office is located at Level 11, 114 William Street, Melbourne, Victoria 3000 Australia.

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