4 Revenue

Features

- Total General Government Sector revenue is estimated to be $60.068 billion in 2018-19, $1.98 billion (or 3.4 per cent) higher than in 2017-18 and $2.330 billion (or 4.0 per cent) higher than estimated in the 2018-19 Budget.
- Total General Government Sector revenue is estimated to be $60.387 billion in 2019-20. The increase of $319 million (or 0.5 per cent) from 2018-19 is largely driven by higher than expected taxation revenue in 2019-20 due to the introduction of the waste disposal levy and taxation measures introduced in this budget. These are partially offset by lower current grants compared to 2018-19, driven by lower GST revenue and other Australian Government grants.
- Australian Government payments to Queensland in 2019-20 are expected to total $27.744 billion, representing a decrease of $628 million compared to payments in 2018-19. This decrease is driven by a $746 million (2.8 per cent) decrease in GST revenue and other Australian Government grants. This is partially offset by a $119 million (6.3 per cent) increase in Australian Government capital grants.
- The downward revision to GST revenue is primarily due to the Australian Government revising down its estimate of the GST pool and a reduction in Queensland's share of the GST pool. Chapter 7 provides a detailed analysis on Queensland's share of GST revenue and other Australian Government payments to Queensland.
- Total revenue is expected to grow at an average rate of 2.2 per cent over the four years to 2022-23. Revenue growth over this period is supported by average annual growth in taxation of 5.8% and current grants of 2.1 per cent but is also affected by declining royalties with coal prices expected to return to medium-term levels, lower interest income due to a reduction in the portfolio of financial assets held, and lower dividends from the Public Non-financial Sector.
- Queensland will maintain its competitive tax status, with per capita state tax estimated at $2,952 in 2019-20, compared to an average of $3,618 for the other states and territories. Taxation as a proportion of Queensland's economy will be 4.0 per cent in 2019-20, down from the peak of 4.3 per cent in 2014-15.
- The Government will introduce changes to payroll tax to reduce the tax payable by small businesses by increasing the exemption threshold, introducing a rate reduction for regional employers, as well as providing a temporary rebate to businesses that take on new employees and will maintain its apprentice and trainee rebate until 30 June 2021. These measures will be partially funded by the introduction of a higher rate of 4.95% for businesses with taxable wages above $6.5 million per annum. Combined, the payroll tax package is estimated to have a net revenue reduction of $341 million over the four years ending 2022-23.
- The Government will increase land tax rates by 0.25 percentage points for companies and trustees with aggregated landholdings over $5 million. The absentee land tax surcharge

will be increased to 2 per cent and will also apply to foreign companies and trustees of foreign trusts. Revenue is expected to increase by $778 million over the four years up to 2022-23. The definition of absentee for the purposes of land tax will also be refined to exclude Australian citizens and permanent residents holding permanent visas.

- The petroleum royalty rate will increase by 2.5 per cent to 12.5 per cent from 2019-20 onwards, with a transitional arrangement for one year for royalty payers who lodge and pay on an annual basis ending on 31 December 2019. This will lead to additional revenue of $476 million across the four years until 2022-23.

4.1 Queensland Revenue Outlook

According to the latest National Account figures, GDP growth slowed to 1.8% (seasonally adjusted) over the year to March quarter 2019, the weakest annual growth since 2009. The Australian economy grew 0.4% in the March Quarter, while Queensland's domestic activity did the heavy lifting with the strongest growth in state final demand of all the mainland states at 0.5% (seasonally adjusted) for the same period.

Like the rest of the nation, Queensland is relying on the Commonwealth to provide the fiscal stimulus to the economy necessary for growth. Queensland will continue to deliver economic growth and prosperity through the delivery of programs which directly and indirectly drive economic growth. However, like all states and territories, Queensland is reliant on the Commonwealth Government to implement policies and programs that drive growth.

Reserve Bank of Australia (RBA) Governor Philip Lowe has commented that he would prefer government pull its weight by cutting tax and boosting spending, especially on infrastructure, and through policies that make Australia more productive.

Speaking publicly in May, the RBA Governor stated:

"the best approach to delivering lower unemployment and a stronger economy is through structural policies that support firms expanding, investing, innovating and employing people. As we ease monetary policy, it is in the country's interest that other policy options are considered too."

Queensland will continue to implement programs with a positive impact on driving economic and revenue growth, through public spending on infrastructure and funding programs supporting private sector investment.

Key elements in this Budget to deliver growth are underpinned by the measures to make Queensland the most attractive place to establish and operate a business in the nation. The policy settings of the Queensland Government are firmly focused on driving opportunities for growth.

Queensland ownership of energy assets allows for the use of necessary levers to drive down energy costs to business and keep household costs low. Additionally, Queensland's support for the LNG industry has delivered LNG revenues in 2018-19, with the value of LNG exports now twice the value of thermal coal exports. A continued commitment to growing this important export industry for the international market and providing tenements reserved for the production of gas for the domestic market will provide the necessary energy needs for industry and to provide additional exports from Queensland to the National Energy Market.

Since December 2016, 24 large-scale renewable projects have commenced operations, and a further 11 projects are financially committed or under construction in Queensland. This growth in the sector has led to significant employment gains, with the number of jobs in renewable energy increasing to 5,080 in 2017-18, a 44% growth over the year.

Queensland continues to focus its efforts on policies which drive capital investments in sectors and initiatives which will in turn grow investment and revenues including:

North West Minerals Province: Provisioning for a more efficient and effective route to export for the North West corridor for minerals of the future. Providing support for this area to open up new mineral resource to meet emerging domestic and global demand for resources. This will grow the industry and grow the resource revenue base.

Export Hubs: The Government is currently working with industry to grow export hubs. This has progressed to business case stage with $10 million to partner with the private sector to deliver an export facility to expedite channels to market for Queensland agriculture and horticulture products.

Expansions at the Port of Townsville and the Cairns Port: To drive trade revenues.

Further funding to the Port of Gladstone: To grow capacity and export efficiency which in turn will grow royalty revenues.

Hydrogen Strategy: $19 million to establish an agenda for renewable hydrogen industry attraction and to incentivise job creation, regional growth and increased innovation and development.

Global Tourism Gold Coast and Cairns: The Government is in the market for proposals from the private sector to deliver world-class tourism infrastructure to develop integrated resorts. These will have a broad range of tourist related facilities and attractions, and provide high-quality accommodation and a range of experiences encouraging longer visitor stays and greater tourism expenditure.

Advanced manufacturing: The Queensland Government is supporting the development of advanced manufacturing technologies, systems, products and services. The manufacturing sector is a major contributor to jobs and the economy. The Rheinmetall Defence Australia manufacturing facility based in Ipswich is playing a key role in further developing Queensland's heavy vehicle and defence manufacturing capability

The Government recognises the positive impact of these initiatives on driving revenue growth. Importantly, any revenues which may flow from these investments have not been incorporated in the forward estimates. However, Government considers these as providing the foundation for future potential revenue streams as the benefits from the investments begin to flow into the State's economy.

4.2 2018-19 estimated actual

General Government Sector revenue in 2018-19 is estimated to be $60.068 billion, which is $2.33 billion (or 4.0%) more than the 2018-19 Budget estimate. Significant variations from the 2018-19 Budget estimates include:

- a $796 million (or 3.1%) increase in current grants, mainly due to additional funding from the Australian Government under Disaster Recovery Funding Arrangements to support North Queensland communities recover from the impacts of the 2019 floods and the upfront payment of a three-year agreement to assist disaster-affected primary producers in North and Far North Queensland.
- a $750 million (or 16.2%) increase in revenue from royalties and land rents, mainly resulting from higher coal prices continuing for longer than expected in the 2018-19 Budget, with $677 million of this revision made at the 2018-19 MYFER.
- a $247 million (or 37.0%) increase in income tax equivalent income supported by increased earnings from electricity generation and network businesses.

These increases were partially offset by lower than estimated taxation revenue.

Table 4.1 General Government Sector revenue[1]

	2017-18 Actual $ million	2018-19 Budget $ million	2018-19 Est. Act. $ million	2019-20 Budget $ million	2020-21 Projection $ million	2021-22 Projection $ million	2022-23 Projection $ million
Taxation revenue	13,244	14,155	14,005	15,164	15,777	16,601	17,525
Sales of goods and services	5,884	5,731	5,869	6,004	6,190	6,307	6,389
Interest income	2,389	2,201	2,247	2,141	2,006	1,953	1,958
Grants revenue							
GST Revenue	15,129	14,794	14,441	14,214	14,204	14,907	15,357
Other current grants	10,968	11,207	12,356	11,789	12,873	13,219	13,790
Capital grants	1,870	1,700	1,913	2,000	2,769	2,545	2,256
Dividend and income tax equivalent income							
Dividends	1,909	1,552	1,749	1,473	1,054	1,080	1,205
Income tax equivalent income	1,010	666	912	764	600	600	642
Other revenue							
Royalties and land rents	4,457	4,615	5,364	5,621	4,770	4,799	4,918
Other	1,228	1,118	1,211	1,217	1,487	1,572	1,500
Total revenue	**58,087**	**57,738**	**60,068**	**60,387**	**61,729**	**63,583**	**65,540**

Notes:

1. Numbers may not add due to rounding.
2. Queensland Treasury estimates. Differs from Chapter 7 due to the inclusion of direct Australian Government payments to Queensland agencies for Commonwealth own purpose expenditure.

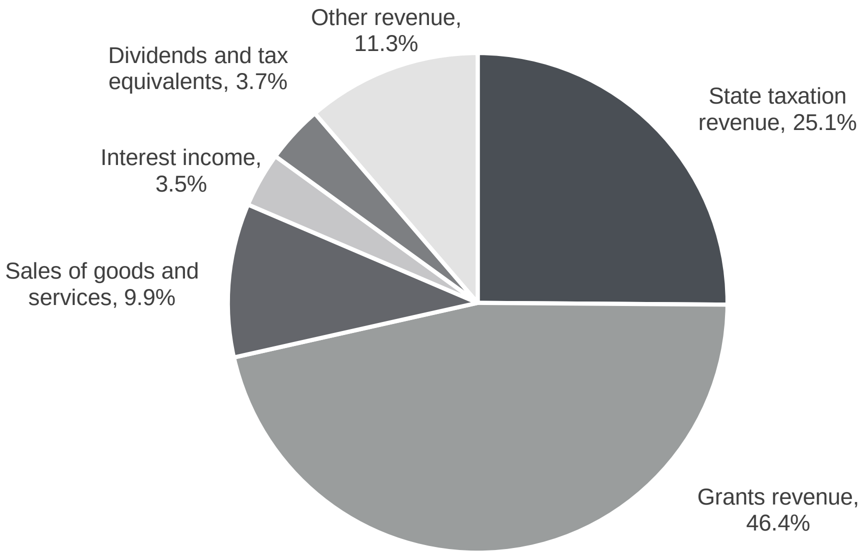
4.3 2019-20 revenue by category

General Government Sector revenue in 2019-20 is estimated to be $60.387 billion, $319 million (or 0.5%) higher than the 2018-19 estimated actual revenue of $60.068 billion. The revenue increase in 2019-20 reflects a range of factors, including:

- Taxation revenue is expected to be $1.159 billion higher than in 2018-19, reflecting the introduction of the new waste disposal levy, the new measures outlined in Section 4.3, and expected annual growth in most tax lines.
- Royalty collections are expected to be $252 million higher than in 2018-19, reflecting the new petroleum royalty rate and increased revenue from other royalties, including base and precious metals.
- These increases were partially offset by current grants that are expected to be $794 million lower in 2019-20 than in 2018-19, mainly due to lower GST and other Australian Government payments. Dividends and income tax equivalent income are also forecast to be $424 million lower in 2019-20.

Major sources of General Government Sector revenue in 2019-20 are grants revenue (46.4%) and taxation revenue (25.1%). Table 4.1 details revenue estimates by category, and Chart 4.1 illustrates the composition of General Government Sector revenue.

Chart 4.1 Revenue by operating statement category, 2019-20[1]



Note:

1. Numbers may not add up to 100% due to rounding.

4.4 2019-20 Budget initiatives

The 2019-20 Budget introduces new revenue measures including:

- changes to payroll tax including:
    - reducing tax payable for small businesses by increasing the exemption threshold to $1.3 million
    - introducing a 1% rate reduction for regional employers
    - providing a temporary rebate of up to $20,000 to businesses taking on new employees
    - continuing the 50% payroll tax rebate on the wages of apprentices and trainees until 30 June 2021
    - increasing the payroll tax rate for employers with taxable wages above $6.5 million
- changes to land tax including:
    - changes to the definition of absentee for land tax to ensure that Australian citizens and permanent residents who hold permanent visas are not absentees

  - o increases to land tax rates for companies and trustees with aggregated landholdings over $5 million
  - o an increase in the absentee land tax surcharge from 1.5% to 2%
  - o introduction of a foreign land tax surcharge of 2% applying to foreign companies and trustees of foreign trusts
- increasing the petroleum royalty rate from 10% to 12.5% of wellhead value from 2019-20 onwards
- increasing resourcing for Treasury to undertake a program of additional targeted tax compliance activities to ensure all Queenslanders are paying their fair share of taxes.

4.4.1 Payroll tax

The Government will increase the payroll tax threshold from $1.1 million to $1.3 million, while retaining the current $1 in $4 rate of reduction so that a deduction will be available if total annual Australian taxable wages are less than $6.5 million. This will reduce the amount of tax paid by around 12,000 employers and around 1,500 employers will no longer form part of the payroll tax base.

A payroll tax increase for employers (or groups of employers) with taxable wages above $6.5 million of 0.2% to 4.95% will also be introduced. The tax rate of 4.75% will be maintained for employers with annual taxable wages of $6.5 million or less.

The Government will provide a 1% discount of the payroll tax rate to employers that have an ABN registered business address and at least 85% of their taxable wages paid to employees located outside South-East Queensland. Accordingly, a tax rate of 3.75% or 3.95% as applicable will apply to those businesses.

A payroll tax rebate of up to $20,000 per employer per year will also be provided, for the 2019-20 and 2020-21 financial years, to employers that can demonstrate a net increase in full time employees. The rebate will be paid in the 2020-21 and 2021-22 financial years.

The Government is continuing the 50% payroll tax rebate on the wages of apprentices and trainees until 30 June 2021.

Combined, the payroll tax package is estimated to have a net revenue reduction of $341 million over the four years ending 2022-23.

4.4.2 Petroleum royalty rate

The petroleum royalty rate will increase from 10% to 12.5% of wellhead value from 2019-20 onwards, with a transitional arrangement for one year for royalty payers who lodge and pay on an annual basis ending on 31 December 2019. This measure will increase revenue by $476 million across the four years to 2022-23.

An increased petroleum royalty rate helps ensure a reasonable return is made to the community for the extraction of Queensland resources, and a rate of 12.5% for petroleum remains competitive with other royalty regimes internationally. For example, petroleum royalties in the USA and Canada are generally charged at a rate between 12.5% and 30% of the wellhead value. The new petroleum royalty rate is comparable with the near-term average royalty rate of just around 12% for high quality coking (metallurgical) coal at current prices.

The Government will also review the design of Queensland's current petroleum royalty regime to ensure greater certainty and equity for all parties and consider if there are opportunities to simplify the current regime, while providing an appropriate return to Queenslanders. While the Government has already taken measures to ensure greater certainty of domestic gas supply (for example, through release of gas tenures specifically to supply domestic gas), the review will identify further opportunities to strengthen domestic supply through the royalty regime settings.

4.4.3 Company, Trustee and Absentee land tax

For companies and trustees with aggregated landholdings over $5 million, the Government will increase land tax rates by:

- 0.25 cents to 2.25 cents for each dollar above $5 million
- 0.25 cents to 2.75 cents for each dollar above $10 million.

These changes are estimated to increase revenue by $238 million over the four years to 2022-23. The land tax rates for resident individuals remain unchanged.

For the 2019-20 Budget, the Government is changing the land tax policy settings for foreign companies and trustees of foreign trusts, which will be subject to a foreign surcharge from the 2019-20 land tax assessment year. This surcharge will be 2% and at the same time, the absentee surcharge is being increased from 1.5% to 2%.

The Government recognises that there may be particular landholdings where it would be appropriate, having regard to exceptional circumstances to be considered on a case-by-case basis, to grant foreign companies and trustees of foreign trusts ex gratia relief from the new foreign surcharge. Prior to 30 June 2019, the Office of State Revenue will commence consultation with property industry bodies on the arrangements for administering relief.

The Government is also making changes to the definition of absentee for land tax to ensure that Australian citizens and permanent residents who hold permanent visas are not absentees. Currently, a person may be considered an absentee if they do not ordinarily reside in Australia, including a person who is absent from Australia on 30 June or has been absent from Australia for more than 6 months ending on 30 June. Factors such as the reason for absence and the time spent outside of Australia are taken into consideration when determining an absentee status. This can result in Australian citizens and permanent residents being classed as absentees, with a lower tax-free threshold, higher rates of land tax and an additional land tax surcharge applying to them.

From the 2019-20 land tax assessment year, Australian citizens and permanent residents holding permanent visas who do not ordinarily reside in Australia will no longer be assessed as absentees for land tax purposes. This means they will benefit from the higher tax-free threshold of $600,000 and lower rates of land tax currently applying to resident individuals and will not be subject to the absentee surcharge.

Increasing the surcharge to 2% and refining its application to exclude Australian citizens and permanent residents brings Queensland's land tax policy settings into closer alignment with those of New South Wales and Victoria.

In net terms, changes to the definition of absentee and the increased absentee surcharge rate together with the extension of the surcharge will raise an estimated $540 million additional revenue over the four years to 2022-23.

4.4.4 Compliance Measures

The Government will increase resourcing for Treasury to undertake a program of additional targeted tax compliance activities to ensure all Queenslanders are paying their fair share of taxes, reconciling with broader public interest. The program will target key taxes such as payroll tax, land tax, transfer duty and royalties. It will maintain the integrity of the state tax base and build further community confidence in the equity and fairness of Queensland's tax system and its administration.

The compliance work program is expected to increase compliance-related revenue, net of the additional costs, by $220 million over the four years ending 2022-23. It will also generate additional recurrent revenues from the entry of new tax payers into the tax system.

4.5 Queensland's revenue trends

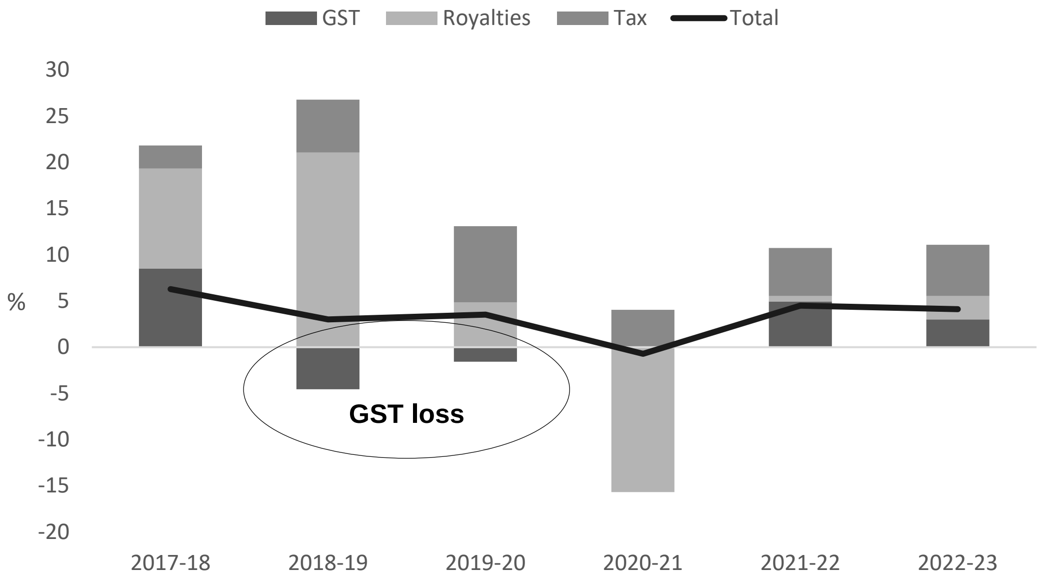
Total revenue growth is mainly driven by growth in GST, royalties, and taxation.

Total revenue growth is estimated to be 2.2% on average over the four years to 2022-23. This is far lower than the 7.3% average growth over the last fifteen years to 2017-18. This lower growth is driven by slower growth in GST revenue provided by the Australian Government. GST revenue accounts for 23.5% of total revenue expected in 2019-20, however it is only expected to grow by 1.5% per year on average over the four years to 2022-23.

Royalties were the largest driver of growth in 2018-19, due to the continued strength in the hard coking coal price. In 2019-20, taxation revenue contributes the largest proportion to growth. In 2020-21 royalties and GST revenue are both expected to decline.

Chart 4.2 examines the contribution of the key revenue sources of GST, taxation and royalties to revenue growth and incorporates the impacts of new measures discussed in Section 4.3.

Chart 4.2 Growth in key revenues[1]



Note:

1. Annual growth in GST, royalties, and taxes. Total is the annual growth of the sum of the three categories.

4.5.1 GST revenue

Queensland's GST revenue is expected to decline in 2019-20, compared to 2018-19. This decline in GST revenue is primarily because the Australian Government

- significantly revised down the growth of the GST pool from 2018-19
- determined that Queensland has improved its fiscal capacity to deliver services relative to other states, and therefore requires a lesser share of GST.

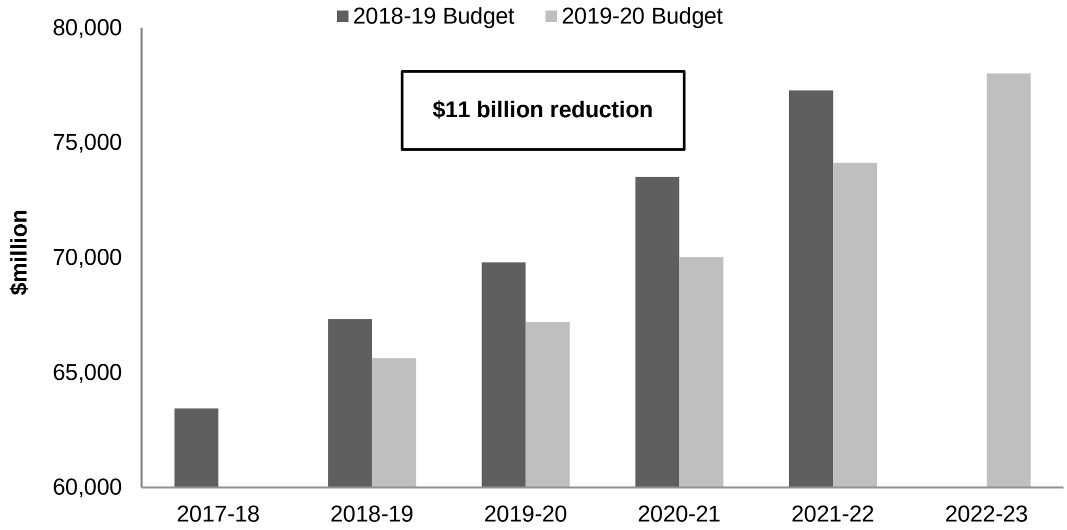
As a result, despite the GST pool continuing to grow, albeit slower than previously forecast, Queensland is the only state to receive less GST revenue in 2019-20 than in 2018-19.

Revisions to the GST pool

The decrease in GST revenue in 2019-20 reflects the Australian Government's outlook for the size of the GST pool. Since the Australian Government's 2018-19 Budget, the GST pool estimate is around $11 billion lower over the years 2018-19 to 2021-22.

Chart 4.3 compares GST revenue pool forecasts published in the 2018-19 and 2019-20 Australian Budgets. This reflects that the GST pool forecasts at the 2019-20 Australian Budget are lower in each year compared to those forecast at the 2018-19 Australian Budget.

Chart 4.3 Australian Government forecast of GST revenue pool



Changes to assessed fiscal capacity

A further driver for the decline in Queensland's GST revenue is the Australian Government accepting the Commonwealth Grants Commission's (CGC's) assessment that Queensland's fiscal capacity has strengthened relative to other states and territories. This reflects improved mining royalties, lower natural-disaster-related expenditure, and a greater share of other Australian Government grants. Queensland is the only state to receive less GST revenue in 2019-20 compared to 2018-19.

Queensland's value of coal production increased substantially between 2014-15 and 2017-18, which increased its revenue raising capacity and reduced its GST share. Between 2014-15 and 2017-18, the value of coal production rose by more than any other mineral. This increased the revenue raising capacity of the biggest coal producer, Queensland, and reduced the capacities of other States.

Queensland's net natural disaster expenses were significantly lower in 2017-18 compared to 2014-15.

A further driver to the downward revision to Queensland's relativity in 2019-20 was the CGC's decision to adjust its method for assessing natural disaster expenditure, ignoring state expenditure on disaster-affected local government infrastructure.

4.5.2 Royalty revenue trends

Royalties were the largest driver of growth in 2018-19, due to the continued strength in the hard coking coal price. Lower revenue growth from royalties is expected in 2019-20 compared to 2018-19 due to an expected decline in coal prices during 2019-20.

Total royalty revenue is expected to decline in 2020-21 in line with coal prices gradually declining to medium-term levels by early 2021. This is followed by growth of 0.6% in 2021-22 and 2.5% in 2022-23.

4.5.3 Taxation revenue trends

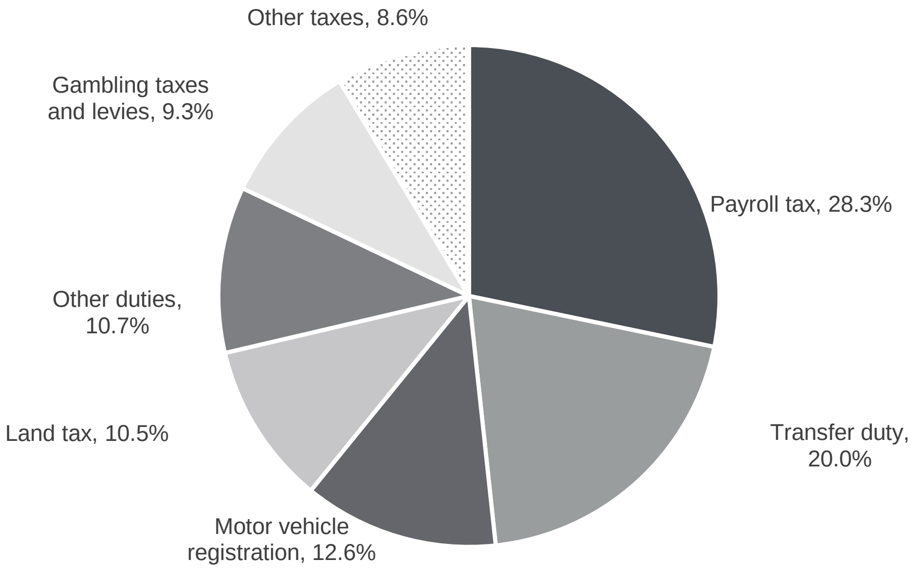
Total revenue growth over the forward estimates is mainly driven by moderate taxation revenue growth, averaging 5.8% over the four years to 2022-23, supported by expected growth in major taxes such as payroll tax, transfer duty and land tax, and by the introduction of the Waste Disposal Levy. Taxation revenue as a proportion of Queensland’s economy will remain stable over this period rising only slightly from 4.0% in 2019-20 to 4.1% in 2022-23, below the recent peak of 4.3% in 2014-15.

4.6 Taxation revenue

Total revenue from taxation is expected to grow by 8.3% in 2019-20, following an estimated increase of 5.7% in 2018-19. Chart 4.4 indicates the composition of estimated State taxation revenue for 2019-20. The largest sources are payroll tax and transfer duty, which together represent around 48.3% of the State’s total taxation revenue in 2019-20.

Payroll tax has a relatively stable base with its growth usually driven by the underlying strength of the economy. Transfer duty can present some variability reflecting residential and non-residential market conditions. While land tax can reflect variability in the property market, this impact is moderated by a relatively stable base and the effect on assessments from three-year averaging of land values.

Chart 4.4 State taxation by tax category, 2019-20[1]



Note:

1. Percentages may not add to 100% due to rounding. ‘Other duties’ includes vehicle registration duty, insurance duty and other minor duties. ‘Other taxes’ includes the Emergency Management Levy, Waste Disposal Levy, guarantee fees and other minor taxes.

Table 4.2 shows the main components of taxation revenue. Increases in 2019-20 are driven by the introduction of the Waste Disposal Levy and other new revenue measures commencing in 2019-20. In addition, 2019-20 is the first full year in which the 15% betting tax applies, which commenced on 1 October 2018. This was introduced in the 2018-19 Budget in response to changing consumer behaviour facilitated by increased use of online and interactive technologies.

Table 4.2 State taxation revenue[1]

	2017-18 Actual $ million	2018-19 Est. Act. $ million	2019-20 Budget $ million	2020-21 Projection $ million	2021-22 Projection $ million	2022-23 Projection $ million
Payroll tax	3,906	4,158	4,284	4,435	4,728	5,107
Duties						
Transfer	3,023	3,049	3,038	3,205	3,383	3,578
Vehicle registration	543	557	583	611	640	670
Insurance[2]	894	957	1,005	1,056	1,108	1,164
Other duties[3]	37	35	36	37	39	40
Total duties	**4,498**	**4,598**	**4,663**	**4,909**	**5,170**	**5,451**
Gambling taxes and levies						
Gaming machine tax	715	733	765	797	832	867
Health Services Levy	85	90	98	107	116	127
Lotteries taxes	256	306	314	322	331	340
Wagering taxes	9	74	101	103	105	108
Casino taxes and levies	104	110	113	117	120	124
Keno tax	20	19	20	21	22	22
Total gambling taxes and levies	**1,190**	**1,331**	**1,410**	**1,466**	**1,526**	**1,588**
Other taxes						
Land tax	1,180	1,331	1,589	1,670	1,744	1,807
Motor vehicle registration	1,770	1,847	1,908	1,977	2,049	2,124
Emergency Management Levy	512	538	559	584	610	637
Waste Disposal Levy	..	..	433	397	413	435
Guarantee fees	138	154	271	291	311	324
Other taxes[4]	51	48	47	48	49	50
Total taxation revenue	**13,244**	**14,005**	**15,164**	**15,777**	**16,601**	**17,525**

Notes:

1. Numbers may not add due to rounding.
2. Includes duty on accident insurance premiums.
3. Includes duty on life insurance premiums.
4. Includes the Statutory Insurance Scheme Levy and Nominal Defendant Levy.

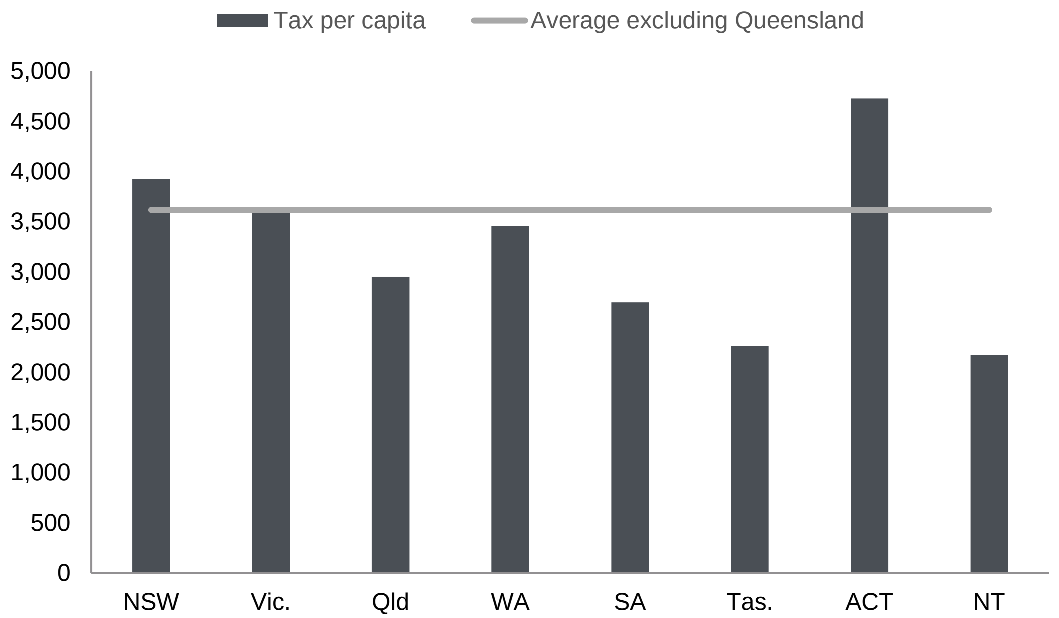
4.6.1 Queensland's competitive tax status

Taxation can impact on business decisions regarding investment and employment, and household investment and home ownership. Maintaining the competitiveness of Queensland's tax system provides a competitive advantage to business and moderates the tax burden for its citizens, and is therefore fundamental to the Government's commitment to job creation and sustainable development.

One of the Government's fiscal principles is to maintain competitive taxation by ensuring General Government Sector own-source revenue remains at or below 8.5% of nominal gross state product (GSP), on average, across the forward estimates. Own-source revenue is the total State revenue less any grants received from external sources, mainly the Australian Government. On average, over the years 2018-19 to 2022-23, General Government own-source revenue is expected to account for 8.1% of nominal GSP, reducing from 8.5% in 2018-19 to 7.9% in 2022-23. Chapter 3 provides more detail on the Government's fiscal principles.

As Chart 4.5 shows, taxation per capita in Queensland is lower than the average taxation per capita in the other states and territories. In 2019-20, it is estimated that Queensland's taxation per capita of $2,952 will be $666 per capita less than the average of other jurisdictions. This is more competitive than 2014-15 when Queensland's taxation per capita was $589 per capita below other jurisdictions.

Chart 4.5 Taxation per capita, 2019-20



Sources: 2019-20 Budgets for all jurisdictions except NSW, where Pre-Election Budget Update is used, and SA where 2018-19 Mid-year Update is used. Population data from 2019-20 Australian Budget.

Table 4.3 demonstrates that the Queensland tax system remains amongst the most competitive in Australia, using various measures of tax competitiveness.

Queensland's tax effort, as measured by the CGC, was 10.9% below the national average in 2017-18. A third measure of competitiveness, taxation as a share of GSP, also confirms that Queensland's taxes are competitive with other states.

The taxation effort metric is based on 2017-18 data from the CGC's 2019 Update using total tax revenue effort for assessed taxes (payroll, transfer duty, land tax, insurance duty and motor vehicle taxes). Revenue raising effort ratios are an indicator of the extent to which governments burden their revenue bases.

Table 4.3 Tax competitiveness

	NSW	Vic.	Qld	WA	SA	Tas.[3]	ACT[4]	NT[3]	Avg[5]
Taxation per capita[1]($)	3,926	3,637	2,952	3,455	2,697	2,264	4,729	2,175	3,618
Taxation effort (%)	103.9	101.7	89.1	101.7	103.9	89.4	95.9	89.7	100.0
Taxation % of GSP[2] (%)	5.2	5.4	3.8	3.3	4.3	3.8	4.3	2.4	4.7

Notes:

1. 2019-20 Budgets for all jurisdictions except NSW, where Pre-Election Budget Update is used, and SA where 2018-19 Mid-year Update is used. Population data from 2019-20 Australian Budget.
2. 2017-18 data. Sources: Australian Bureau of Statistics 5512.0 and ABS 5220.0.
3. Low taxation per capita primarily reflects the lower revenue raising capacity of those jurisdictions.
4. Figures include municipal rates.
5. Weighted average of states and territories, excluding Queensland (aside from taxation effort, which is the average of all states).

4.6.2 Payroll tax

Changes to payroll tax, as discussed in Section 4.3, will benefit small business and support employment growth in businesses. Additionally, the businesses with annual taxable wages greater than $6.5 million will be subject to a slightly higher payroll tax rate.

All regional businesses subject to payroll tax can benefit from the discounted payroll tax rate and those businesses that can demonstrate a net increase in full time employees can benefit from a payroll tax rebate of up to $20,000 per employer per year.

A deduction will be available if an employer's total annual Australian taxable wages are up to $6.5 million. The maximum annual deduction will be $1.3 million which phases out at a rate of $1 for every $4 of taxable wages above the threshold.

The increased payroll tax threshold of $1.3 million is designed to ensure small businesses are subject to either no or minimal payroll tax.

The average annual payroll tax growth is forecast to be 5.3% over the four years to 2022-23, compared to the average of 7.4% over the period from 2002-03 to 2017-18.

4.6.3 Duties

Transfer duty

There are no changes to transfer duty rates in the 2019-20 Budget. Transfer duty is charged at various rates on the transfer of real and business property. The Queensland Government offers extensive concessions for the transfer of land where the property is purchased as a home. For example, eligible home buyers pay a 1% concessional rate on dutiable values up to $350,000, rather than the normal schedule of rates between 1.5% and 3.5%. If a first home buyer purchases a property up to $500,000 they will pay no duty, with reduced rates available up to $550,000.

After growing by 0.9% in 2018-19, revenue from transfer duty is expected to be 0.3% lower in 2019-20. Revenue from transfer duty is expected to grow at an average rate of 4.1% over the four years to 2022-23.

Compared to the 2018-19 Budget forecasts, revenue from transfer duty is expected to be 5.1% lower in 2018-19, and on average around 10% lower in each of the out years.

These revisions are largely due to lower than expected revenue from residential transfer duties compared with the 2018-19 Budget. Revenue from residential transfer duties have been revised down from the 2018-19 Budget by 13% in 2018-19, and 15.6% in 2019-20.

These revisions are driven by a sharp decline in the volume of residential property transactions experienced over the first half of 2018-19, particularly for investors. With transaction volumes appearing to have stabilised over recent months, the scale of transfer duty revisions is much lower than seen in Victoria and New South Wales. This is also partly due to house prices in Queensland remaining relatively stable, compared with significant declines in the southern capitals.

Recent improvement has occurred with auction clearance rates and sale prices in NSW and Victoria showing signs of improvement. Additionally, the RBA's recent cut to its official interest rate by 0.25 percentage points to 1.25% and APRA's decision to ease lending standards may provide some improvement in the market conditions in 2019-20.

The downward revisions in 2018-19 are partially offset by an upward revision to transfer duty from large transactions of 17.1% since the 2018-19 Budget. Following this strong growth in 2018-19 collections, growth in transfer duty from large transactions is expected to normalise in 2019-20 although these transactions can be volatile.

Vehicle registration duty

There are no changes to vehicle registration duty rates in the 2019-20 Budget. Vehicle registration duty is charged on the dutiable value of a motor vehicle on the transfer or initial registration, with a general rate of 2% to 4% dependent on the number of cylinders or rotors of the vehicle. Since 1 July 2018, an additional $2 per $100 of dutiable value applies for vehicles valued above $100,000.

Revenue from vehicle registration duty is expected to grow by 4.7% in 2019-20.

4.6.4 Gambling taxes and levies

There are no changes to gambling tax rates in the 2019-20 Budget. A range of gambling activities are subject to State taxes and levies. Total gambling tax and levy collections are estimated to grow by 5.9% in 2019-20, and 4.5% on average over the four years to 2022-23, with these growth rates supported by increased revenue from the point of consumption tax on betting (betting tax).

4.6.5 Land tax

Land tax is levied on the taxable value of the landowner's aggregated holdings of freehold land owned in Queensland as at midnight on 30 June each year. The landowner's home is exempt.

Resident individuals are generally liable for land tax if the total taxable value of the freehold land owned by that person as at 30 June is equal to or greater than $600,000. Companies, trustees and absentees are liable for land tax if the total taxable value of the freehold land owned as at 30 June is equal to or greater than $350,000.

Land tax is estimated to grow to $1.589 billion in 2019-20 and this includes the impact of new marginal land tax rates for companies and trustees and the changes to the absentee land tax surcharge as outlined in Section 4.4.3.

4.6.6 Waste Disposal Levy

The Waste Disposal Levy, announced in the 2018-19 Budget, will commence on 1 July 2019 and will apply to 39 local government areas, covering more than 90% of the State's population. The waste disposal levy will apply to all general waste streams.

The levy will be set at $75 per tonne for general waste, increasing by $5 per annum for the first three years. Seventy per cent of proceeds from the waste levy will be used for waste programs, environmental priorities and community purposes.

Revenue of around $433 million is expected from the Waste Disposal Levy in 2019-20. This is expected to decline to around $397 million in 2020-21, reflecting expected behavioural changes in waste being disposed of in landfill following the introduction of the levy.

4.6.7 Tax expenditures

Tax expenditures are reductions in tax revenue that result from the use of the tax system as a policy tool to deliver Government policy objectives. Tax expenditures are provided through a range of concessions, including tax exemptions, reduced tax rates, tax rebates, tax deductions and provisions which defer payment of a tax liability to a future period. Appendix B provides details of tax expenditure arrangements currently provided by the Queensland Government.

4.7 Grants

Grants revenue is comprised of Australian Government grants, grants from the community and industry, and other miscellaneous grants. The 2.5% decline in grants revenue in 2019-20 is driven by a decline in GST revenue and other Australian Government grants.

Table 4.4 Grants revenue[1]

	2017-18 Actual $ million	2018-19 Est. Act. $ million	2019-20 Budget $ million	2020-21 Projection $ million	2021-22 Projection $ million	2022-23 Projection $ million
Current grants						
GST revenue grants[2]	15,129	14,441	14,214	14,204	14,907	15,357
Other Australian Government Grants[3]	10,665	12,053	11,534	12,625	12,972	13,543
Other grants and contributions	303	303	255	248	247	248
Total current grants	**26,096**	**26,797**	**26,003**	**27,077**	**28,126**	**29,147**
Capital grants						
Australian Government grants	1,782	1,878	1,997	2,769	2,524	2,242
Other grants and contributions	88	35	4	0	21	14
Total capital grants	**1,870**	**1,913**	**2,000**	**2,769**	**2,545**	**2,256**
Total Australian Government payments	27,576	28,372	27,744	29,597	30,403	31,141
Total grants revenue	**27,965**	**28,709**	**28,003**	**29,846**	**30,670**	**31,404**

Note:

1. Numbers may not add due to rounding.
2. Includes entitlements to payments associated with the ‘no worse off’ guarantee as part of the Australian Government changes to the GST distribution.
3. Queensland Treasury estimates. Differs from Chapter 7 due to the inclusion of direct Australian Government payments to Queensland agencies for Commonwealth own purpose expenditure.

4.7.1 Australian Government payments

Australian Government payments to Queensland in 2019-20 are expected to total $27.744 billion, representing a decrease of $628 million compared to payments in 2018-19. This decrease is driven by a $227 million (1.6%) decrease in GST revenue and a $519 million (4.3%) decrease in other Australian Government grants. This is partially offset by a $119 million (6.3%) increase in Australian Government capital grants.

Queensland is the only state to receive less GST revenue in 2019-20 compared to 2018-19. Queensland's GST revenue will be lower in 2019-20 primarily because the Australian Government has significantly revised down the growth of the GST pool from 2018-19 and accepted the CGC's assessment that Queensland should receive a smaller share. This reflects improved mining royalties, lower natural-disaster-related expenditure, and a greater share of Australian Government grants.

As a result, despite the GST pool continuing to grow, albeit slower, Queensland is the only state to receive less GST revenue in 2019-20 than in 2018-19.

The decline in payments to Queensland for Australian Government grants is primarily due to the redirection of National Disability SPP funding in 2019-20 to the National Disability Insurance Scheme (NDIS).

Other drivers of the reduction in Australian Government grants include:

- the Australian Government making an upfront payment in 2018-19 for a three-year agreement to assist disaster-affected primary producers in North and Far North Queensland; and
- seven non-infrastructure National Partnership Agreements expiring on 30 June 2019.

Chapter 7 provides detailed background on federal-state financial arrangements, including Queensland's share of GST revenue and other Australian Government payments to Queensland.

4.7.2 Other grants and contributions

Other grants and contributions are funds received from other state and local government agencies, other bodies and individuals. Contributions exclude Australian Government grants and user charges. The main sources of contributions are those received from private enterprise and community groups to fund research projects and community services and contributed assets and goods and services received for a nominal amount.

4.8 Royalty revenue

The State earns royalties from the extraction of coal, base and precious metals, bauxite, petroleum and gas, mineral sands and other minerals. Royalties ensure some of the proceeds of the extraction of non-renewable resources are returned to the community. Land rents are also earned from pastoral holdings, and mining and petroleum leases. Royalties and land rents are detailed in Table 4.5.

Table 4.5 Royalties and land rents[1]

	2017-18 Actual $ million	2018-19 Est. Act. $ million	2019-20 Budget $ million	2020-21 Projection $ million	2021-22 Projection $ million	2022-23 Projection $ million
Coal	3,737	4,363	4,339	3,461	3,468	3,604
Petroleum[2]	187	450	577	620	638	630
Other royalties[3]	372	389	538	520	522	510
Land rents	162	163	168	169	172	174
Total royalties and land rents	**4,457**	**5,364**	**5,621**	**4,770**	**4,799**	**4,918**

Notes:

1. Numbers may not add due to rounding.
2. Includes impact of liquefied natural gas (LNG).
3. Includes base and precious metal and other mineral royalties.

While a large proportion of Queensland's royalties and land rents comes from coal mining, the majority of this revenue is attributable to the hard coking coal used in steel production. Lower royalties collected from thermal coal mining reflects the smaller volume of this type of coal mined in Queensland, as well as lower values per tonne of coal and the three-tiered coal royalty rate system, where lower value coal is charged a lower average royalty rate. Compared to coal, petroleum royalties make up a relatively smaller share of total royalties, though petroleum royalties have grown strongly over the last few years due to growth in the LNG industry and a recovery in prices compared to those experienced during 2015-16 and 2016-17.

There is a high degree of uncertainty associated with estimates of commodity prices, which can have significant impacts on royalty revenue. Risks to coal export volumes also have the potential to impact royalty estimates, though changes to export volumes may in turn impact prices. Specific risk factors are considered in developing forecasts and include the level of exposure of mining operations to the risk of natural disasters and the timing of scheduled maintenance for the rail network and ports.

Appendix C outlines key parameter assumptions, and the sensitivity of coal royalty estimates to individual changes in price, volume and exchange rate parameters.

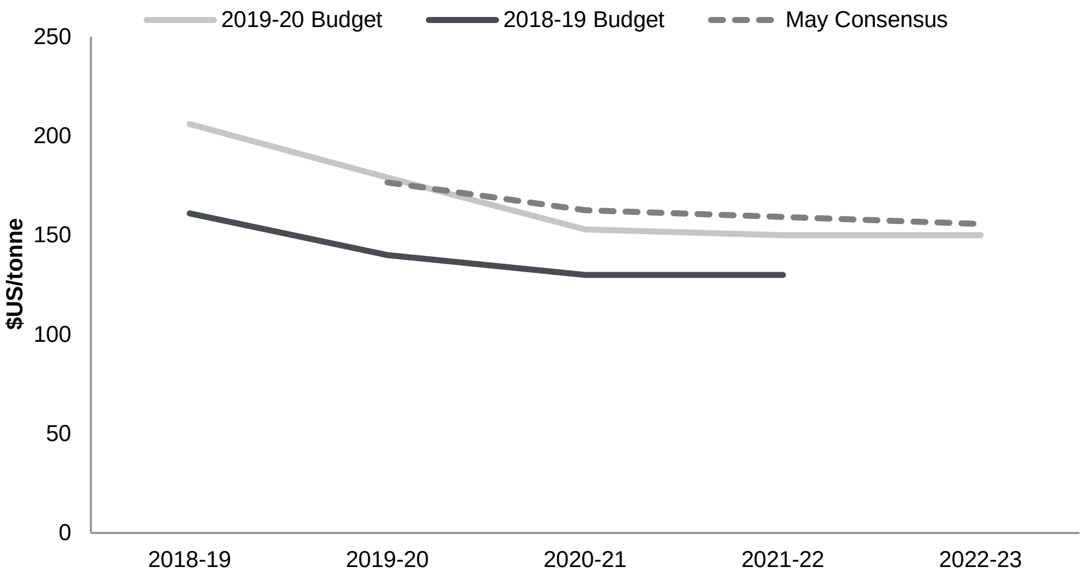
4.8.1 Coal royalties

Coal prices have remained elevated since the development of forecasts for the 2018-19 MYFER. Royalty forecasts in the 2019-20 Budget incorporate ongoing near-term strength in hard coking coal prices, and a gradual trajectory towards a medium-term expectation of US$150 per tonne by the end of 2020.

On a year average basis, the premium hard coking coal price is estimated to have increased 3% in 2018-19 to $US206 per tonne, and is expected to decline by 13% to $US179 per tonne in 2019-20.

Chart 4.6 shows coking coal price forecasts compared to the 2018-19 Budget and average quarterly price from the latest Consensus Economics forecasts. The Australian Government's 2019-20 Budget assumed that the coking coal spot price would decline over the next year to reach US$150 per tonne by the end of the March quarter 2020. Revisions since the 2018-19 Budget are in line with Consensus Economics forecasts in the next few years, with a degree of conservatism in the medium-term.

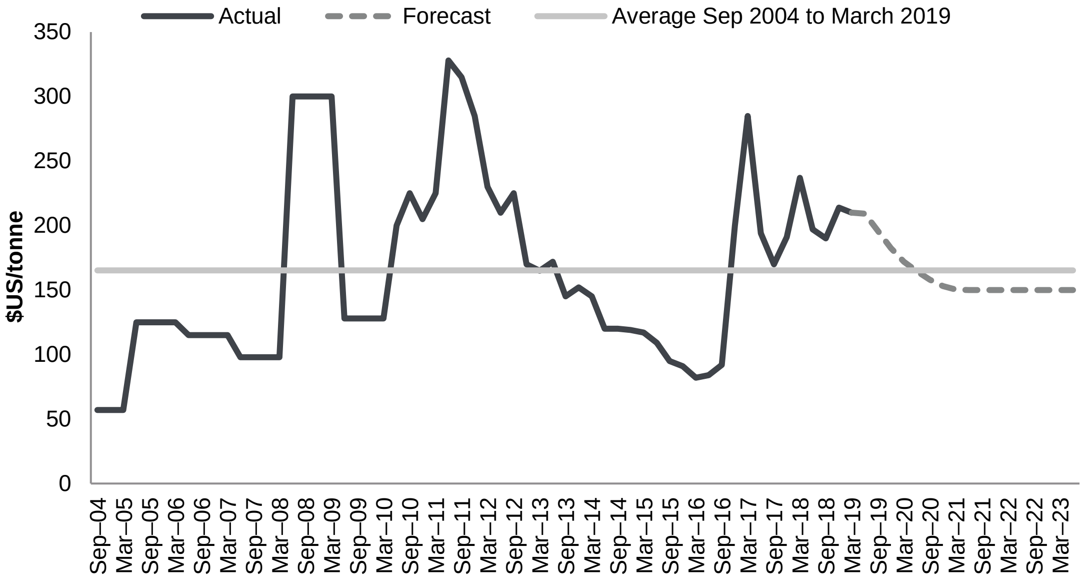
Chart 4.6 Coking coal price forecasts by iteration



The royalty impact of upward revisions to coal prices has been partially offset by downwards revisions to forecasts of coal export tonnages. Lower crown export tonnages are primarily due to a weakened outlook for the industrial production of major economies, but also consider factors such as disruptions to domestic ports and production in early 2019, and a fall in coal imports to China over the first four months of 2019.

Since the 2018-19 MYFER, coal royalty estimates have been revised upwards by $838 million in 2019-20, with smaller uplifts of $265 million in 2020-21 and $296 million in 2021-22.

Chart 4.7 Coking coal price



Sources: Consensus Economics and Queensland Treasury.

4.8.2 Petroleum royalties

Oil prices factor strongly into royalty forecasts, with most of the LNG produced in Queensland sold under long-term contracts linked to oil prices. Since the 2018-19 Budget, estimates of Brent oil prices have been revised down by 5% to $US69 per barrel on average in 2018-19. Downwards revisions to Brent oil price forecasts reflect decreased global growth expectations, decreased global oil demand and increased US stockpiles. From 2019-20 onwards, forecasts of the Brent oil price are largely unchanged compared to the 2018-19 MYFER, and are similar to Consensus Economics forecasts. Volumes for LNG have increased slightly compared to MYFER to reflect recent cargoes.

Significant growth in LNG exports over the last few years is supporting growth in petroleum royalty forecasts. Efforts to support LNG industry growth in Queensland also has broader benefits including job creation, and in turn supports increased revenue collection by the Australian Government.

Petroleum royalties have been revised upwards by $131 million (29%) in 2019-20 since the 2018-19 Budget. This increase mainly reflects the policy decision to increase the rate by 2.5% to 12.5%.

4.8.3 Other royalties

Other royalties include revenue from metals mined in Queensland such as copper, lead and zinc and other minerals including bauxite. Revenue from other royalties is expected to grow 38.4% in 2019-20, supported by increased metals volumes, with flooding in North Queensland impacting volumes in 2018-19. Adjusting for the impact of the floods on volumes in 2018-19, volumes for these minerals are still expected to be higher on average in 2019-20 than in 2018-19, primarily reflecting production ramping up in recently started mines.

4.8.4 Land rents

Revenue from land rents derived from mining and petroleum leases and pastoral holdings are expected to grow 3.0% in 2019-20.

4.9 Sales of goods and services

Sales of goods and services revenue comprises cost recoveries from providing goods or services. Table 4.6 provides a breakdown of the category.

The Government provides concessions in the form of discounts, rebates and subsidies to improve access to and the affordability of a range of services for individuals or families, based on eligibility criteria relating to factors such as age, income and special needs or disadvantage. Appendix A provides details of the concession arrangements provided by the Queensland Government.

Table 4.6 Sales of goods and services[1]

	2017-18 Actual $ million	2018-19 Est. Act. $ million	2019-20 Budget $ million	2020-21 Projection $ million	2021-22 Projection $ million	2022-23 Projection $ million
Fee for service activities	2,429	2,298	2,277	2,294	2,300	2,301
Public Transport: South East Queensland	343	356	377	387	401	416
Rent revenue	561	596	630	673	714	749
Sale of land inventory	48	53	77	114	105	80
Hospital fees	825	873	875	887	899	912
Transport and traffic fees	432	450	469	485	502	519
Other sales of goods and services	1,246	1,242	1,298	1,349	1,387	1,411
Total	**5,884**	**5,869**	**6,004**	**6,190**	**6,307**	**6,389**

Note:

1. Numbers may not add due to rounding.

4.9.1 Fee for service activities

Major items of fee for service activities across the General Government Sector include:

- recoverable works carried out by the Department of Transport and Main Roads and the commercialised arm of the department
- fees charged by Technical and Further Education (TAFE) colleges
- fees charged by CITEC to commercial clients for information brokerage services.

4.9.2 Other sales of goods and services

As shown in Table 4.6, there are a variety of other types of sales of goods and services. These include revenue from public transport ticketing arrangements, rent or lease of government property, hospital fees, transport and traffic fees, title registration fees and other licences and permits.

4.10 Interest income

Interest income primarily comprises interest earned on investments, including those held for superannuation and insurance purposes.

Interest income is estimated to account for 3.5% of total General Government Sector revenue in 2019-20. Consistent with previous budgets, interest income is expected to decline on average between 2018-19 and 2022-23 due to a reduction in the portfolio of financial assets held for defined benefit superannuation.

4.11 Dividend and income tax equivalent income

Dividend and income tax equivalent income accounts for 3.7% of total General Government Sector revenue in 2019-20.

Estimated revenue from dividend and income tax equivalent income in 2018-19 has been revised upwards by $444 million since the 2018-19 Budget, supported by increased earnings from electricity generation and network businesses.

In 2019-20, dividend and income tax equivalent income is expected to decline $424 million compared to 2018-19, driven by the electricity generation and network businesses.

Dividend and income tax equivalent income is expected to decline over the four years to 2022-23 (reaching a low in 2021-22), driven by reductions in dividend returns from the electricity network, electricity generation and water sectors. Factors include:

- revised assumptions for revenue performance under the next regulatory period for Energy Queensland Limited
- revised generation business assumptions for wholesale electricity prices.

Trends in dividends and income tax equivalent income are discussed in more detail in Chapter 8.

4.12 Other revenue

Other revenue, including royalty revenue, accounts for 11.3% of total General Government Sector revenue in 2019-20. Royalties themselves account for 9.0% of revenue in 2019-20, and are discussed in section 4.7.

The major fines and infringements included in this category are issued by the Department of Transport and Main Roads (DTMR) and Queensland Police Service (QPS), incorporating fixed and mobile camera offences, speeding and tolling offences.

Revenue from fines and forfeitures are expected to grow by 7.9% in 2019-20, with the expected growth in fines revenue due to increases in enforcement hours and the deployment of additional cameras in coming years.

Revenue not elsewhere classified includes assets contributed to the State and payments received for works delivered on behalf of government-owned corporations.

Table 4.7 Other revenue[1]

	2017-18 Actual $ million	2018-19 Est. Act. $ million	2019-20 Budget $ million	2020-21 Projection $ million	2021-22 Projection $ million	2022-23 Projection $ million
Royalties and land rents	4,457	5,364	5,621	4,770	4,799	4,918
Fines and forfeitures	411	443	478	532	557	589
Revenue not elsewhere classified	818	768	738	955	1,015	910
Total other revenue	**5,685**	**6,575**	**6,837**	**6,257**	**6,372**	**6,417**

Note:

1. Numbers may not add due to rounding.