4 Revenue

Features

- Total General Government Sector revenue is estimated to be $58.259 billion in 2017-18, $2.065 billion (or 3.7%) higher than in 2016-17 and $2.390 billion (or 4.3%) higher than estimated in the 2017-18 Budget. Higher than budgeted revenue growth in 2017-18 is due to increased revenue from royalties resulting from higher coal prices and increased GST and other revenue from the Australian Government.
- Australian Government payments to Queensland in 2018-19 are expected to total $27.411 billion, representing a decrease of $694 million compared to payments in 2017-18.
- Total General Government Sector revenue is estimated to be $57.738 billion in 2018-19. The decrease of $521 million (or 0.9%) from 2017-18 is largely due to reduced Australian Government grants and lower dividend and income tax equivalent income.
- Total revenue is expected to grow at an average rate of 2.1% over the five years to 2021-22. Revenue growth over this period is supported by average annual growth in taxation of 5.3% and current grants of 3.0% but is also affected by declining royalties as coal prices return to medium-term levels, lower interest income due to a reduction in the portfolio of financial assets held and lower dividends.
- Queensland will maintain its competitive tax status, with per capita state tax estimated at $2,808 in 2018-19, compared to an average of $3,683 for the other states and territories. Taxation as a proportion of Queensland’s economy will be 3.9% in 2018-19, down from the five-year peak of 4.3% in 2014-15.
- The Government will introduce a Waste Disposal Levy of $70 per tonne from the first quarter of 2019, as part of a comprehensive waste management strategy.
- The payroll tax rebate for apprentices and trainees will continue at the increased rate of 50% for an additional 12 months, until 30 June 2019.
- New revenue measures to fund election commitments were announced in the 2017-18 MYFER and include a 0.5% increase to the land tax rate above $10 million, increased Additional Foreign Acquirer Duty from 3% to 7%, increased duty for premium light passenger vehicles valued above $100,000 and a 15% point of consumption tax on betting operators.

4.1 2017-18 estimated actual

General Government Sector revenue in 2017-18 is estimated to be $58.259 billion, which is $2.390 billion (or 4.3%) more than the 2017-18 Budget estimate. Significant variations from the 2017-18 Budget estimates include:

- a $1.012 billion (or 29.2%) increase in revenue from royalties and land rents, mainly resulting from higher coal prices continuing for longer than expected in the 2017-18 Budget
- a $851 million (or 3.1%) increase in grants, driven by increased GST due to a larger GST pool, and other revenue from the Australian Government, partially offset by lower than anticipated capital grants
- a $629 million (or 30.6%) increase in dividend and income tax equivalent income, supported by increased earnings from electricity generation and network businesses. Queensland's ownership of its electricity assets enables the Government to reinvest dividends to improve affordability through the Affordable Energy Plan.

These increases were partially offset by lower than estimated revenue from sales of goods and services.

Table 4.1 General Government Sector revenue[1]

	2016-17 Actual $ million	2017-18 Budget $ million	2017-18 Est. Act. $ million	2018-19 Budget $ million	2019-20 Projection $ million	2020-21 Projection $ million	2021-22 Projection $ million
Taxation revenue	12,919	13,298	13,284	14,155	15,184	15,951	16,722
Sales of goods and services	5,642	6,067	5,861	5,731	5,947	6,074	6,306
Interest income	2,336	2,330	2,323	2,201	2,078	1,861	1,855
Grants revenue							
Current grants	24,540	25,299	26,583	26,001	26,189	27,059	28,402
Capital grants	2,843	2,332	1,898	1,700	1,967	2,002	1,985
Dividend and income tax equivalent income							
Dividends	1,693	1,453	1,877	1,552	1,407	1,293	1,229
Income tax equivalent income	997	604	809	666	669	617	558
Other revenue							
Royalties and land rents	4,000	3,472	4,484	4,615	4,260	3,904	4,011
Other	1,222	1,015	1,139	1,118	1,135	1,178	1,202
Total revenue	**56,194**	**55,869**	**58,259**	**57,738**	**58,835**	**59,939**	**62,269**

Note:

1. Numbers may not add due to rounding.

4.2 2018-19 revenue by category

General Government Sector revenue in 2018-19 is estimated to be $57.738 billion, $521 million (or 0.9%) lower than the 2017-18 estimated actual revenue of $58.259 billion. The revenue reduction in 2018-19 reflects a range of factors, including:

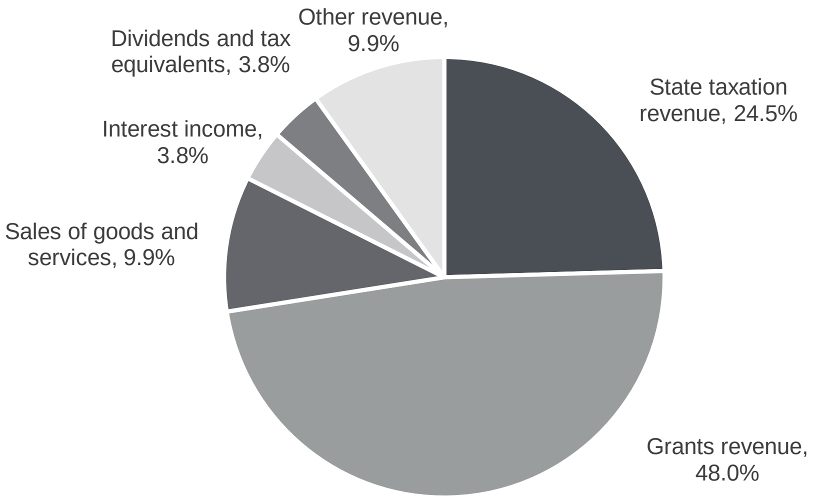
- Revenue from the Australian Government is expected to be $694 million lower in 2018-19 than in 2017-18, due to a decline in Queensland's GST revenue sharing relativity and reduced payments for specific purposes.
- Dividends and income tax equivalent income are forecast to be $469 million lower in 2018-19. Further information on these revenues can be found in Chapter 8.

Partially offsetting these decreases are moderate growth in taxation revenue (6.6%), supported by growth in the payroll tax and land tax base and new policy measures including the Waste Disposal Levy.

After increasing 11.6% in 2017-18, royalties are expected to increase 2.8% in 2018-19. While coal royalties are expected to decline 6.5% in 2018-19 due to declining hard coking coal prices, this reduction is expected to be offset by increased revenue from petroleum (including LNG) and other minerals. Trends in factors affecting royalty revenue are discussed in section 4.7.

Major sources of General Government Sector revenue in 2018-19 are grants revenue (48.0%) and taxation revenue (24.5%). 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, 2018-19[1]



Notes:

1. Numbers may not add due to rounding.
2. The major component of other revenue is royalties and land rents (8.0% of total revenue)

4.3 2018-19 Budget initiatives

4.3.1 Extension of increased payroll tax rebate for apprentices and trainees

The Government is continuing the payroll tax rebate on the wages of apprentices and trainees at the increased rate of 50% until 30 June 2019. This rebate is in addition to their wages being exempt and will be used as an offset against payroll tax payable on the wages of other employees.

The rebate extension is estimated to reduce revenue by $26 million in 2018-19.

4.3.2 Waste Disposal Levy

The Government is committed to developing a comprehensive waste management strategy with a key component being the implementation of a Waste Disposal Levy. The levy will improve recycling outcomes and address interstate transportation of waste to Queensland.

The Waste Disposal Levy will commence in the first quarter of 2019 and will initially be set at $70 per tonne (higher for regulated waste) and increase by $5 per tonne per annum.

4.3.3 2017-18 MYFER measures

The 2017-18 MYFER outlined new revenue measures, including:

- a 0.5% increase in the land tax rate for aggregated holdings above $10 million
- an increase in Additional Foreign Acquirer Duty (AFAD) from 3% to 7%
- an increase of $2 per $100 of dutiable value for premium light passenger vehicles
- a 15% point of consumption tax on the net wagering revenue of betting operators licenced in Australia from bets placed in Queensland.

Land tax, AFAD and motor vehicle duty measures will apply from 1 July 2018. The point of consumption betting tax will apply from 1 October 2018, and is discussed further in section 4.5.4.

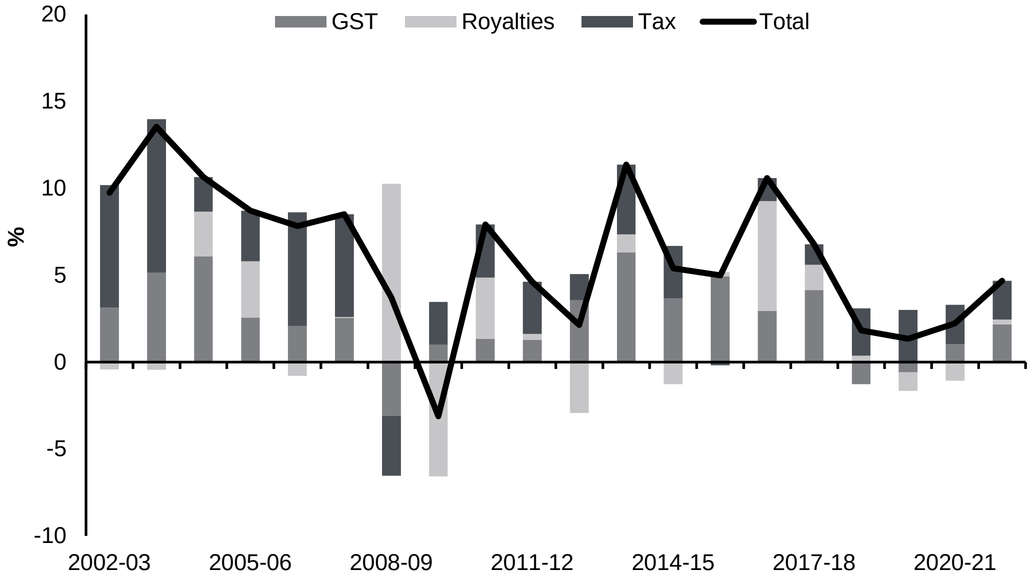
Further detail on these measures, including expected additional revenue, is included in Budget Paper 4 *Budget Measures*.

4.4 Queensland's revenue trends

Chart 4.2 examines the contribution of the key revenue sources of GST, taxation and royalties to revenue growth. GST was the largest driver of growth in 2017-18, due to increases in both the GST pool distributed to states and Queensland's share of the pool as determined by the Commonwealth Grants Commission. In 2018-19, taxation revenue contributes the largest proportion to growth, with a smaller increase to royalties expected as increasing petroleum royalty revenue is partially offset by decreasing coal royalties. Lower GST revenue is expected in 2018-19 compared to 2017-18, due to Queensland receiving a reduced share of the GST pool.

Total revenue growth, which is mainly driven by these three sources, is estimated to be 2.1% on average over the five years to 2021-22. This is far lower than the 7.6% average growth over the last fifteen years to 2016-17.

Chart 4.2 Contribution to growth of key revenues[1]



Note:

1. Annual percentage point contribution to growth of the aggregate of three categories (GST, royalties and taxes). Total is the annual % growth in revenues of the aggregate of the three categories.

Total revenue growth over the forward estimates is mainly driven by moderate taxation revenue growth, averaging 5.3% over the five years to 2021-22, supported by expected growth in major taxes such as payroll tax, transfer duty and land tax, and also 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 3.9% in 2018-19 to 4.0% in each year to 2021-22, below the recent peak of 4.3% in 2014-15.

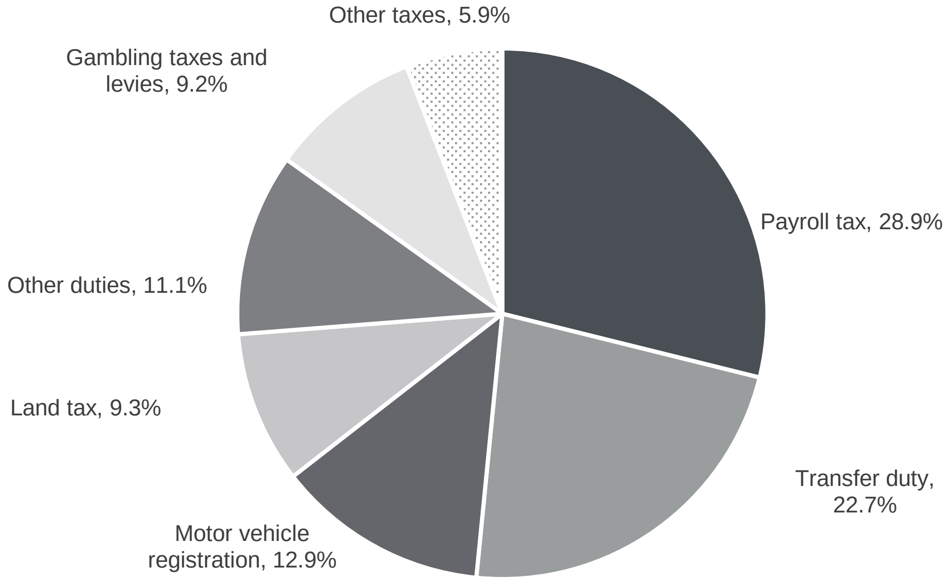
Total royalty revenue is expected to decline in 2019-20 and 2020-21 in line with declining coal prices. GST revenue increased by 9.1% in 2017-18, but is expected to decline in 2018-19 and

2019-20 due to Queensland's share of the GST pool reducing, with modest growth forecast from 2020-21 as the GST pool increases. Over the four years to 2021-22, GST revenue growth is expected to average 0.8% per year.

4.5 Taxation revenue

Total revenue from taxation is expected to grow by 6.6% in 2018-19, following an estimated increase of 2.8% in 2017-18. Chart 4.3 indicates the composition of estimated State taxation revenue for 2018-19. The largest sources are payroll tax and transfer duty, which together represent around 52% of the State's total taxation revenue in 2018-19.

Chart 4.3 State taxation by tax category, 2018-19[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.

Table 4.2 State taxation revenue[1]

	2016-17 Actual $ million	2017-18 Est. Act. $ million	2018-19 Budget $ million	2019-20 Projection $ million	2020-21 Projection $ million	2021-22 Projection $ million
Payroll tax	**3,695**	**3,887**	**4,086**	**4,312**	**4,574**	**4,850**
Duties						
Transfer	3,278	3,090	3,214	3,396	3,578	3,768
Vehicle registration	514	543	592	621	651	682
Insurance[2]	854	900	945	992	1,042	1,094
Other duties[3]	37	34	35	37	39	40
Total duties	**4,684**	**4,567**	**4,786**	**5,046**	**5,309**	**5,584**
Gambling taxes and levies						
Gaming machine tax	684	718	750	784	819	819
Health Services Levy	73	85	93	103	113	124
Lotteries taxes	241	258	266	274	282	291
Betting taxes[4]	10	10	71	96	99	101
Casino taxes and levies	98	103	106	109	113	113
Keno tax	20	20	21	21	22	23
Total gambling taxes and levies	**1,127**	**1,194**	**1,307**	**1,388**	**1,448**	**1,471**
Other taxes						
Land tax	1,082	1,183	1,313	1,368	1,433	1,512
Motor vehicle registration	1,681	1,755	1,829	1,892	1,961	2,032
Emergency Management Levy	484	509	536	559	583	609
Waste Disposal Levy	..	..	101	406	408	408
Guarantee fees[5]	115	139	150	165	186	206
Other taxes[6]	52	51	48	49	50	51
Total taxation revenue	**12,919**	**13,284**	**14,155**	**15,184**	**15,951**	**16,722**

Notes:

1. Numbers may not add due to rounding.
2. Includes duty on accident insurance premiums.
3. Includes duty on life insurance premiums.
4. Does not account for allocation of proceeds subject to commercial-in-confidence negotiations, for example, the quantum of compensation to Racing Queensland for impacts from implementation of the betting tax.
5. Includes competitive neutrality fees charged to government-owned corporations.
6. Includes the Statutory Insurance Scheme Levy and Nominal Defendant Levy.

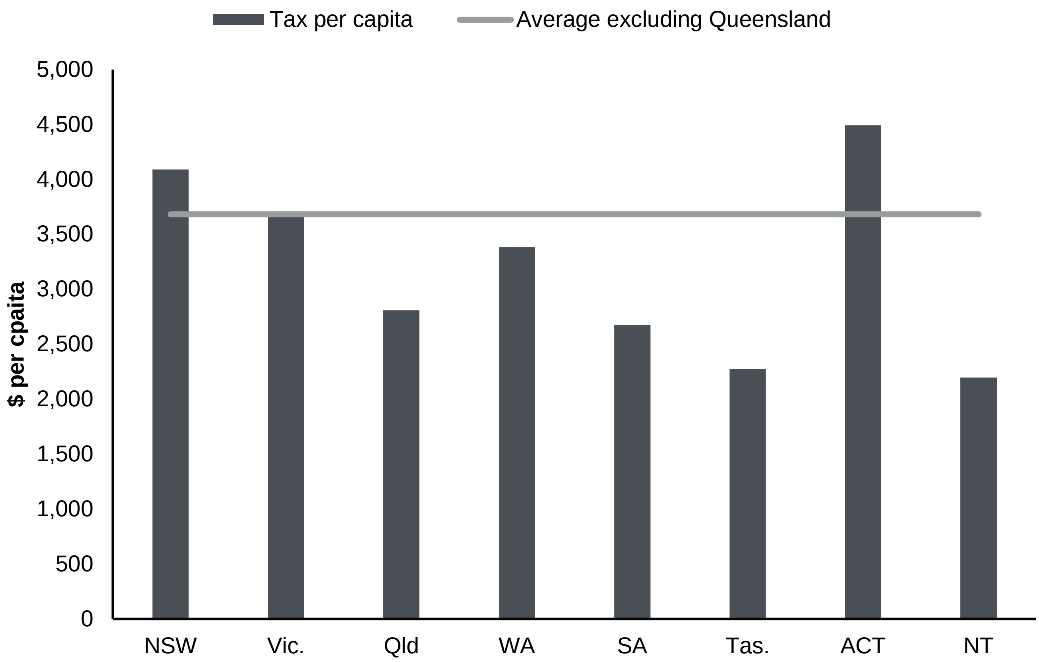
4.5.1 Queensland's competitive tax status

Taxation can impact on business decisions regarding investment and employment, and also 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. This principle is expected to be met over the forward estimates period, with own-source revenue below 8.5% of GSP. Chapter 3 provides more detail on the Government's fiscal principles.

As Chart 4.4 shows, taxation per capita in Queensland is significantly lower than the average taxation per capita in the other states and territories. In 2018-19, it is estimated that Queensland's taxation per capita of $2,808 will be $875 per capita less than the average of other jurisdictions.

Chart 4.4 Taxation per capita, 2018-19



Sources: 2018-19 Budget for all jurisdictions except New South Wales, South Australia and Tasmania where 2017-18 mid-year updates are used. Population estimates from the 2018-19 Commonwealth 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 Commonwealth Grants Commission, was 14.9% below the national average in 2016-17. A third measure of competitiveness, taxation as a share of GSP, also confirms that Queensland's taxes are competitive with other states.

Table 4.3 Queensland's tax competitiveness

	NSW	Vic.	Qld	WA	SA	Tas.[4]	ACT[5]	NT[4]	Avg[6]
Taxation per capita[1]($)	4,090	3,686	2,808	3,382	2,674	2,277	4,518	2,198	3,683
Taxation effort[2] (%)	103.9	105.0	85.1	102.4	102.8	89.3	97.3	84.2	100.0
Taxation % of GSP[3] (%)	5.4	5.3	4.0	3.4	4.3	3.8	4.4	2.3	4.9

Notes:

1. 2018-19 data. Sources: 2018-19 Budget for all jurisdictions except New South Wales, South Australia and Tasmania, where 2017-18 mid-year updates are used. Population data from Commonwealth 2018-19 Budget.
2. 2016-17 data. Source: Commonwealth Grants Commission 2018 Update - 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.
3. 2016-17 data. Sources: *Australian Bureau of Statistics 5506.0 and ABS 5220.0*.
4. Low taxation per capita primarily reflects the lower revenue raising capacity of those jurisdictions.
5. Figures include municipal rates.
6. Weighted average of states and territories, excluding Queensland (aside from taxation effort, which is the average of all states).

4.5.2 Payroll tax

The overall payroll tax rate of 4.75% is the lowest in Australia and the exemption threshold of $1.1 million is the highest threshold of any mainland state. Queensland employers with total yearly Australian taxable wages between $1.1 million and $5.5 million also obtain a partial deduction, with the deduction withdrawn at a rate of $1 in every $4 of taxable wages.

In addition to the wages of eligible apprentices and trainees being exempt from payroll tax, a 25% payroll tax rebate was applied to these wages from 1 July 2015. To offer an added incentive for businesses to employ apprentices and trainees, the rebate was increased to 50% from 1 July 2016 to 30 June 2018. In this Budget, the increased rebate has been extended a further 12 months, and will provide additional support to businesses employing apprentices and trainees to 30 June 2019.

Payroll tax collections are estimated to be $4.086 billion in 2018-19, representing growth of 5.1% on 2017-18. The 2017-18 estimated actual is 1.8% higher than forecast in the 2017-18 Budget, with key sectors such as construction, manufacturing and mining and associated industries contributing to growth for the first time in two years.

The average annual payroll tax growth is forecast to be 5.6% over the five years to 2021-22, compared to the average of 7.8% over the period from 2001-02 to 2016-17.

4.5.3 Duties

Duties are levied on a range of financial and property transactions. The major duties include transfer, vehicle registration and insurance duties.

Transfer duty

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% for those values. 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.

Revenue from transfer duty is expected to be 4.0% higher in 2018-19 than in 2017-18. This follows a fall of 5.7% in 2017-18 that was largely due to a reduction in large non-residential transactions. Growth in 2018-19 is expected to be driven by modest growth in residential and non-residential transactions and the 1 July 2018 rate increase for additional foreign acquirer duty.

Over the five years to 2021-22, transfer duty is estimated to grow by 2.8% on average per annum.

Vehicle registration duty

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. From 1 July 2018, an additional $2 per $100 of dutiable value will be applied for vehicles valued above $100,000.

Revenue from vehicle registration is expected to grow by 9.1% in 2018-19 following growth of 5.6% in 2017-18, with the higher growth due to the introduction of the premium motor vehicle duty from 1 July 2018.

4.5.4 Gambling taxes and levies

A range of gambling activities are subject to State taxes and levies. Total gambling tax and levy collections are estimated to grow by 9.5% in 2018-19, and 5.5% on average over the five years to 2021-22, with these growth rates supported by increased revenue from the new point of consumption tax on betting (betting tax).

Responding to changing consumer behaviour facilitated by increased use of online and interactive technologies, a 15% betting tax will apply from 1 October 2018. The revised date for commencement allows for industry preparation for commencement of the tax, post enactment. Forecasts as at the 2017-18 MYFER were based on the betting tax applying to online wagering only and before allocation of proceeds. Some of these allocations are subject to commercial-in-confidence discussions/negotiation.

The betting tax will be implemented in line with other states and territories including South Australia, Victoria, and the Australian Capital Territory. As such, the tax will apply to the net wagering revenue of betting operators licensed in Australia from bets placed by customers in Queensland. This change, and the gross revenue amount excluding allocations of proceeds subject to commercial-in-confidence discussions/negotiation, account for the increased gross revenue from this tax since the 2017-18 MYFER.

Smaller betting operators will not incur a betting tax liability as the rate of 15% applies to taxable wagering revenue exceeding an annual tax-free threshold amount of $300,000. No tax will be paid on a betting operator's revenue up to and including $300,000 in a financial year. Reconciliation against the threshold in the annual return, and refund provisions for any overpayment, will ensure this. In 2018-19 there will be a proportionate reduction of the tax-free threshold to reflect the 1 October commencement. The new point of consumption betting tax replaces the existing place of supply wagering tax that applied only to the sole retail wagering licensee in Queensland.

4.5.5 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 principal place of residence is deducted from the value.

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 by 11% to $1.313 billion in 2018-19, largely due to the new marginal tax rate on land holdings above $10 million from 1 July 2018, along with growth in land values in recent years.

4.5.6 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.

4.6 Grants

Grants revenue is comprised of Australian Government grants, grants from the community and industry, and other miscellaneous grants. The 2.7% decline in grants revenue in 2018-19 is driven by a decline in GST revenue and payments for specific purposes from the Commonwealth.

Table 4.4 Grants revenue[1]

	2016-17 Actual $ million	2017-18 Est. Act. $ million	2018-19 Budget $ million	2019-20 Projection $ million	2020-21 Projection $ million	2021-22 Projection $ million
Current grants						
GST revenue	13,939	15,210	14,794	14,598	14,946	15,699
Other Australian Government grants	10,302	11,066	10,950	11,333	11,862	12,454
Other grants and contributions	299	307	257	258	251	249
Total current grants	**24,540**	**26,583**	**26,001**	**26,189**	**27,059**	**28,402**
Capital grants						
Australian Government grants	2,742	1,828	1,667	1,957	1,993	1,935
Other grants and contributions	101	70	33	10	9	50
Total capital grants	**2,843**	**1,898**	**1,700**	**1,967**	**2,002**	**1,985**
Total Australian Government[2]	26,983	28,105	27,411	27,888	28,802	30,088
Total grants revenue	**27,383**	**28,481**	**27,701**	**28,156**	**29,062**	**30,387**

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.

4.6.1 Australian Government payments

Australian Government payments to Queensland in 2018-19 are expected to total $27.411 billion, representing a decrease of $694 million compared to payments in 2017-18. This decrease is made up of a $415 million (2.7%) decrease in GST revenue and a $278 million (2.2%) decrease in total payments for capital and other Australian Government grants.

The decline in GST revenue is due to Queensland receiving a reduced share of the GST pool in 2018-19, based on Commonwealth Grants Commission recommendations. The decrease in payments for specific purposes is mainly due to lower national partnership (NP) payments, particularly the cessation of the National Partnership on Remote Housing.

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

4.6.2 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.

4.7 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]

	2016-17 Actual $ million	2017-18 Est. Act. $ million	2018-19 Budget $ million	2019-20 Projection $ million	2020-21 Projection $ million	2021-22 Projection $ million
Coal	3,405	3,768	3,522	3,135	2,774	2,866
Petroleum[2]	98	188	447	446	438	450
Other royalties[3]	376	371	479	506	515	506
Land rents	122	157	167	172	178	189
Total	**4,000**	**4,484**	**4,615**	**4,260**	**3,904**	**4,011**

Notes:
1. Numbers may not add due to rounding.
2. Includes CSG.
3. Includes base and precious metals and other minerals royalties.

The largest factor affecting upwards revisions to royalties since the 2017-18 Budget is the continued strength in the hard coking coal price, resulting in a significant uplift to price assumptions across 2018-19 and a more gradual return to a medium-term price assumption. While royalty revenue estimates in the 2017-18 MYFER were based on an expectation the hard coking coal price would decline from the end of 2017, prices increased further in the first few months of 2018 before declining on average between March and May 2018. Prices are expected to continue to progressively decline to a medium-term price of $US130/t.

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. For 2018, the potential for reduced throughput over the Aurizon Network following the economic regulator's draft decision on the 2017 Draft Access Undertaking is also a consideration, although any impact is not expected to be significant and coal exports are expected to be higher overall in 2018-19. Appendix C outlines the sensitivity of coal royalty estimates to individual changes in price, volume and exchange rate parameters.

At the same time, the contribution of royalties to overall revenue growth and volatility is limited by its quantum. Royalties make up 7.7% of total revenue in 2018-19, compared to 24.5% for state taxes and 25.6% for GST.

Royalty revenue exceeded the previous 2008-09 peak for the first time in 2016-17, and increased by a further 11.6% in 2017-18 as coal prices remained strong and petroleum (including LNG) royalties increased.

While royalties are expected to grow modestly in 2018-19, a gradual decline of 3.1% is expected per year on average over the four years to 2021-22. While the coal price is expected to decline 9.9% per year on average as it returns to medium-term levels, total royalties are expected to be supported by growth in other factors, such as coal volumes and stronger petroleum revenue from increased Brent oil prices.

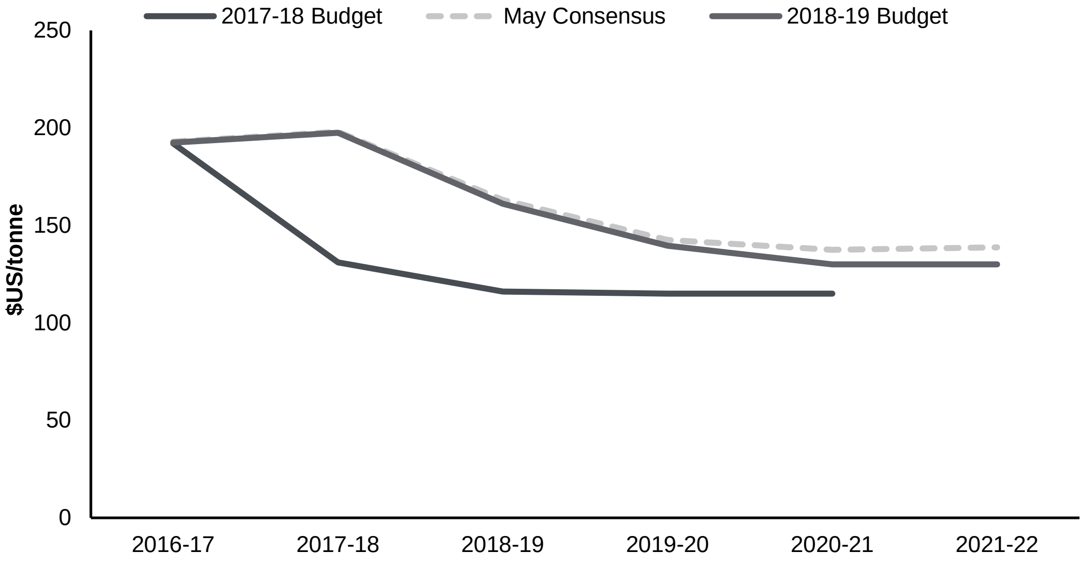
Assumptions underlying the royalty estimates, and the sensitivity of royalty estimates to changes in the assumptions are contained in Appendix C.

4.7.1 Coal Royalties

Chart 4.5 shows coking coal price forecasts compared to the 2017-18 Budget and average quarterly price from the latest Consensus Economics forecasts. Consensus Economics is a monthly survey of more than 40 energy and metals analysts outlining their price forecasts for a range of commodities. The Australian Government's 2018-19 Budget assumed that the coking coal spot price would fall over the June and September quarters of 2018 to reach US$120 per tonne by the December 2018 quarter.

Revisions since the 2017-18 Budget are in line with Consensus Economics forecasts in the next few years, with a degree of conservatism in the medium-term.

Chart 4.5 Coking coal price forecasts by iteration[1]

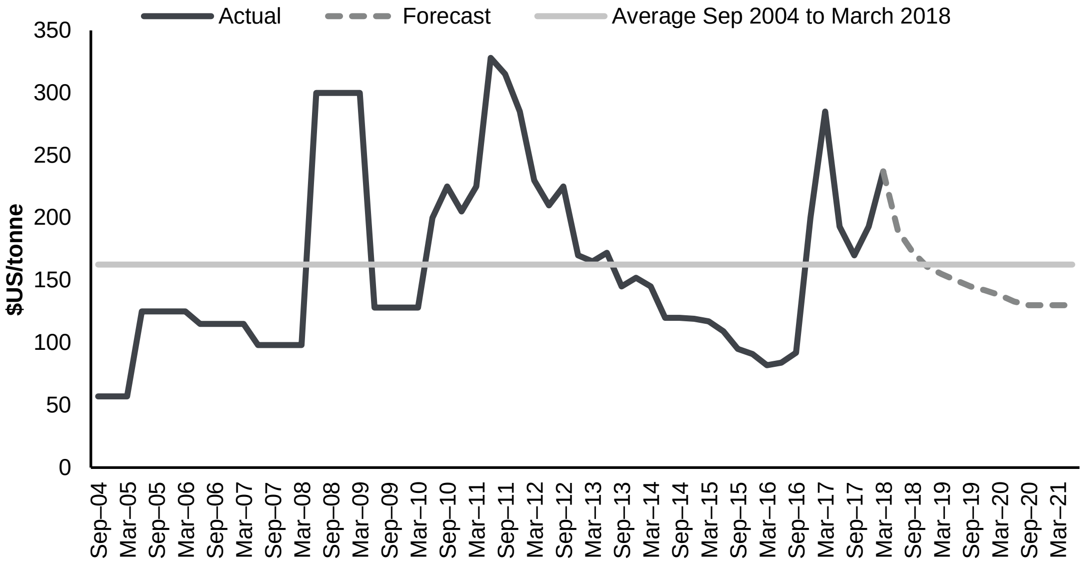


Sources: Queensland State Budget 2017-18 and 2018-19 and Consensus Economics Energy and Metals May 2018.

Hard coking coal prices increased sharply in the second half of 2016, driven by factors such as a program of rationalisation for China's coal production, as well as logistical bottlenecks and seaborne supply constraints. Across 2017, coal prices remained above the historical average shown in Chart 4.6 but displayed moderate volatility, declining rapidly in the early months of 2017 but increasing again following Severe Tropical Cyclone Debbie. While strengthening global economic conditions are supporting a continued strength in coal prices during 2018, royalty forecasts incorporate a gradual decline in coal prices to $US130/t by 2020-21.

On a year average basis, the premium hard coking coal price is estimated to increase 2.6% in 2017-18 to $US198 per tonne, and is expected to decline 18.5% to $US161 per tonne in 2018-19.

Chart 4.6 Coking coal price



Source: Consensus Economics and Queensland Treasury.

4.7.2 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 2017-18 Budget, estimates of Brent oil prices have been revised up by 28.8% to $US73 per barrel on average in 2018-19. Prices are expected to moderate from current levels as the impact of temporary factors affecting supply is reduced, leading to smaller royalty increases in 2019-20 and 2020-21. Oil prices are expected to remain steady from 2019-20, consistent with expectations for production and consumption remaining at similar levels. Forecasts of the Brent oil price are detailed in Appendix C and are similar to Consensus Economics forecasts. Forecasts of LNG volumes are similar to the 2017-18 Budget.

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 up by $253 million in 2018-19 since the 2017-18 Budget, mainly resulting from increased Brent oil prices. The value of coal seam gas, which is largely based on export LNG prices less allowable deductions, has meant that increased oil prices have had a proportionally larger impact on petroleum royalties.

4.7.3 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 29.0% in 2018-19, supported by a stronger outlook for base and precious metals prices. This follows small declines of 1.4% in 2016-17 and 1.2% in 2017-18.

4.7.4 Land rents

Revenue from land rents derived from mining and petroleum leases and pastoral holdings are expected to grow 6.1% in 2018-19.

4.8 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]

	2016-17 Actual $ million	2017-18 Est. Act. $ million	2018-19 Budget $ million	2019-20 Projection $ million	2020-21 Projection $ million	2021-22 Projection $ million
Fee for service activities	2,370	2,377	2,135	2,221	2,199	2,202
Public Transport: South East Queensland	356	338	344	353	362	363
Rent revenue	533	577	597	628	661	830
Sale of land inventory	65	52	59	66	97	98
Hospital fees	794	859	879	892	907	919
Transport and traffic fees	398	426	448	467	485	504
Other sales of goods and services	1,127	1,233	1,269	1,320	1,363	1,390
Total	**5,642**	**5,861**	**5,731**	**5,947**	**6,074**	**6,306**

Note:

1. Numbers may not add due to rounding.

4.8.1 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.

4.8.2 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.

4.9 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 3.8% of total General Government Sector revenue in 2018-19. Consistent with the 2017-18 Budget, interest income is expected to decline between 2017-18 and 2021-22 due to a reduction in the portfolio of financial assets held for defined benefit superannuation and in the Queensland Government Insurance Fund.

4.10 Dividend and income tax equivalent income

Dividend and income tax equivalent income accounts for 3.8% of total General Government Sector revenue in 2018-19.

Estimated revenue from dividend and income tax equivalent income in 2017-18 has been revised upwards by $629 million since the 2017-18 Budget, supported by increased earnings from electricity generation and network businesses. In 2018-19, dividend and income tax equivalent income is expected to decline $469 million mainly from the electricity generation and electricity network sectors. Dividend and income tax equivalent income is expected to decline over the four years to 2021-22, driven by reductions in dividend returns from the electricity network, electricity generation and water sectors. Trends in dividends and income tax equivalent income are discussed in more detail in Chapter 8.

4.11 Other revenue

Other revenue, including royalty revenue, accounts for 9.9% of total General Government Sector revenue in 2018-19. Royalties themselves account for 7.7% of revenue in 2018-19, 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 11.5% in 2018-19.

Table 4.7 Other revenue[1]

	2016-17 Actual $ million	2017-18 Est. Act. $ million	2018-19 Budget $ million	2019-20 Projection $ million	2020-21 Projection $ million	2021-22 Projection $ million
Royalties and land rents	4,000	4,484	4,615	4,260	3,904	4,011
Fines and forfeitures	375	400	446	471	507	520
Revenue not elsewhere classified	847	739	672	664	672	682
Total	**5,222**	**5,623**	**5,733**	**5,395**	**5,083**	**5,212**

Note:

1. Numbers may not add due to rounding.