4 Revenue

Features

- The COVID-19 pandemic and the resulting economic downturn substantially reduced the state's revenues, particularly across 2019–20 and 2020–21. However, in line with the improving economic conditions since mid-2020, revenue is expected to recover in 2020–21 and is forecast to continue to grow across the forward estimates period.
- Importantly, while total revenues are expected to be stronger across the forecast period compared to the 2020–21 Queensland Budget, estimated revenue for 2020–21 is still expected to be lower than forecast at the 2019–20 Mid-Year Fiscal and Economic Review (MYFER), prior to the onset of COVID-19.
- General Government Sector revenue is estimated to total $60.396 billion in 2020–21, up $2.633 billion (4.6 per cent) compared with 2019–20 and $4.148 billion (7.4 per cent) higher than estimated in the 2020–21 Budget.
- Total General Government Sector revenue is estimated to strengthen further in 2021–22 to $63.664 billion, an increase of $3.268 billion (5.4 per cent) compared with 2020–21.
- The increase in revenues in 2021–22 primarily reflects a rebound in Queensland and national activity following the initial impacts of COVID-19.
  - Taxation revenue collections are expected to be $1.492 billion (9.4 per cent) more than in 2020–21, reflecting a combination of increased economic activity and the substantial tax relief measures provided in 2020–21 by the Queensland Government to support businesses in response to COVID-19.
  - GST revenue is expected to increase by $807 million (5.4 per cent) in 2021–22, reflecting a higher GST pool and Queensland receiving a larger share of GST.
  - Royalties and land rents are expected to increase by $674 million (25.3 per cent) compared to 2020–21, driven by expected rebounds in coal and LNG prices following significant falls in 2020–21. However, royalty revenues in 2021–22 and in the following 2 years are expected to be lower than forecast in the 2020–21 Budget, primarily reflecting the ongoing uncertainty around China’s restrictions on Australian coal.
- Australian Government payments to Queensland in 2021–22 are expected to total $31.607 billion, representing an increase of $376 million (1.2 per cent) compared with payments in 2020–21. This increase is primarily driven by the increase in GST revenue.
- Total revenues are expected to grow at an average rate of 3.9 per cent over the 4 years to 2024–25, with average annual growth of 4 per cent in taxation and 5 per cent in GST.
- Importantly, Queensland is maintaining its competitive tax status, with per capita state tax $771 below the average of other states and territories in 2019–20.

4.1 Revenue overview

Queensland's domestic economy is now expected to grow substantially faster across the forecast period than at the time of the 2020–21 Budget. Combined with a stronger national economic recovery, this has supported total Queensland revenues, which have been revised up across the forward estimates.

These upward revisions primarily reflect stronger than previously expected taxation and GST revenues as a result of improving economic conditions.

In contrast, royalty revenues have been revised downwards in 2021–22 and in subsequent years, primarily reflecting the ongoing impacts and increased uncertainty related to China's restrictions on the importation of Australian coal.

4.1.1 2020–21 revenues

General Government Sector revenue is estimated to be $60.396 billion in 2020–21, $4.148 billion (7.4 per cent) higher than the 2020–21 Budget estimate. Significant variations from the 2020–21 Budget estimates include:

- a $1.577 billion (11 per cent) increase in taxation revenue, reflecting the stronger than expected domestic economic activity and, in particular, residential property transactions
- a $2.108 billion (16.6 per cent) increase in GST revenue due to higher national GST collections during 2020–21, as robust national consumption throughout the pandemic was augmented by the recovery of outstanding debt
- a $264 million (22.4 per cent) decrease in dividends and income tax equivalent income, primarily due to lower earnings from the electricity generation sector.

The substantial improvement in taxation and GST revenues compared with the 2020–21 Budget outlook reflects Queensland's successful health response and the stronger recovery in the Queensland and national economies than previously anticipated.

In contrast, forecast royalty revenues in 2020–21 have remained relatively unchanged from the previous budget outlook, given the ongoing subdued demand for key Queensland commodities, particularly coal, across the second half of 2020–21.

Compared with 2019–20, state taxation and GST revenues in 2020–21 are now expected to increase by 9.1 per cent and 16 per cent, respectively. In contrast, royalty revenue has fallen sharply (estimated to be down 44.4 per cent in 2020–21 compared with 2019–20) as the global economic downturn and the increasing impact of Chinese import restrictions have weighed on coal prices and export volumes.

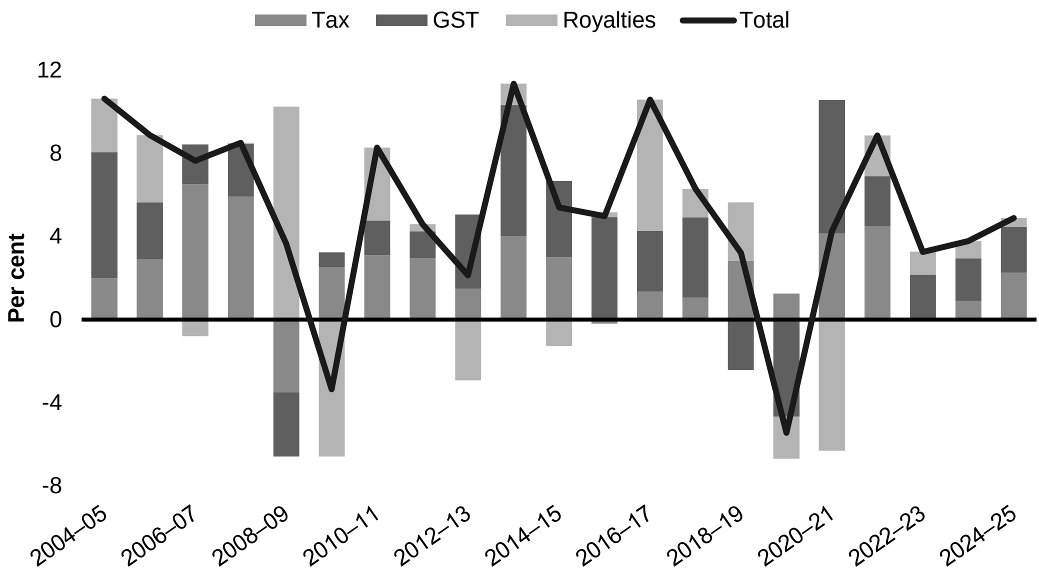
The better than anticipated overall revenue outcome means that Queensland General Government revenue is now expected to be 4.6 per cent higher in 2020–21 than in 2019–20.

4.1.2 2021–22 revenues

In line with the ongoing economic recovery, General Government Sector revenue is forecast to increase by $3.268 billion (or 5.4 per cent) in 2021–22, to be $63.664 billion. This is driven by an expected rebound in revenue following the COVID-19 impact on 2019–20 and 2020–21 and is particularly evident across the 3 key state revenue sources: taxation; GST; and royalties.

Chart 4.1 examines the growth in revenue across the 3 key revenue streams and the share of growth attributable to each key revenue item.

Chart 4.1 Growth in key revenues[1]



Note:

1. Annual contribution to growth in key revenues. Total is the annual growth of the sum of the 3 categories.

Taxation revenue is forecast to be $1.492 billion (9.4 per cent) higher in 2021–22. Improved taxation receipts are primarily driven by continued strength in transfer duty, which has been bolstered by a significant increase in residential property activity since restrictions eased in mid-2020, and a rebound in payroll tax, amid the recovery in employment and business conditions.

The forecast growth in 2021–22 also partially reflects the impacts of the significant Queensland Government COVID-19 tax relief provided to support Queensland businesses and landlords in the previous year.

Royalty revenue is expected to rebound in 2021–22 and grow by 25.6 per cent. In particular, coal export values are forecast to rebound in 2021–22, with higher prices driven by the continued recovery in global economic activity from the COVID-19 pandemic. However, the timing and extent of the unwinding of China's import ban on Australian coal is still uncertain and remains a key risk to the outlook.

Following stronger than expected GST receipts in 2020–21, Queensland's GST revenue is expected to grow by 5.4 per cent in 2021–22 and is forecast to continue to grow on average by 4.9 per cent per annum over the 3 years ending 2024–25.

This increase in expected GST revenue is largely driven by growth in the national GST pool. The 2021–22 Federal Budget forecast the GST pool to grow by 4 per cent in 2021–22 and around 5 per cent per annum on average over the 3 years ending 2024–25, reflecting the expected ongoing growth in taxable consumption.

Total General Government revenue growth is expected to average 3.9 per cent per annum over the 4 years to 2024–25.

The solid but steady growth forecast in 2022–23 and beyond reflects the expected return to more normal economic conditions and activity levels over the forecast period, as well as an ongoing but gradual improvement in commodity prices and export volumes. Table 4.1 details Queensland's total General Government revenue by component across the forward estimates period.

Table 4.1 General Government Sector revenue[1]

	2019–20 Actual $ million	2020–21 Budget $ million	2020–21 Est. Act $ million	2021–22 Budget $ million	2022–23 Projection $ million	2023–24 Projection $ million	2024–25 Projection $ million
Taxation revenue	14,585	14,330	15,907	17,399	17,397	17,731	18,608
Sales of goods and services	5,618	5,975	6,068	6,062	6,091	6,365	6,209
Interest income	2,076	1,882	1,901	2,537	2,591	2,622	2,702
Grants revenue							
GST revenue	12,761	12,701	14,809	15,616	16,399	17,164	18,016
Other current grants[2]	13,039	13,597	13,875	13,749	14,529	15,321	15,513
Capital grants	1,841	2,796	2,899	2,571	2,585	2,860	2,826
Dividend and income tax equivalent income							
Dividends	1,180	714	499	659	637	603	594
Income tax equivalent income	748	465	416	482	435	359	343
Other revenue							
Royalties and land rents	4,686	2,631	2,667	3,341	3,743	4,060	4,229
Other	1,229	1,157	1,356	1,248	1,303	1,323	1,328
Total revenue	**57,764**	**56,249**	**60,396**	**63,664**	**65,711**	**68,408**	**70,367**

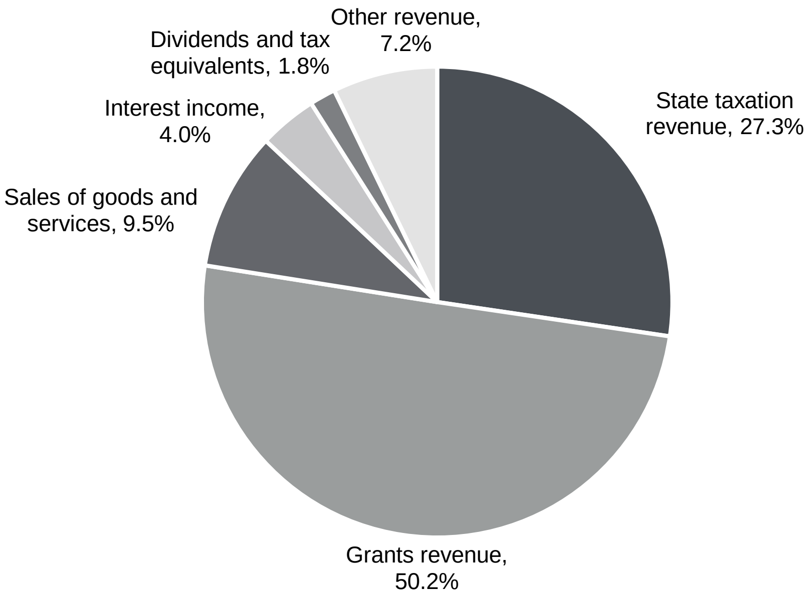
Notes:

1. Numbers may not add due to rounding.
2. Queensland Treasury estimates. Differs from Chapter 8 due to the inclusion of direct Australian Government payments to Queensland agencies for Australian Government own purpose expenditure.

The major sources of total General Government Sector revenue in 2021–22 are grants revenue, which includes GST revenue and Australian Government Grants (50.2 per cent), and taxation revenue (27.3 per cent).

Chart 4.2 illustrates the expected composition of General Government Sector revenue in 2021–22.

Chart 4.2 Revenue by operating statement category, 2021–22[1]



Notes:

1. Numbers may not add up to 100 per cent due to rounding.
2. Chart prepared in line with Operating Statement categories. 'Other revenue' includes royalties and land rents, which comprise 5.2 per cent of total revenues.

Box 4.1 Revenue revisions since before COVID-19

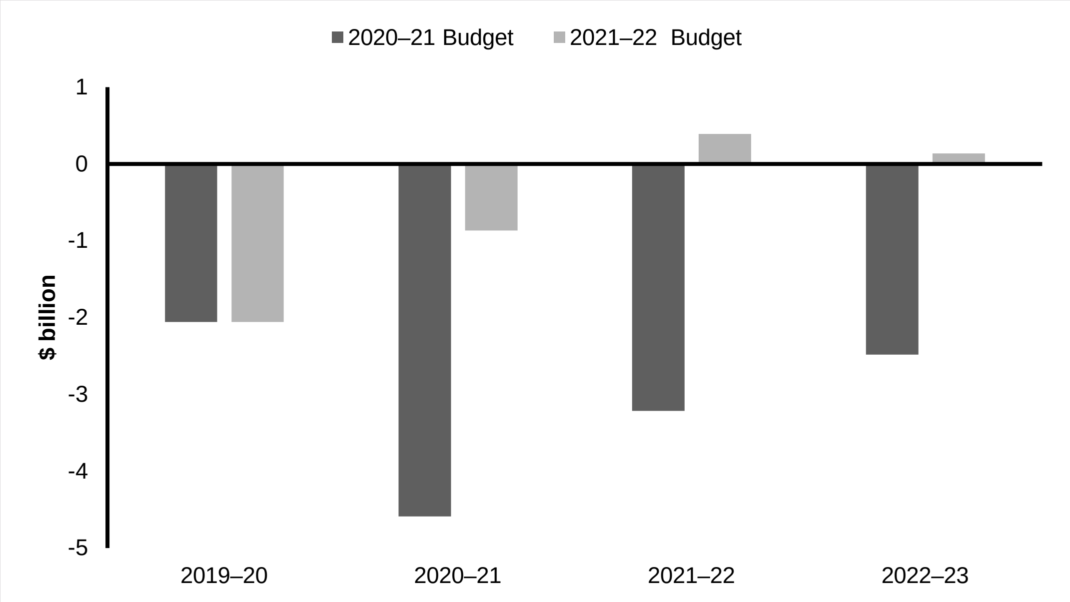
Despite the improving outlook for total revenue compared with the 2020–21 Budget, the pandemic has still had a significant impact on revenue in 2019–20 and 2020–21.

While conditions have improved substantially since mid-2020 and revenue is expected to rebound in 2021–22, revenue in total across the forward years is still expected to be lower than forecast at the 2019–20 MYFER, prior to the onset of COVID-19.

At the 2020–21 Budget, key revenues of taxation, GST and royalties were revised downwards by a total of $12.340 billion across the 4 years to 2022–23, compared to the 2019–20 MYFER. Despite the upward revisions to some key revenues in this Budget, key revenues over this period are still expected to be $2.399 billion lower than forecast at the 2019–20 MYFER.

Chart 4.3 outlines the aggregated downward revisions to key revenues of taxation, GST, and royalties, both at the time of the 2020–21 Budget and in the 2021–22 Budget, compared to the pre-COVID-19 revenue forecasts at the 2019–20 MYFER.

Chart 4.3 Change in key revenue[1] forecasts compared to 2019–20 MYFER (i.e. pre-COVID-19 outlook)



Note:

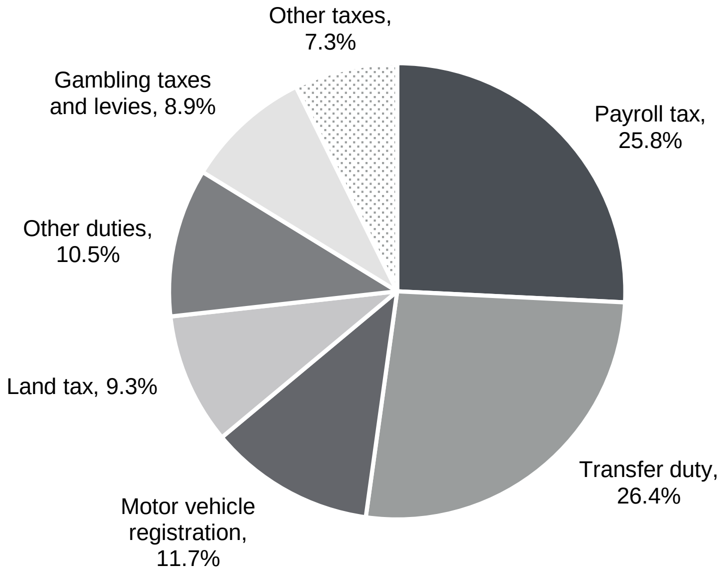
1. Aggregated revisions from taxation, GST, and royalty revenues since the 2019–20 MYFER.

4.2 Taxation revenue

Chart 4.4 outlines the composition of estimated state taxation revenue for 2021–22, with the largest sources being payroll tax and transfer duty, together representing 52.2 per cent of the state's total taxation revenue.

Payroll tax generally has a relatively stable base, with its growth usually driven by the underlying strength of the economy. Transfer duty can be variable, reflecting residential and non-residential market conditions. Land tax can also reflect variability in the property market but is generally more stable than most other tax lines due to the relatively stable base and the effect of assessments being based on 3-year averages of land values.

Chart 4.4 State taxation by tax category, 2021–22[1]



Note:

1. Percentages may not add to 100 per cent 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 and the forecast revenues for each component across the forward estimates.

Total taxation revenue is forecast to grow 9.1 per cent in 2020–21. Improved taxation receipts in 2020–21 are primarily being driven by a rebound in transfer duty and stronger gambling tax collections. Transfer duty has been bolstered by a significant increase in the turnover of residential properties since COVID-19 related public health restrictions eased in mid-2020.

Solid growth in taxation revenue is expected in 2021–22, primarily driven by ongoing improvement in transfer duty and payroll tax amid the recovery in employment and business conditions.

Following the strong rebound in 2020–21, total taxation revenue is forecast to grow 9.4 per cent in 2021–22, followed by average growth of 2.3 per cent per annum across the subsequent 3 years.

Table 4.2 State taxation revenue[1]

	2019–20 Actual $ million	2020–21 Est. Act $ million	2021–22 Budget $ million	2022–23 Projection $ million	2023–24 Projection $ million	2024–25 Projection $ million
Payroll tax	4,211	4,192	4,484	4,741	5,011	5,263
Duties						
Transfer	3,041	3,693	4,598	4,100	3,796	4,040
Vehicle registration	533	668	663	625	644	663
Insurance[2]	1,016	1,072	1,136	1,182	1,241	1,303
Other duties[3]	34	32	32	32	33	33
Total duties	**4,624**	**5,464**	**6,428**	**5,939**	**5,713**	**6,039**
Gambling taxes and levies						
Gaming machine tax	617	816	795	819	843	869
Health services levy	77	122	107	109	117	127
Lotteries taxes	332	351	361	372	383	395
Wagering taxes	118	152	155	161	167	174
Casino taxes and levies	97	103	114	124	139	143
Keno tax	17	21	21	22	22	23
Total gambling taxes and levies	**1,258**	**1,565**	**1,553**	**1,606**	**1,672**	**1,730**
Other taxes						
Land tax	1,406	1,493	1,617	1,686	1,802	1,931
Motor vehicle registration	1,910	1,987	2,044	2,103	2,169	2,242
Emergency management levy	562	581	605	630	657	686
Waste disposal levy	295	291	317	334	341	348
Guarantee fees	272	289	305	311	318	319
Other taxes[4]	46	45	46	47	49	50
Total taxation revenue	**14,585**	**15,907**	**17,399**	**17,397**	**17,731**	**18,608**

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.

4.2.1 Payroll tax

Reflecting the substantial negative impacts of COVID-19 on employment and wages, payroll tax is estimated to be $4.192 billion in 2020–21, a 0.5 per cent decline compared with 2019–20.

This decline in payroll tax also reflects the fact that, as part of the Queensland Government's *Economic Recovery Plan*, substantial payroll tax relief measures were implemented to support businesses in response to COVID-19. This included refunds, payment holidays and deferrals for eligible businesses, as well as a payroll tax exemption for JobKeeper payments.

Payroll tax collections have improved substantially with the rebound in labour market and business conditions in Queensland.

Further, payroll tax deferrals from 2020 are being paid in instalments across 2021, with the majority of deferred liabilities that were due in January and April 2021 having been paid. This suggests businesses generally have managed their cash flows throughout the recovery phase of the COVID-19 crisis to enable them to meet their deferred tax obligations.

Payroll tax is expected to grow by 7.0 per cent in 2021–22, reflecting a strong recovery in employment and wage conditions, and expected increased revenue resulting from additional Office of State Revenue compliance activities. Annual average growth of 5.5 per cent is expected in payroll tax revenues from 2022–23 onwards, broadly in line with expected employment and wage growth over the forward years.

The 50 per cent payroll tax rebate for apprentices and trainees will be extended for 12 months until 30 June 2022. In addition to apprentice and trainee wages generally being exempt from payroll tax, this rebate will provide additional support to employment in the ongoing recovery from COVID-19, in particular youth employment and businesses who employ trainees and apprentices.

Box 4.2 Queensland's competitive payroll tax system

Queensland has very competitive payroll tax settings. Its $1.3 million threshold is one of the highest exemption thresholds of all states and territories, and the standard rate of 4.75 per cent is the lowest of any mainland state.

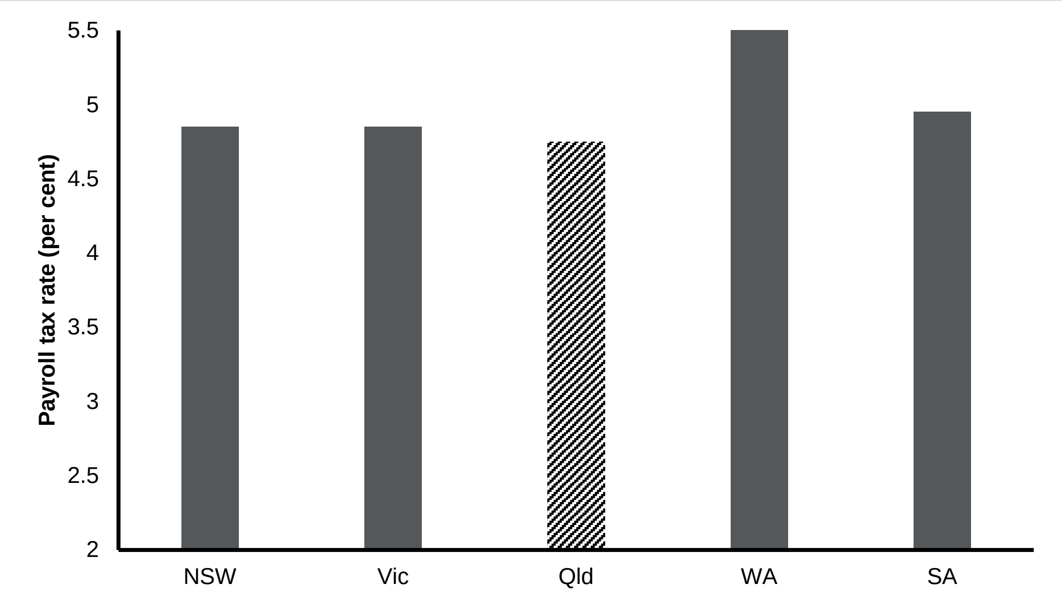
Several major payroll tax reforms were introduced in 2019–20 to make Queensland an even more attractive destination for businesses, especially in the regions. This included:

- increasing 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
- providing a one per cent discount of the payroll tax rate to employers that have an ABN registered business address and at least 85 per cent of their taxable wages paid to employees located outside South East Queensland.

These reforms were partially funded by an increase of the payroll tax rate for employers (or groups of employers) with taxable wages above $6.5 million from 4.75 per cent to 4.95 per cent, implemented in the 2019–20 Budget.

In addition, as part of the Queensland Government's *Economic Recovery Plan*, a number of payroll tax relief measures were implemented to support businesses in response to COVID-19. This included refunds, payment holidays and deferrals for eligible businesses, as well as a payroll tax exemption for JobKeeper payments.

Chart 4.5 Comparison of the lowest fixed[1] payroll tax rates across Australian mainland states



Note:

1. The lowest fixed rate applying to employers in non-regional areas.

Sources: Australian state government websites.

4.2.2 Duties

Transfer duty

Transfer duty is charged at various rates on 'dutiable transactions', including transfers of land in Queensland or Queensland business assets.

The Queensland Government offers extensive concessions for the transfer of land where the property is purchased as a home. This means eligible home buyers pay a one per cent concessional rate on the first $350,000 of dutiable value, rather than the normal scheduled rates of between 1.5 per cent and 3.5 per cent.

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.

Transfer duty is estimated to be 21.4 per cent higher in 2020–21 compared with 2019–20. This reflects the strong activity in the residential housing sector since mid-2020, with transactions across all components (investor, home, first home) showing significant growth.

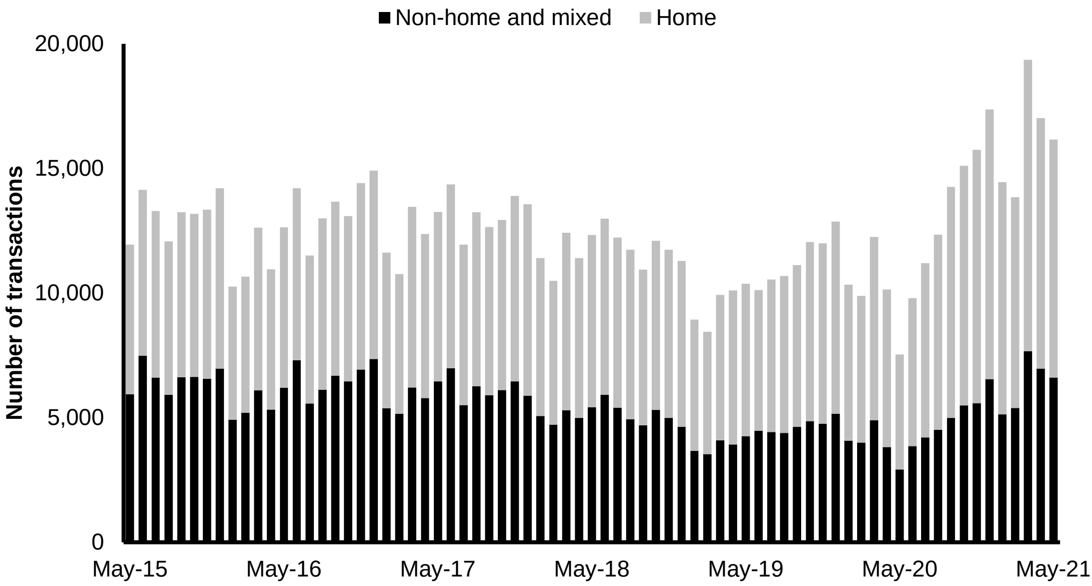
Transfer duty is expected to grow by 24.5 per cent in 2021–22, supported by continued strength in residential housing transactions, a further acceleration in property price growth and a shift in the composition of transactions.

As discussed in detail in Chapter 2, the prevailing strength of the housing market has seen new housing loan commitments in Queensland rise to their highest level on record (since July 2002), with record low mortgage rates (and expectations they will stay low for an extended period), various government wage and housing support measures, and temporarily reduced alternative options for household expenditure, including overseas travel.

These factors, combined with expectations that property prices will continue to increase throughout 2021, have also supported investor loan approvals, which have driven recent growth in loan commitments. As a result, a compositional shift towards investor-driven purchases, which are subject to a higher rate of duty, is also expected to support the strength in residential collections.

As shown below in Chart 4.6, residential transactions have grown strongly since the peak of the emergency health restrictions required to control the initial spread of COVID-19 in April 2020.

Chart 4.6 Residential property transactions by concession type



Notes:

1. Home includes transactions subject to the home, first home and first home (vacant land) concessions. Non-home and mixed includes standard transactions (no concession) and mixed/other concessions.

The current strength of housing activity is expected to moderate in 2022–23 and 2023–24 as dwelling investment eases, resulting in a decline in duty collections from residential sales.

However, the non-residential sector is forecast to recover over time and the outlook for large transactions will partially offset the expected decline in transfer duty from residential transactions across 2022–23 and 2023–24, and support an increase in transfer duty revenue in 2024–25.

Box 4.3 Generous transfer duty concessions

Queensland has one of the lowest tax burdens on home buyers, with generous concessions for first home buyers and the principal place of residence meaning Queenslanders pay less than similar buyers in most other jurisdictions.

Based on CoreLogic's national home value index for May 2021, purchasers of a principal place of residence in Queensland would pay significantly lower duty than their interstate counterparts at the median dwelling price in each capital city.

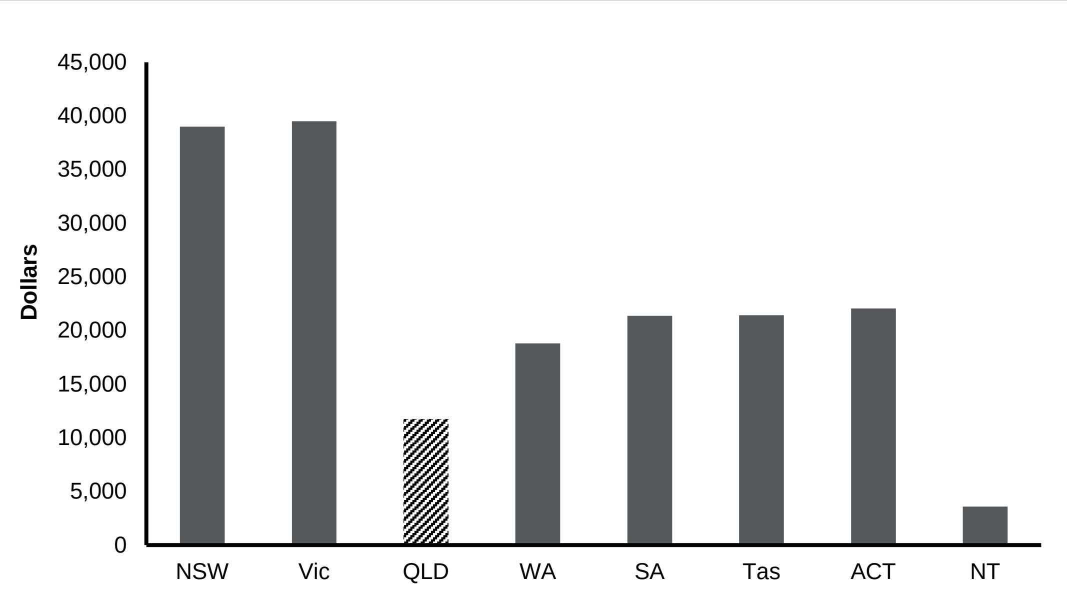
New South Wales purchasers of median priced homes would pay $27,296 more than Queenslanders, Victorian purchasers would be $27,797 worse off and Western Australian buyers would pay $7,089 more in transfer duty.

Even with their temporary reductions in transfer duty of up to 50 per cent, Victorian buyers are still paying more transfer duty than Queenslanders.

Combined with the lower purchase prices, buyers in Queensland pay around 2 per cent of their median price in duty, compared with 4 per cent in New South Wales and 5.3 per cent at the standard rates in Victoria.

Chart 4.7 illustrates the transfer duties payable in each jurisdiction for a principal place of residence at the relevant local median house value in the capital city of each jurisdiction.

Chart 4.7 Transfer duty comparisons at median dwelling price



Sources: Revenue Office websites of relevant jurisdictions.

Vehicle registration duty

Vehicle registration duty is charged on the dutiable value of a motor vehicle, on the transfer or initial registration of the vehicle, at a rate that depends on the vehicle's engine size and value.

After more than 2 years of consecutive monthly declines in vehicle sales, activity has recovered solidly since July 2020, in line with the broader recovery in consumption activity, and with volumes to May 2021 significantly higher than during the same period in 2020.

This strength is flowing through to duty collections, with revenue from vehicle registration duty expected to grow by 25.2 per cent in 2020–21. Duty is expected to moderate in 2021–22 and 2022–23, reflecting a return to a more normal level of vehicle transactions as the impact of COVID-19 stimulus measures and the expenditure-switching that arose from overseas travel restrictions abates. Vehicle registration duty is forecast to grow by 3 per cent in both 2023–24 and 2024–25.

4.2.3 Gambling taxes and levies

A range of gambling activities are subject to state taxes and levies.

There has been significant strength in gambling taxes since the re-opening of gaming and entertainment venues in mid-2020, supporting a strong rebound in gaming activity.

Total gambling tax and levy collections are expected to grow strongly in 2020–21. This partly reflects the reduced impact of venue closures in 2020–21 compared with the longer period of closures experienced in 2019–20, as well as the strength of activity as venues re-opened and emergency health restrictions were eased.

Total gambling tax and levy collections are expected to decline by 0.7 per cent in 2021–22. This largely reflects the impact of revenue from gaming machine tax and the health services levy returning to more normal levels in line with that expected prior to COVID-19. However, the decline was partially offset by ongoing growth in lotteries tax and wagering tax which were largely unaffected by COVID-19. Average annual growth of 3.7 per cent is forecast for gambling tax revenue over the 3 years to 2024–25.

4.2.4 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.

The Queensland Government provided substantial land tax relief measures across 2019–20 and 2020–21 to eligible property owners affected by the COVID-19 outbreak, including rebates, waivers and deferrals.

Land tax is expected to grow by 6.2 per cent in 2020–21 and 8.3 per cent in 2021–22, partly reflecting the expiry of the temporary relief measures. Land tax is forecast to grow by an average annual 6.1 per cent across the 3 years to 2024–25, primarily driven by the lagged impact of the solid land value growth expected in line with the current strength of the residential property market.

4.2.5 Waste disposal levy

The waste disposal levy commenced on 1 July 2019 and applies to 39 local government areas, covering more than 90 per cent of the state's waste generation and population. The levy is paid by landfill operators on wastes disposed to landfill. Exemptions from the levy exist for particular wastes, such as waste from declared disasters, waste donations to charitable recyclers, clean earth and lawfully managed and transported asbestos.

The levy commenced at $75 per tonne for general waste and is regulated to increase by $5 per tonne per annum for the first 3 years. The first annual increase of $5 per tonne was deferred by 6 months to 1 January 2021 to provide financial relief from the impacts of COVID-19. Seventy per cent of proceeds from the waste levy will be used for resource recovery and other programs that reduce the impact of waste and protect the environment and local communities.

Revenue from the waste disposal levy is estimated to be $291 million in 2020–21. Revenue is forecast to grow by 8.9 per cent in 2021–22 and 5.3 per cent in 2022–23, reflecting expected growth in waste disposal as well as regulated levy rate increases.

Revenue from the waste disposal levy is then forecast to grow by 2.2 per cent in 2023–24 and 2.1 per cent in 2024–25. This moderation in growth partially reflects anticipated behavioural changes in the amount of waste disposed to landfill.

4.2.6 Queensland's competitive tax status

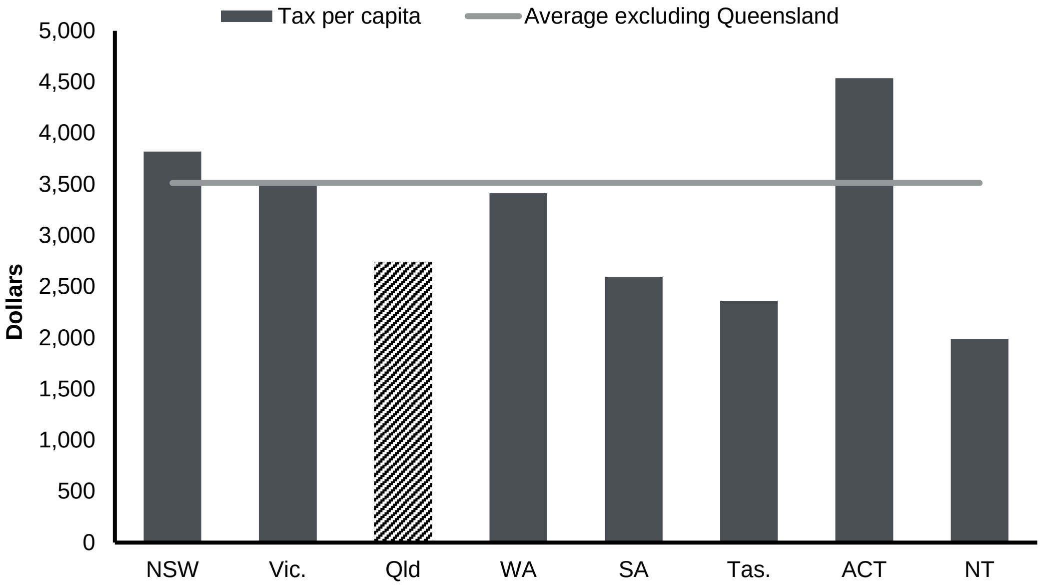
Taxation can impact on business decisions regarding investment and employment, as well as household investment and home ownership decisions. Therefore, maintaining the competitiveness of Queensland's tax system is critical to provide a competitive advantage to business and to moderate the tax burden on citizens.

As such, maintaining a competitive tax regime is fundamental to the Queensland Government's economic strategy and its commitment to job creation and supporting sustainable economic growth.

Importantly, as Chart 4.8 shows, taxation per capita in Queensland was lower in 2019–20 than the average taxation per capita in the other states and territories, highlighting the ongoing competitiveness of Queensland's taxation regime.

Based on the latest available outcomes, Queensland's taxation per capita in 2019–20 was $771 less than the average of other jurisdictions. On average, Queenslanders paid $1,078 less tax than New South Wales residents and $761 less than Victorian residents.

Chart 4.8 Taxation per capita, 2019–20



Sources: ABS Government Finance Statistics and ABS National, State and Territory Population.

Other measures of tax competitiveness include estimates by the Commonwealth Grants Commission (CGC) of Queensland’s tax effort compared with other jurisdictions, and each state’s tax revenue as a proportion of the size of the state’s economy.

The CGC’s revenue raising effort ratios are an indicator of the extent to which governments burden their revenue bases, with a lower ratio indicating a relatively lower taxation burden imposed by state taxes.

The CGC’s 2021 Update assessed that Queensland’s tax effort in 2019–20 (latest available CGC estimate, based on 2019–20 data and using total tax revenue effort for assessed taxes, that is, payroll tax, transfer duty, land tax, insurance duty and motor vehicle taxes) was 6.3 per cent below the national average.

In terms of the third measure of tax competitiveness (that is, taxation as a share of GSP), this measure also confirms that Queensland’s taxes are highly competitive, being below the average of the other states and significantly lower than the major southern states.

Table 4.3 summarises the estimates of these 3 measures compared with other jurisdictions and demonstrates that the Queensland tax system remains amongst the most competitive in Australia.

Table 4.3 Tax competitiveness, 2019–20

	NSW	VIC	Qld	WA	SA	TAS	ACT[5]	NT	Avg[6]
Taxation per capita[1] ($)	3,821	3,504	2,743	3,414	2,597	2,361	4,539	1,990	3,514
Taxation effort[2] (%)	102.1	99.7	93.7	102.5	97.5	82.9	157.6	74.9	100.0
Taxation % of GSP[3,4] (%)	4.9	5.0	3.9	2.9	4.1	3.9	4.7	1.9	4.4

Notes:

1. 2019–20 data (latest available actuals). Sources: *ABS Government Finance Statistics* and *ABS National, State and Territory Population*.
2. 2019–20 data (latest available). Source: Commonwealth Grants Commission 2021 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. 2019–20 data (latest available). Sources: *ABS Annual State Accounts* and *ABS Government Finance Statistics*
4. *ABS Annual State Accounts* are used to enable comparison with other jurisdictions. As a result, the estimate for Queensland will differ to that presented in Table D2, which is based on the Queensland State Accounts.
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).

4.2.7 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.

The substantial tax relief provided by the Queensland Government to Queensland businesses and property owners in response to the COVID-19 crisis are significant tax expenditures in both 2019–20 and 2020–21.

The Tax Expenditure Statement (Appendix B) provides details of tax expenditure arrangements currently provided by the Queensland Government.

4.3 Grants revenue

Grants revenue is comprised of Australian Government grants (including GST), grants from the community and industry, and other miscellaneous grants.

A 1.1 per cent increase in total grants revenue is forecast for 2021–22, primarily driven by increases in GST revenue but partially offset by decreases in Australian Government capital grants.

Table 4.4 Grants revenue[1,2]

	2019–20 Actual $ million	2020–21 Est. Act $ million	2021–22 Budget $ million	2022–23 Projection $ million	2023–24 Projection $ million	2024–25 Projection $ million
Current grants						
GST revenue grants[3]	12,761	14,809	15,616	16,399	17,164	18,016
Other Australian Government grants[4]	12,726	13,556	13,453	14,231	14,981	15,209
Other grants and contributions	313	318	296	298	339	304
Total current grants	**25,800**	**28,684**	**29,364**	**30,928**	**32,484**	**33,528**
Capital grants						
Australian Government grants	1,805	2,865	2,538	2,546	2,840	2,791
Other grants and contributions	37	33	33	40	20	35
Total capital grants	**1,841**	**2,899**	**2,571**	**2,585**	**2,860**	**2,826**
Total Australian Government payments	27,292	31,230	31,607	33,176	34,985	36,016
Total grants revenue	**27,641**	**31,582**	**31,935**	**33,513**	**35,344**	**36,354**

Note:

1. Numbers may not add due to rounding.
2. Amounts in this table may differ to those outlined in Chapter 10 due to different classification treatments.
3. Includes entitlements to payments associated with the 'no worse off' guarantee as part of the Australian Government changes to the GST distribution.
4. Queensland Treasury estimates. Differs from Chapter 8 due to the inclusion of direct Australian Government payments to Queensland agencies for Australian Government own purpose expenditure.

4.3.1 GST revenue

Improvements in the national GST pool, along with an increase in the state's share of the pool, have been the key drivers of stronger forecasts for Queensland's GST revenue.

Following an 11 per cent decline in 2019–20, GST revenue is estimated to rebound 16 per cent in 2020–21, boosted by stronger than expected national household spending and dwelling investment, as well as better than expected recovery of outstanding GST debt.

Queensland's GST revenue is expected to grow 5.4 per cent in 2021–22 compared with 2020–21. This increase in GST revenue is primarily due to:

- the Australian Government forecasting 4 per cent growth in GST for 2021–22, with receipts consolidating at an elevated level following a 15.8 per cent rebound in 2020–21
- the Commonwealth Grants Commission recommending to the Australian Government that Queensland should receive a larger share of GST.

Average annual growth in GST revenue of 4.9 per cent is forecast across the 3 years ending 2024–25, in line with forecast growth in the national pool and reflecting solid increases in taxable consumption nationally.

Revisions to the GST pool

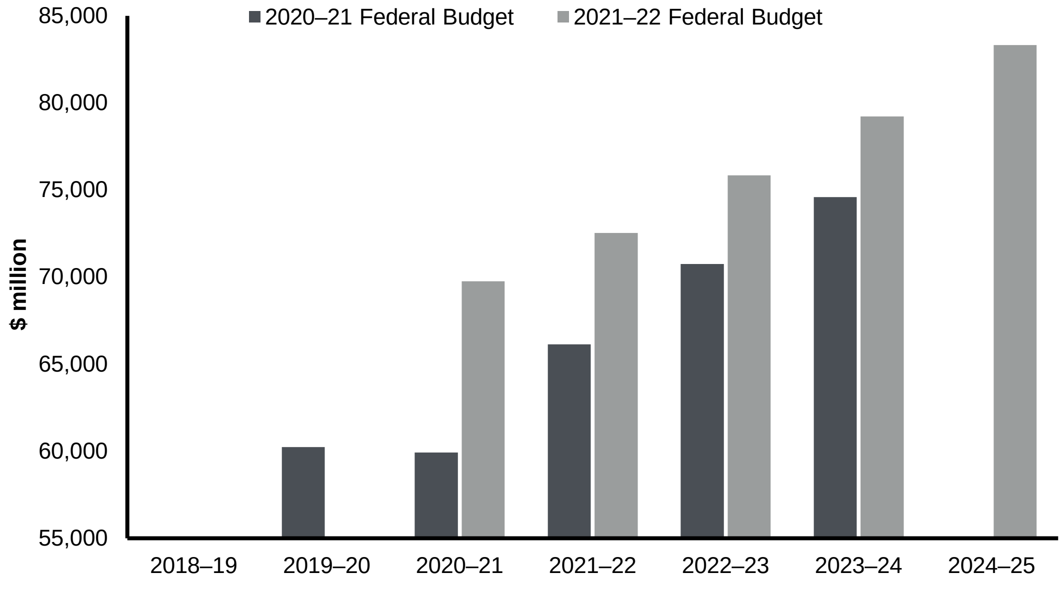
The Australian Government's national GST pool forecast was upgraded in the 2021–22 Federal Budget, to be $26 billion higher across the 4 years to 2023–24 compared with 2020–21 Federal Budget estimates.

For 2020–21, this reflected robust household consumption and dwelling investment as well as better than expected recovery of outstanding GST debt.

From 2021–22 onwards, the Australian Government's improved outlook for the national economy, particularly taxable consumption, is expected to drive higher than previously expected GST receipts.

Chart 4.9 compares GST revenue pool forecasts published in the 2020–21 and 2021–22 federal budgets.

Chart 4.9 Australian Government forecast of national GST revenue pool



Sources: 2020–21 Federal Budget and 2021–22 Federal Budget

GST – Queensland's assessed fiscal capacity

In early-2021, the Australian Government accepted the CGC's recommendation that Queensland requires a larger share of GST revenue in 2021–22 compared to 2020–21. The CGC's recommendation was driven by a range of factors, including the following:

- below average growth in the value of property sales and higher growth in national land tax revenue increased Queensland's assessed needs
- an increase in mining royalties for Western Australia led to a reduction in Queensland's relative capacity to generate mining revenue
- these changes were partly offset by revisions to state natural disaster relief expenses and above average growth in Australian Government payments.

4.3.2 Australian Government payments

Australian Government payments to Queensland in 2021–22 are expected to total $31.607 billion, representing an increase of $376 million (1.2 per cent) compared to payments in 2020–21. This increase is driven by an $807 million (5.4 per cent) increase in GST revenue but is partially offset by a $327 million (11.4 per cent) decrease in other Australian Government capital grants.

Chapter 8 provides a detailed overview of federal-state financial arrangements, including further discussion of matters related to Queensland's share of GST revenue and other Australian Government payments to Queensland.

4.3.3 Other grants and contributions

Other grants and contributions are funds received from other state and local government agencies, other bodies and individuals.

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. Contributions exclude Australian Government grants and user charges.

Other grants and contributions comprise only a small share of total grant revenue (one per cent in 2021–22). Given the nature of these revenues, total revenue from other grants and contributions is expected to be volatile across the forecast period.

4.4 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.

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, although 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.

The Revenue and Expense Assumptions and Sensitivity Analysis (Appendix C) outlines key parameter assumptions, and the sensitivity of coal royalty estimates to individual changes in price, volume and exchange rate parameters.

The COVID-19 pandemic saw an unprecedented downgrade to the outlook for global economic growth in a short period of time. It also resulted in reduced demand and substantially lower prices for key commodities, including coal and oil, to which LNG prices are linked. The impacts on expected royalties and land rents are detailed in Table 4.5.

Table 4.5 Royalties and land rents[1]

	2019–20 Actual $ million	2020–21 Est. Act $ million	2021–22 Budget $ million	2022–23 Projection $ million	2023–24 Projection $ million	2024–25 Projection $ million
Coal	3,517	1,745	2,048	2,550	2,778	2,943
Petroleum[2]	466	298	632	551	618	625
Other royalties[3]	549	479	487	466	485	480
Land rents	154	146	174	177	179	182
Total royalties and land rents	**4,686**	**2,667**	**3,341**	**3,743**	**4,060**	**4,229**

Notes:

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

Royalty revenues are estimated to fall 44.4 per cent in 2020–21, largely due to lower coal and oil prices and a moderation in coal export volumes. However, royalty revenue is forecast to partially rebound (by 25.6 per cent) in 2021–22, reflecting the expected improvement in global economic activity, as well as the impact of the new volume-based petroleum royalty model, before easing to more moderate growth in subsequent years.

While total royalties are expected to improve over the forecast period, coal export volumes are likely to be lower than previously expected amid ongoing Chinese import restrictions. Royalties are also expected to be negatively impacted by the higher Australian dollar.

4.4.1 Coal royalties

A large proportion of Queensland's royalties and land rents comes from coal mining and the majority of this revenue is attributable to the hard coking coal used in global steel production.

The lower level of total royalties collected from thermal coal mining reflects the smaller volume of this type of coal mined in Queensland, the lower values per tonne of thermal coal and the 3-tiered coal royalty rate system, where lower value coal is subject to a lower average royalty rate.

Coal royalties are expected to total $1.745 billion in 2020–21, 50.4 per cent lower than in 2019–20 but 6.2 per cent higher than forecast at the 2020–21 Budget. The decline was driven by significant falls in both prices and volumes of Queensland coal exports. On a year-average basis, the premium hard coking coal price is estimated to decrease by 23.3 per cent in 2020–21, to US$116 per tonne, while crown[1] export coal tonnages are expected to be around 9.9 per cent lower.

The fall in coal prices and volumes reflects weaker global economic growth, which was exacerbated significantly by the COVID-19 pandemic. Import restrictions from China have also weighed on Australian seaborne coking coal prices, while the impact on volumes will depend on how long the restrictions remain in place and how much supply will be taken up by other countries.

Coal royalty revenue is forecast to rebound in 2021–22, (growing by 17.4 per cent compared to 2020–21), largely reflecting a 11.7 per cent increase in hard coking coal prices (to US$130 per tonne). However, the extent of this rebound in coal royalties and the subsequent outlook continues to be subdued and subject to substantial uncertainty given the ongoing concerns about China's restrictions on importing Australian coal.

Revenue is forecast to grow by 24.5 per cent in 2022–23, with crown export coal tonnages forecast to rebound by 10.8 per cent and coal prices expected to gradually improve. This largely reflects the continued recovery in global economic activity from the COVID-19 pandemic and the return of demand from China post 2021–22, albeit at subdued levels.

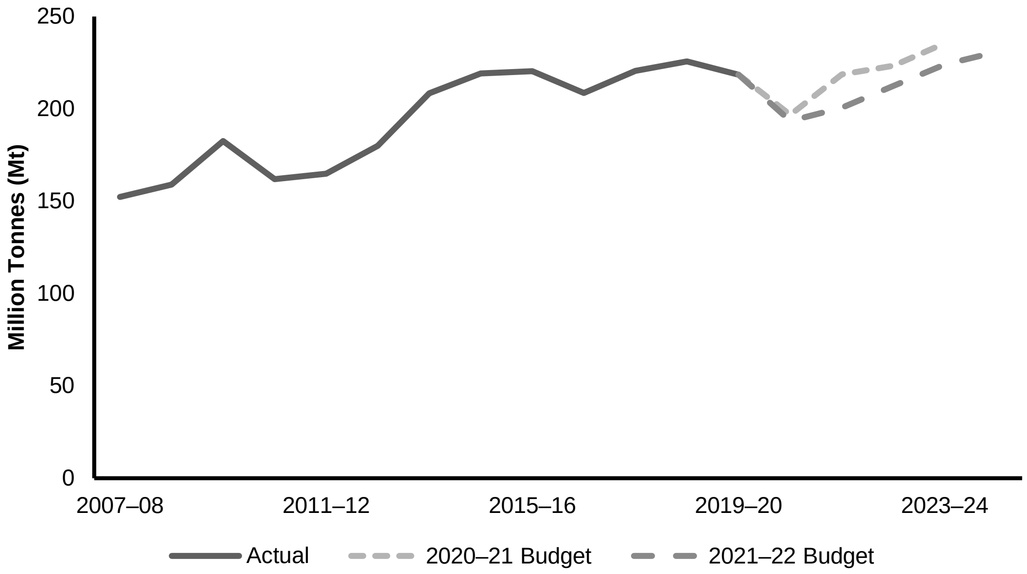
[1] Excludes coal where royalties are not paid to the Queensland Government, that is, private royalties. This will not align with Chapter 2 nor Chart 4.10, both of which include private royalties.

Queensland's export earnings are expected to improve as the global economy continues to recover from the COVID-19 pandemic, increasing demand and prices for Queensland's coal exports. As a result, prices are expected to move back towards a longer-term price of around US$145/t and growth in export tonnages is forecast to moderate to 5.9 per cent in 2023–24 and 4.7 per cent in 2024–25.

Coal royalty revenue is forecast to grow by 9 per cent in 2023–24, and 5.9 per cent in 2024–25 as both coal export prices and volumes recover.

Despite the recovery, Queensland's coal exports are expected to remain below 2019–20 levels until 2023–24 and coal royalties remain well below the level they reached in 2019–20. Chart 4.10 shows total coal export forecasts compared to the 2020–21 Budget outlook.

Chart 4.10 Export coal tonnages[1]



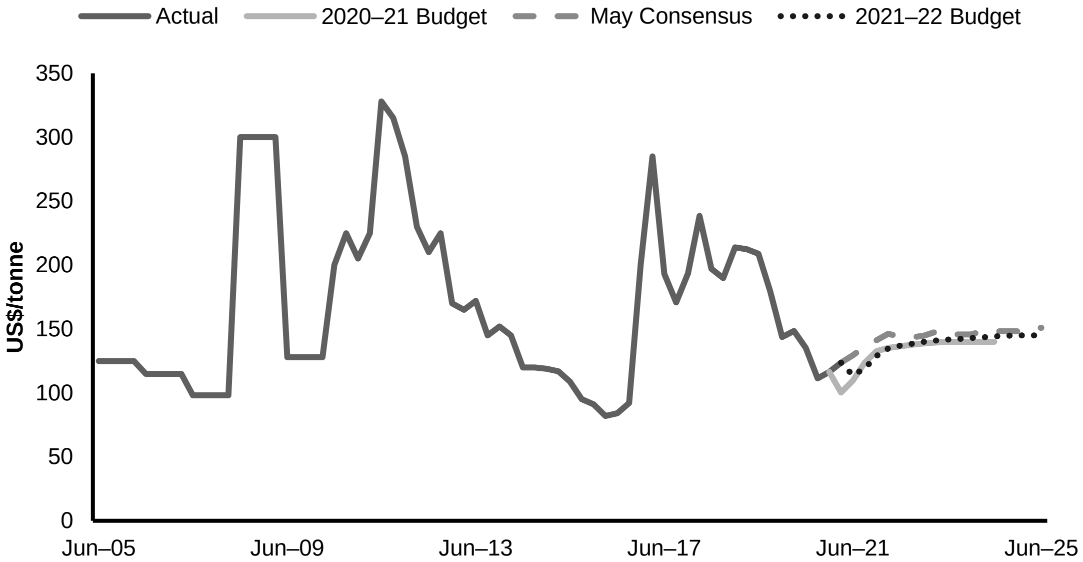
Note:

1. Includes coal exports where royalties are not paid to the government, i.e. private royalties. This will not align with tonnages presented in Appendix C which exclude private royalties.

Source: Unpublished ABS trade data and Queensland Treasury

Chart 4.11 shows coking coal price forecasts compared to the 2020–21 Budget outlook and average quarterly price forecasts from the latest Consensus Economics forecasts. This shows that the hard coking coal price forecasts underpinning the economic and revenue outlook are broadly similar to the latest Consensus Economics forecasts.

Chart 4.11 Coking coal price forecasts by iteration



Sources: Consensus Economics and Queensland Treasury.

An ongoing risk to coal export volumes over the medium to longer term is that Japan and South Korea have committed to achieving net zero CO_2 emissions by between 2050 while China has committed to achieve this by 2060. This may lead to an earlier reduction in thermal coal consumption in these countries than previously expected. In addition, South East Asia is generally moving away from coal fired power due to limited finances to fund coal fired power projects.

4.4.2 Petroleum royalties

Compared to coal, petroleum royalties make up a smaller share of total royalties, though petroleum royalties have grown strongly as the export industry matured.

Oil prices factor strongly into petroleum royalty forecasts. Most of the LNG produced in Queensland is sold under long-term contracts linked to oil prices, while the production level of the 3 major LNG plants is expected to be relatively stable across the forward estimates.

In 2020–21, revenue from petroleum and gas royalties are estimated to total $298 million, 36.1 per cent lower than 2019–20 and 3.1 per cent lower than forecast at the 2020–21 Budget.

While LNG export volumes were largely unaffected by the COVID-19 crisis, the pandemic led to a sharp fall in global oil prices. This materially impacted LNG values in 2020–21 and, therefore, led to a reduction in petroleum and gas royalties.

Production cuts by global oil producers have seen oil prices rise to above US$70/barrel, which should see the price (and value) of Queensland's LNG exports rebound throughout 2021. As a result, petroleum royalties are expected to rebound in 2021–22, growing by 112 per cent. This also reflects 2021–22 being the first full year under the new volume-based royalty model, which replaced the previous wellhead model in October 2020.

Major oil producers are expected to increase global oil supply throughout 2021, which is expected to put downward pressure on oil prices. As a result, petroleum royalties are forecast to decline by 12.8 per cent in 2022–23.

Following this, oil prices are expected to gradually return to US$60/barrel by June 2023 as demand continues to recover. As a result, petroleum royalties are forecast to grow by 12.2 per cent in 2023–24, and then 1.2 per cent in 2024–25.

4.4.3 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 estimated to total $479 million in 2020–21, 12.8 per cent lower than 2019–20. This reduction reflects collections returning to normal levels following additional compliance activities undertaken in 2019–20. This was partially offset by reassessment activities undertaken in late 2020 which increased revenue across metal and mineral royalty lines.

Revenue from other royalties is expected to be volatile over the forecast period, growing by 1.8 per cent in 2021–22, declining 4.4 per cent in 2022–23, growing 4 per cent in 2023–24, and declining 1.1 per cent in 2024–25. This volatility largely reflects differences in the expected production profiles across minerals and the extent to which some miners are eligible for the mineral processing discount.

4.4.4 Land rents

Revenue from land rents derived from mining and petroleum leases and pastoral holdings are estimated to total $146 million in 2020–21, a decline of 5.2 per cent compared with 2019–20. This decline is primarily driven by the write down in revenue from rents during the COVID-19 crisis due to the government's relief measures.

Revenue from land rents are expected to rebound in 2021–22 and grow by 19.5 per cent, driven by the expected recovery in the economy, as well as a tapering of drought relief rental deferrals due to improved La Niña related weather conditions.

Revenue from land rents are then expected to grow by 1.4 per cent per annum over the 3 years ending 2024–25.

4.5 Sales of goods and services

Sales of goods and services revenue comprises the cost recovery from the Queensland Government providing goods or services. Table 4.6 provides a breakdown of the categories of goods and services captured in terms of these revenues.

Table 4.6 Sales of goods and services[1]

	2019–20 Actual $ million	2020–21 Est. Act. $ million	2021–22 Budget $ million	2022–23 Projection $ million	2023–24 Projection $ million	2024–25 Projection $ million
Fee for service activities	2,215	2,532	2,648	2,530	2,594	2,523
Public transport: South East Queensland	289	221	346	376	414	414
Rent revenue	583	511	554	574	596	607
Sale of land inventory	34	61	82	112	63	51
Hospital fees	689	879	894	904	913	923
Transport and traffic fees	471	486	510	529	543	560
Other sales of goods and services	1,338	1,378	1,028	1,066	1,242	1,130
Total	**5,618**	**6,068**	**6,062**	**6,091**	**6,365**	**6,209**

Note:

1. Numbers may not add due to rounding.

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. The Concessions Statement (Appendix A) provides details of the concession arrangements provided by the Queensland Government.

4.5.1 Fee for service activities

Examples of 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.

4.5.2 Other sales of goods and services

As shown above in Table 4.6, revenue is also raised from 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.

4.6 Interest income

Interest income primarily comprises interest earned on investments, including those held to support debt, superannuation and insurance liabilities.

Interest income is estimated to account for 4 per cent of total General Government Sector revenue in 2021–22.

Interest income is forecast to increase across the forward estimates, benefiting from increases in investments being made as part of the Queensland Future Fund (QFF) – Debt Retirement Fund (DRF) initiative and other funds (this is discussed in more detail in Chapters 3 and 6).

4.7 Dividend and income tax equivalent income

Dividend and income tax equivalent income accounts for 1.8 per cent of total General Government Sector revenue in 2021–22.

Revenue from dividend and income tax equivalent income is estimated to total $916 million in 2020–21, $1.013 billion (52.5 per cent) lower than in 2019–20, and $264 million (22.4 per cent) lower than expected at the 2020–21 Budget. These movements are primarily due to decreases in earnings from the electricity generation sector, driven by lower wholesale electricity prices.

Dividend and income tax equivalent incomes are forecast to increase by 24.7 per cent in 2021–22, but then forecast to decline by 6.1 per cent in 2022–23, 10.2 per cent in 2023–24 and 2.6 per cent in 2024–25. The declines in dividend and income tax equivalent incomes from 2022–23 primarily reflect lower forecast profits in the electricity generation sector, with the entry of renewables boosting supply into the grid and keeping downward pressure on wholesale electricity prices.

Trends in dividends and income tax equivalent income are discussed in more detail in Chapter 10.

4.8 Other revenue

Other revenue, including royalty revenue, accounts for 7.2 per cent of total General Government Sector revenue in 2021–22 (see Table 4.7). Royalties and land rents account for 5.2 per cent of revenue in 2021–22 and are discussed in detail in Section 4.4.

The major fines and infringements included in this category are primarily issued by the Queensland Police Service and include fixed and mobile camera offences, speeding and tolling offences.

Revenue from fines and forfeitures is estimated to grow by 5.3 per cent in 2020–21, following a decline of 11.3 per cent in 2019–20. This rebound is partially due to full year operation of mobile cameras compared to 2019–20, when operations were shut down or reduced over a number of months. The lower base in 2019–20 also likely reflects less traffic on the roads in the last quarter due to COVID-19, delays in the introduction of new cameras and the infringement rate being less than anticipated.

Revenue from fines and forfeitures is forecast to grow by 39.3 per cent in 2021–22, partly driven by the introduction of new cameras that detect use of mobile phones and if seat belts are being worn. Revenue is forecast to grow by 7.9 per cent in 2022–23, driven by the planned rollout of additional cameras, and then remain stable in 2023–24 and 2024–25, growing by 2.5 per cent and 0.2 per cent, respectively.

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]

	2019–20 Actual $ million	2020–21 Est. Act. $ million	2021–22 Budget $ million	2022–23 Projection $ million	2023–24 Projection $ million	2024–25 Projection $ million
Royalties and land rents	4,686	2,667	3,341	3,743	4,060	4,229
Fines and forfeitures	406	427	595	643	659	660
Revenue not elsewhere classified	823	929	652	660	664	668
Total other revenue	**5,915**	**4,023**	**4,589**	**5,046**	**5,383**	**5,557**

Note:

1. Numbers may not add due to rounding.

Box 4.4 SPER improved debt collection

In September 2020, the Palaszczuk Government announced the Debt Recovery and Compliance Program. The program is a package of increased revenue compliance and collection measures to raise an additional $488.1 million by 30 June 2024 at a cost of $74.95 million. The program will increase proactive debt management by the State Penalties and Enforcement Registry (SPER) as well as increase audits and investigations for taxation and royalties.

Queenslanders have every right to expect that people pay their fines and SPER plays a critical role in upholding the integrity of the justice system by ensuring penalty debts are paid.

The key SPER initiatives and outcomes delivered to date under the program are outlined below.

- Since opening in January 2021, the new Debt Management Centre (DMC) at Ipswich has contributed significantly to the increase in the monthly value of debt collected by SPER in the 3 months to the end of May 2021. Monthly SPER collections averaged $26 million during this period compared with an average of $22 million in the preceding 6 months.
- In 2020–21 to 30 April 2021, increased SPER field enforcement activities have collected approximately $12 million in payments compared to $3.7 million in 2019–20. These enforcement activities include driver licence suspension, vehicle immobilisation, and the seizure and sale of vehicles.
- In May 2021, SPER commenced regional field enforcement campaigns with uniformed enforcement teams targeting debtors across the state who refuse to pay their SPER debts. Previous field enforcement activities had been limited to South East Queensland and are now being extended across the state.
- A renewed focus is also being given to collection of debts by full payment (rather than by instalment or other arrangement), with positive results being $142.8 million in payments in 2020–21 to 31 May 2021 compared with $136.6 million in the same period in 2019–20.