4 Revenue

Features

- The coronavirus (COVID-19) pandemic and the resulting domestic and global economic downturn is substantially impacting on the state's revenues. Compared with the outlook prior to COVID-19, total revenue has been revised downward across the forward estimates, with key revenue streams (GST, taxation and royalties) all substantially lower.
- Across the four years to 2022-23, total revenue is expected to be $12.279 billion lower than forecast at the 2019-20 Mid-Year Fiscal and Economic Review (MYFER).
  - This is driven by a $12.340 billion downward revision across key revenue streams. Specifically, forecast taxation revenue has been reduced by $4.518 billion across the four years, while GST and royalty revenues are $3.798 billion and $4.024 billion lower respectively.
  - In addition, a range of other smaller revenue items (including sales of goods and services, and dividend and income tax equivalent income) were also revised downward compared to the 2019-20 MYFER estimates.
  - The downward revisions are partially offset by upward revisions to a number of other revenues, including an increase in expected payments for specific purposes and other grants and contributions across the four years.
- In addition to the substantial impacts on key revenues due to the broad downturn in economic activity as a result of COVID-19 public health measures, reduced revenues in 2019-20 and 2020-21 also reflect the significant tax relief introduced by the Queensland Government to support Queensland businesses, particularly small to medium businesses.
- General Government Sector revenue totalled $57.764 billion in 2019-20. Primarily reflecting the impacts of COVID-19 in the June quarter 2020, this is $2.064 billion (3.5%) lower than in 2018-19 and $2.150 billion (3.6%) lower than estimated in the 2019-20 MYFER.
- Total General Government Sector revenue is estimated to fall further in 2020-21, down to $56.249 billion, a decrease of $1.515 billion (2.6%).
- The decrease in revenues in 2020-21 compared with 2019-20 primarily reflects the global, national and statewide impacts of COVID-19, as well as other external factors:
  - Royalties and land rents are expected to be $2.054 billion (43.8%) lower in 2020-21, due to lower coal prices and volumes, and lower oil prices impacting LNG values.
  - Taxation revenue is expected to be $255 million (1.7%) lower than in 2019-20, driven primarily by lower transfer duty revenue and lower payroll tax revenue, reflecting the substantial impacts of the COVID-19 crisis on employment and wages.
  - Payroll and land tax revenues have also been impacted by the tax relief measures implemented by the government to support businesses in response to COVID-19.

  - Dividend and income tax equivalent income is expected to be $749 million (38.8%) lower than in 2019-20 due to regulatory determinations and weaker market conditions in sectors where Queensland Government Owned Corporations (GOCs) operate.
- Australian Government payments to Queensland in 2020-21 are expected to total $28.730 billion, representing an increase of $1.438 billion compared with payments in 2019-20. This increase is driven by a $938 million (52.0%) increase in Australian Government capital grants and a $561 million (4.4%) increase in payments for specific purposes.
- Key revenues are expected to rebound in 2021-22 and grow over the remainder of the forecast period as the economy recovers. Total revenue is expected to grow at an average rate of 3.5% over the four years to 2023-24, with average annual growth of 3.9% in taxation and 5.0% in GST, and a recovery in royalties from 2021-22 onwards.
- Importantly, Queensland is maintaining its competitive tax status, with per capita state tax estimated at $2,767 in 2020-21, compared to an average of $3,395 for the other states and territories. Taxation as a proportion of Queensland's GSP is expected to be stable at around 4.1% over the period from 2020-21 to 2023-24.

4.1 Impact of COVID-19 on key revenues

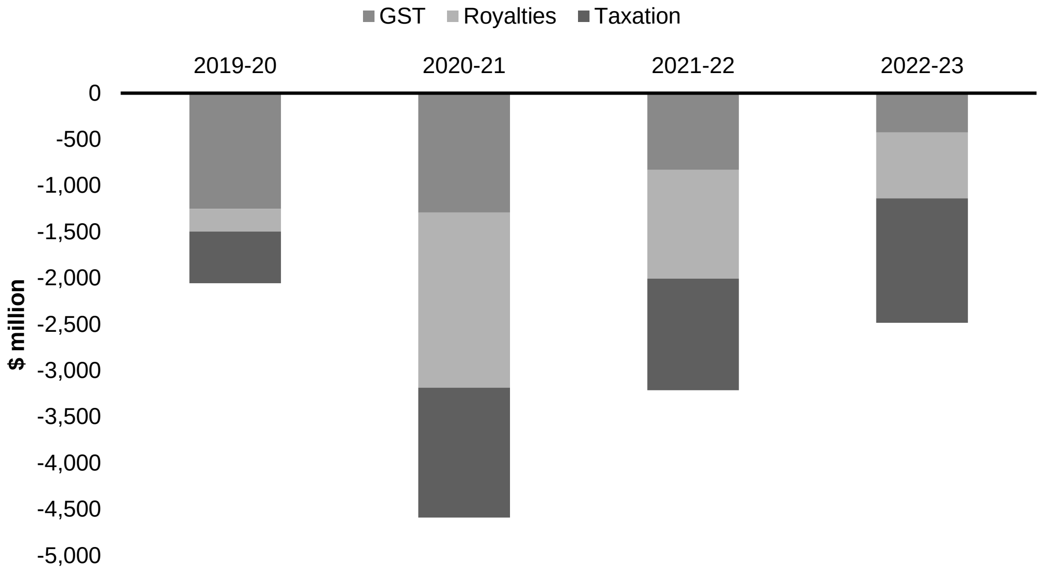
The COVID-19 pandemic and the resulting domestic and global economic downturn is substantially impacting on the state’s revenues. Compared with the outlook prior to COVID-19, total revenue has been revised downward across the forward estimates, with key revenue streams (GST, taxation and royalties) all substantially lower.

The combined impact of the downward revisions to key revenues is estimated at $12.340 billion (or 8.7%) across the four years to 2022-23 compared with the 2019-20 MYFER. Specifically, forecast taxation revenue has been reduced by $4.518 billion (or 7.0%) across the four years, while GST and royalty revenues are expected to be $3.798 billion (or 6.6%) and $4.024 billion (22.0%) lower respectively.

By comparison, following the global financial crisis, key revenues were $9.658 billion lower over the four years from 2008-09 to 2011-12, compared with pre-GFC 2008-09 Budget Forecasts.

Chart 4.1 outlines the downward revisions to forecasts in key revenues since MYFER.

Chart 4.1 Reduction in key revenues since 2019-20 MYFER



4.2 2019-20 revenue – actuals

General Government Sector revenue in 2019-20 totalled $57.764 billion, which is $2.150 billion (or 3.6%) less than the 2019-20 MYFER estimate. Significant variations from the 2019-20 MYFER estimates include:

- a $1.251 billion (or 8.9%) decrease in GST revenue reflecting lower GST collections by the Australian Government during 2019-20 than previously expected.
- a $561 million (or 3.7%) decrease in taxation revenue. The downward revision partly reflects the impact of tax relief measures implemented by the Queensland Government to support business cashflows and viability in the face of the economic downturn.
- a $489 million (or 8.0%) decrease in sales of goods and services, driven by lower revenue from hospital fees and fees for service activities reflecting lower fees being charged due to the impact of COVID-19.

These decreases were partially offset by higher than estimated payments for specific purposes, which were driven by additional COVID-19 initiatives and priority road projects. For additional information refer to Chapter 7.

4.3 2020-21 revenue – forecasts

General Government Sector revenue in 2020-21 is estimated to be $56.249 billion, a decline of $1.515 billion (or 2.6%) compared with the 2019-20 actual.

The decrease in revenues expected in 2020-21 reflects a range of factors, primarily related to ongoing global, national and statewide impacts of COVID-19 as well as other external factors, including:

Royalty and land rent collections are expected to be $2.054 billion (or 43.9%) lower than in 2019-20. This decline is driven by lower coal prices and volumes, reflecting continued weaker global economic growth, as well as the recent sharp fall in oil prices flowing through to LNG values.

The impact on LNG royalties is expected to be partially offset by the introduction of the new volume-based model for petroleum and gas royalties, which replaced the current regime based on well head values from 1 October 2020.

Dividend and income tax equivalent income is expected to be $749 million (or 38.8%) lower than in 2019-20. This is primarily due to decreases in the electricity network sector, driven by Energy Queensland Limited's new regulated revenue determinations for the period of 1 July 2020 to 30 June 2025.

Taxation revenue is expected to be $255 million (or 1.7%) lower than in 2019-20. This reduction is driven primarily by lower transfer duty revenue, due to a sharp downturn in non-dwelling transfers, and lower payroll tax revenue, reflecting the substantial impacts of the COVID-19 crisis on employment and wages.

Both payroll and land tax revenue collections have also been impacted by the substantial tax relief measures implemented by the Queensland Government to support businesses in response to COVID-19.

These decreases were partially offset by an increase in capital grants, which are expected to be $955 million (or 51.9%) higher in 2020-21 than in 2019-20, and an increase in other current grants which are expected to be $558 million (or 4.3%) higher.

This increase is primarily due to additional funding related to: road projects; COVID-19 management and economic response initiatives; a back payment for Disability Care funding; additional Remote Indigenous Housing funding; and new funding for skills and workforce training (JobTrainer Fund).

The major sources of total General Government Sector revenue in 2020-21 are grants revenue (51.7%) and taxation revenue (25.5%). Table 4.1 details revenue estimates by category, and Chart 4.2 illustrates the composition of General Government Sector revenue.

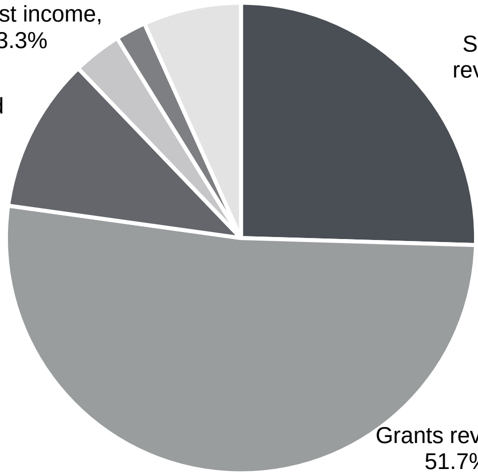
Table 4.1 General Government Sector revenue[1]

	2018-19 Outcome $ million	2019-20 Budget $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Taxation revenue	14,165	15,164	14,585	14,330	15,347	16,130	16,967
Sales of goods and services	5,783	6,004	5,618	5,975	6,152	6,243	6,532
Interest income	2,191	2,141	2,076	1,882	2,374	2,418	2,460
Grants revenue							
GST Revenue	14,332	14,214	12,761	12,701	13,887	14,711	15,535
Other current grants[2]	12,259	11,789	13,039	13,597	13,724	14,351	15,002
Capital grants	1,716	2,000	1,841	2,796	3,086	3,025	2,918
Dividend and income tax equivalent income							
Dividends	1,803	1,473	1,180	714	732	724	821
Income tax equivalent income	981	764	748	465	469	450	477
Other revenue							
Royalties and land rents	5,378	5,621	4,686	2,631	3,517	4,077	4,345
Other	1,220	1,217	1,229	1,157	1,216	1,265	1,271
Total revenue	**59,828**	**60,387**	**57,764**	**56,249**	**60,504**	**63,394**	**66,326**

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.

Chart 4.2 Revenue by operating statement category, 2020-21[1]



Notes:

1. Numbers may not add up to 100% due to rounding.
2. Chart prepared in line with Operating Statement categories. 'Other revenue' includes royalties and land rents, which comprise 4.7% of total revenues.
3. Grants Revenue includes direct Australian Government payments to Queensland departments for Commonwealth own-purpose expenditure.

4.4 Queensland's revenue trends

Following the forecast decline of 2.6% in 2020-21, total General Government revenue is expected to rebound in 2021-22, growing by 7.6%.

Total General Government revenue is then expected to grow by a further 4.8% in 2022-23 and 4.6% in 2023-24.

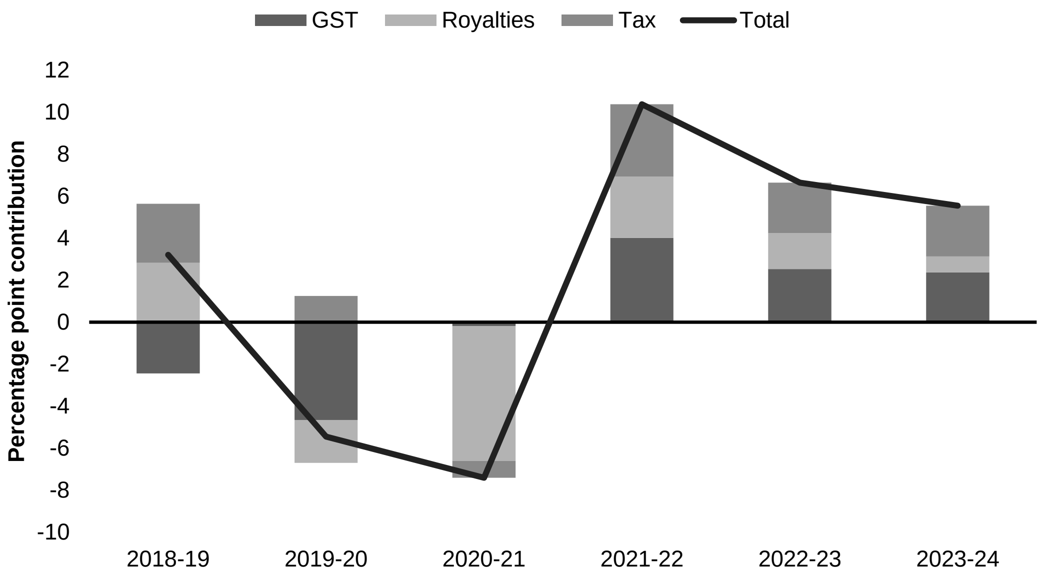
Declines in Queensland's revenues resulting from the upheaval in economic conditions caused by the COVID-19 pandemic are primarily reflected in three key state revenue sources: GST, royalties, and taxation.

The volatility in these revenues across the three years of 2019-20 to 2021-22 reflects the negative impacts of COVID-19 on global and domestic economic activity in late 2019-20 and the expected recovery in the domestic economy throughout 2020-21, but with ongoing impacts from the global economic downturn on activity and demand for key exports.

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.

Chart 4.3 examines the growth in revenue across the three key streams and the share of growth attributable to each key revenue item.

Chart 4.3 Growth in key revenues[1]



Note:

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

4.4.1 GST revenue trends

GST was the largest driver of overall revenue decline in 2019-20. The substantial downturn in national economic activity as a result of COVID-19, in particular in the June quarter 2020, had a major effect on aggregate GST collections (with the national GST pool falling 7.6% from 2018-19 levels) and this flowed through to substantially lower Queensland GST revenues. There has also been a sharp increase in unpaid GST debt, a portion of which is expected to be repaid during 2020-21.

In 2020-21, the ongoing impacts of COVID-19 and the social distancing and travel restrictions imposed to contain the spread of the virus have continued to negatively impact national consumption and dwelling investment, further reducing the national GST pool.

The impact on GST revenue has also been exacerbated in the short-term by COVID-19-induced changes in consumption patterns. In particular, during the ‘lockdown’ period, a larger proportion of household expenditure was spent on goods and services not subject to GST (e.g. exempted food items), while business closures also disproportionately impacted the supply (and, therefore, consumption) of some key taxable goods and services.

However, as the economy recovers, GST is expected to be the main driver of revenue growth across the forward years, with GST revenue expected to grow by 9.3% in 2021-22, 5.9% in 2022-23, and 5.6% in 2023-24, reflecting the expected rebound and ongoing recovery in national consumption.

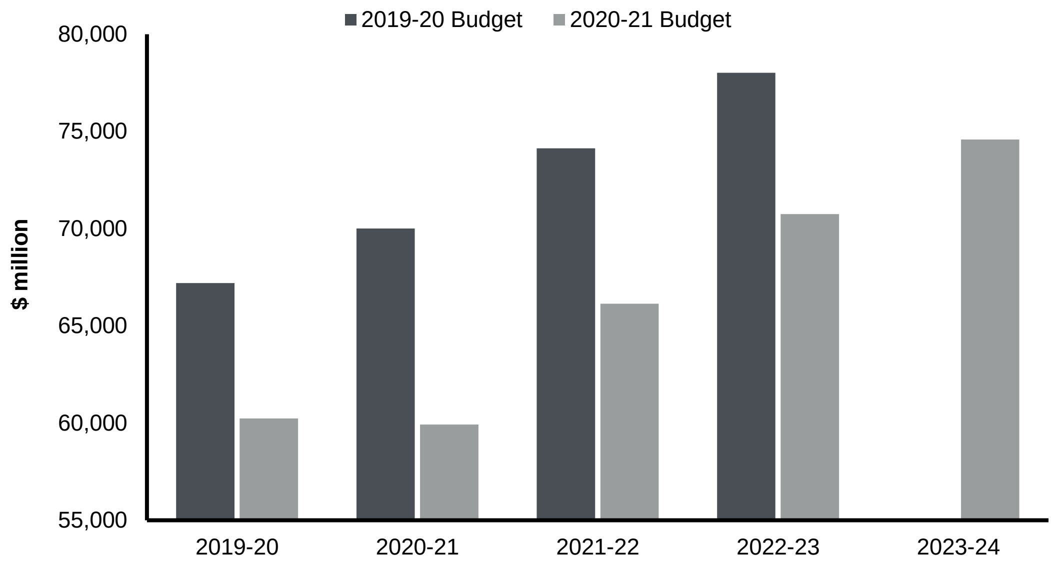
Revisions to the GST pool

The 0.5% decrease in estimated GST revenue in 2020-21 primarily reflects the Australian Government's estimates for the size of the GST pool. Since the Federal Budget 2019-20, the GST pool estimate is, in aggregate, around $32 billion lower over the years from 2019-20 to 2022-23.

Following the further decline in 2020-21, the Australian Government forecast the GST pool to rebound strongly in subsequent years, growing by 10.4% in 2021-22, 7.0% in 2022-23, and 5.4% in 2023-24. However, despite this forecast strong growth, the levels of the estimated GST pool in each of these years still remain below the levels forecast at the time of the 2019-20 Budget.

Chart 4.4 compares GST revenue pool forecasts published in the 2019-20 and 2020-21 Federal budgets (including Final Budget Outcome for 2019-20). This comparison highlights the extent to which the GST pool forecasts at the Federal Budget 2020-21 are materially lower in each year compared to the pre-COVID-19 forecasts in the Federal Budget 2019-20.

Chart 4.4 Australian Government forecast of GST revenue pool[1]



Note:

1. For 2019-20, 2020-21 Budget amount reflects actual GST entitlements as stated in the Australian Government Final Budget Outcome 2019-20

GST - Queensland's assessed fiscal capacity

In addition to the impact of the decline in the overall GST pool, the Australian Government accepted the Commonwealth Grants Commission's (CGC's) recommendation that Queensland's fiscal capacity for 2020-21 is slightly stronger compared to 2019-20, relative to other states and territories. This reduces the state's share of GST revenue compared to the previous year. The CGC's recommendation results from Queensland's:

- increased capacity to raise coal royalties
- lower assessed costs of providing urban public transport services, and
- greater share of Commonwealth payments.

The reduction is less severe than previous estimates because it takes into account changes to the CGC's method arising from its 2020 Methodology Review, which were net positive for Queensland. These included revisions to state natural disaster relief expenses, an increase in assessed rural road investment, and changes to the scope of the stamp duty assessment.

4.4.2 Royalty revenue trends

While a weaker global outlook was already affecting royalty revenues to some extent prior to COVID-19, the pandemic has impacted substantially on global demand for, and prices of, many key commodities, particularly coal and oil.

Total royalty revenue fell by 13.2% in 2019-20 compared to 2018-19, primarily driven by lower coal export volumes and prices.

Total royalty revenue is expected to fall by a further 45.2% in 2020-21. This is driven by a further decline in coal prices and volumes, reflecting continued weaker global economic growth and industrial production, as well as more recent impacts of Chinese import restrictions. The sharp fall in oil prices, reflecting the reduced global demand for energy, will also flow through to lower LNG values during 2020-21.

As the global economy recovers, total royalty revenue is expected to rebound in 2021-22, growing by 34.6%, followed by expected growth of 16.7% in 2022-23 and 6.8% in 2023-24.

4.4.3 Taxation revenue trends

As outlined in the COVID-19 Fiscal and Economic Review (C19-FER), the impacts on economic activity of COVID-19 and the foregone tax revenue resulting from the Queensland Government's tax relief measures to support Queensland businesses, have impacted substantially on taxation collections in 2019-20 and 2020-21.

However, as a result of the ongoing recovery in the domestic economy and Queensland labour market since June quarter 2020, taxation revenue in 2020-21 is now expected to be $495 million (or 3.6%) higher than forecast in the C19-FER.

In particular, payroll tax collections have improved in recent months, consistent with the turnaround in labour market outcomes in Queensland, while transfer duty collections have been supported by stronger than expected residential property turnover.

Residential transactions for October 2020 reached their highest level in over a decade with strong growth in both investor and homebuyers' activity. In addition, current incentives provided by both the Australian and State Governments have seen a pick-up in activity in the first home buyer market.

Gambling tax collections have also been above earlier expectations, likely to have been boosted by the substantial income support available in response to COVID-19. However, some moderation is expected over coming quarters as income support and welfare payments are normalised.

Despite the slightly improved outlook for some taxes in recent months, total taxation revenue is still expected to decline 1.7% in 2020-21, before rebounding to growth of 7.1% in 2021-22. The expected rebound in taxation revenue in 2021-22 reflects the lower base in 2020-21, with transfer duty and payroll tax expected to return to stronger growth as economic conditions improve.

Beyond 2021-22, a recovery in the non-residential sector is expected to support transfer duty revenue, while continued improvement in payroll tax collections should reflect the ongoing recovery in employment and wages. Future revenue should also be supported through additional OSR compliance activities. As a result, taxation revenues are forecast to record ongoing solid growth of 5.1% in 2022-23 and 5.2% in 2023-24.

Given the expected future growth in taxation revenue is driven by the expected recovery in the Queensland economy as it recovers, taxation revenue as a proportion of Queensland's economy will remain relatively stable over this period, rising only slightly from 4.0% in 2019-20 to 4.1% in 2023-24, below the recent peak of 4.3% in 2014-15.[1]

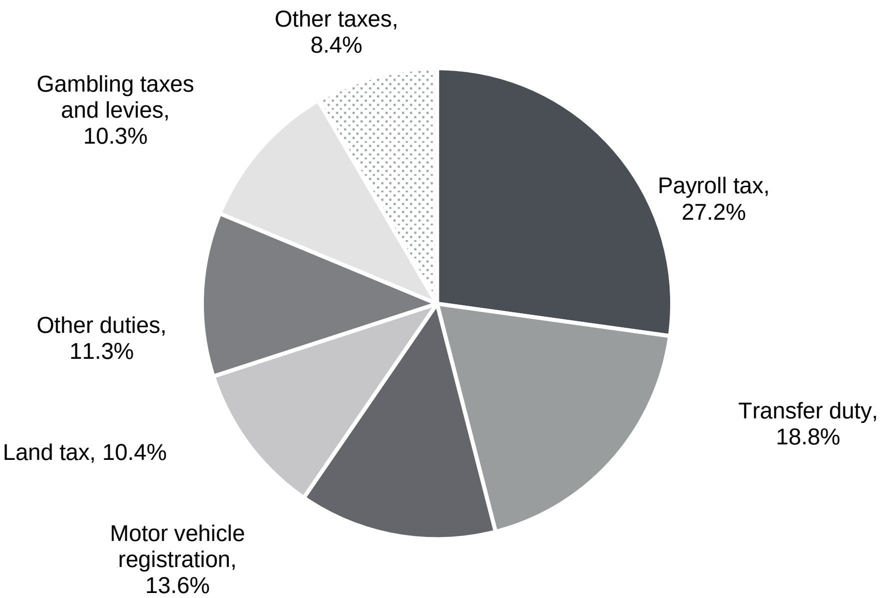
[1] Consistent with the scope of Chapter 4, tax to GSP ratios are based on GSP estimates as published in the ABS State Accounts, to allow for consistent comparisons across jurisdictions. Other GSP ratios presented in Appendix D use GSP estimates as published in the official Queensland State Accounts.

4.5 Taxation revenue

Chart 4.5 indicates the composition of estimated state taxation revenue for 2020-21, with the largest sources being payroll tax and transfer duty, together representing around 46.0% 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 relatively variable, reflecting residential and non-residential market conditions. Land tax can also reflect variability in the property market, however any volatility in land tax collections is moderated substantially by the relatively stable base and the effect on assessments from three-year averaging of land values.

Chart 4.5 State taxation by tax category, 2020-21[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. Decreases in 2020-21 are primarily driven by lower transfer duty revenue, due to a sharp downturn expected in dwelling and non-dwelling investment, and lower payroll tax revenue, reflecting the impacts of the COVID-19 crisis on employment and wages.

Table 4.2 State taxation revenue[1]

	2018-19 Outcome $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Payroll tax	4,160	4,211	3,896	4,304	4,611	4,923
Duties						
Transfer	3,195	3,041	2,694	2,953	3,157	3,381
Vehicle registration	555	533	548	567	593	620
Insurance[2]	956	1,016	1,033	1,090	1,155	1,223
Other duties[3]	37	34	32	32	32	33
Total duties	**4,743**	**4,624**	**4,307**	**4,643**	**4,937**	**5,257**
Gambling taxes and levies						
Gaming machine tax	734	617	773	780	804	832
Health services levy	89	77	117	101	109	117
Lotteries taxes	304	332	332	342	353	363
Wagering taxes	75	118	135	137	143	150
Casino taxes and levies	109	97	102	114	124	139
Keno tax	20	17	19	20	21	21
Total gambling taxes and levies	**1,333**	**1,258**	**1,477**	**1,495**	**1,553**	**1,622**
Other taxes						
Land tax	1,334	1,406	1,493	1,617	1,643	1,661
Motor vehicle registration	1,850	1,910	1,948	2,022	2,098	2,176
Emergency management levy	541	562	581	605	630	657
Waste disposal levy	n/a	295	305	334	334	330
Guarantee fees	156	272	277	282	278	294
Other taxes[4]	48	46	45	46	46	47
Total taxation revenue	**14,165**	**14,585**	**14,330**	**15,347**	**16,130**	**16,967**

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.

Box 4.1 COVID-19 relief measures

The impact of the COVID-19 pandemic on Queensland businesses has been significant and the government moved quickly to introduce substantial tax relief measures to support Queensland businesses, particularly small to medium businesses, including measures to support the cashflows and viability of landlords, tenants, as well as the state's pubs and clubs.

Details of the key tax relief measures are outlined below:

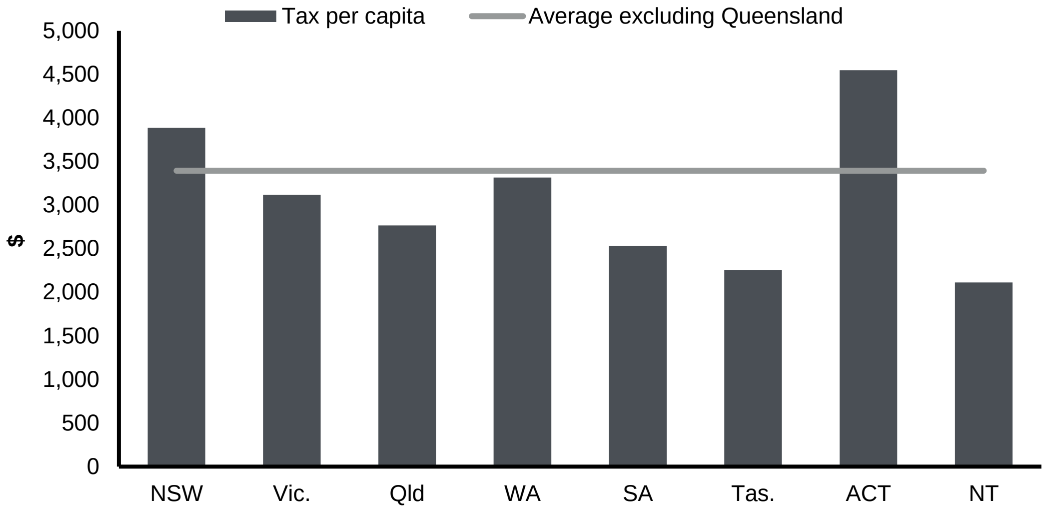
- Approving payroll tax refunds or holidays for more than 16,700 Queensland businesses, supporting their cashflows and viability, and helping to ensure the security of the workers they employ.
- Deferring payroll tax liabilities for more than 10,800 businesses, regardless of their size, so that no Queensland businesses eligible for deferral will have to make a payroll tax payment this calendar year and allowing businesses to pay deferred liabilities in instalments throughout 2021.
- Providing a payroll tax exemption for the subsidised component of wages paid under the Australian Government's JobKeeper program to ensure this support flows through to help businesses and their workers for the duration of the JobKeeper scheme.
- Land tax rebates for eligible properties for 2019-20 and 2020-21 to support eligible land tax payers and their commercial and residential tenants, as well as a 3-month deferral of land tax liabilities for all land tax payers for the 2020-21 assessment year and a waiver of the land tax foreign surcharge for the 2019-20 year.
- Deferral of lottery tax liabilities from July to December 2020 until March 2021 to assist businesses cashflows.

4.5.1 Queensland's competitive tax status

Taxation can impact on business decisions regarding investment and employment, as well as household investment and home ownership decisions. Maintaining the competitiveness of Queensland's tax system is critical to provide a competitive advantage to business and moderates the tax burden for citizens. As such, maintaining a competitive tax regime is fundamental to the government's commitment to job creation and supporting sustainable economic growth.

As Chart 4.6 shows, taxation per capita in Queensland is lower than the average taxation per capita in the other states and territories. In 2020-21, it is estimated that Queensland's taxation per capita of $2,767 will be $628 per capita less than the average of other jurisdictions. This highlights the ongoing competitiveness of Queensland's taxation regime.

Chart 4.6 Taxation per capita, 2020-21



Sources: 2020-21 Budgets for all jurisdictions except the ACT where 2020 Economic and Fiscal Update is used. Population data from Federal Budget 2020-21.

Other measures of tax competitiveness include estimates by the CGC of Queensland's tax effort compared with other jurisdictions, and the state's tax revenue as a proportion of the size of the state's economy.

The CGC's 2020 Review assessed that Queensland's tax effort in 2018-19 (latest available data) was 9.3% below the national average.

Revenue raising effort ratios are an indicator of the extent to which governments burden their revenue bases. The taxation effort metric is based on 2018-19 data from the CGC's 2020 Review using total tax revenue effort for assessed taxes (payroll, transfer duty, land tax, insurance duty and motor vehicle taxes).

In terms of the third measure of tax competitiveness (i.e. taxation as a share of GSP), this measure also confirms that Queensland's taxes are 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 three measures compared with other jurisdictions and demonstrates that the Queensland tax system remains amongst the most competitive in Australia.

Table 4.3 Tax competitiveness

	NSW	Vic.	Qld	WA	SA	Tas.[3]	ACT[4]	NT[3]	Avg[5]
Taxation per capita[1]($)	3,888	3,118	2,767	3,318	2,534	2,256	4,548	2,113	3,395
Taxation effort (%)	102.8	103.1	90.7	97.4	93.3	92.4	149	81.1	100.0
Taxation % of GSP[2] (%)	4.8	5.0	4.0	2.9	4.0	3.9	4.7	2.0	4.3

Notes:
1. 2020-21 Budgets for all jurisdictions except the ACT where 2020 Economic and Fiscal Update is used. Population data from Commonwealth 2020-21 Budget.
2. 2019-20 data. Sources: Australian Bureau of Statistics ABS 5220.0 and 2020-21 Budgets for all jurisdictions except the ACT where 2020 Economic and Fiscal Update is used.
3. Low taxation per capita primarily reflects the lower revenue raising capacity of those jurisdictions.
4. Figures include municipal rates.
5. Weighted average of states and territories, excluding Queensland (aside from taxation effort, which is the average of all states).

4.5.2 Payroll tax

Reflecting the substantial impacts of COVID-19 on employment and wages, payroll tax is expected to decline by 7.5% in 2020-21, compared with 2019-20.

This decline in payroll tax also reflects the fact that, 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.

As outlined above, payroll tax collections have improved somewhat in recent months, consistent with the turnaround in labour market outcomes in Queensland.

Payroll tax is expected to grow by an annual average of 8.1% from 2020-21 onwards, reflecting a recovery in employment and wage conditions, the expiry of 2019-20 Budget policy measures, and expected increased revenue resulting from additional OSR compliance activities.

4.5.3 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 the first $350,000 of dutiable value, rather than the normal scheduled rates of between 1.5% and 3.5%. If a first home buyer purchases a property up to $500,000 they will pay no duty, with reduced rates available up to $550,000.

Following their low point in May 2020 as social distancing restrictions and general COVID-19 uncertainty weighed on activity, transfer duty collections have recovered slightly since June with strong growth from investors and homebuyers. In addition, current government incentives are seeing a pick up in the first home buyer market.

However, after declining by 4.8% in 2019-20, revenue from transfer duty is expected to decline by a further 11.4% in 2020-21 largely due to weakness in the non-residential sector, which is partially offset by strong residential volumes.

Transfer duty is expected to grow by 9.6% in 2021-22, supported by continued strength in residential transactions. Going forward, with activity in the non-residential sector expected to pick up from 2022-23 onwards, transfer duty is expected to grow by 6.9% in 2022-23 and 7.1% in 2023-24.

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. Since 1 July 2018, an additional $2 per $100 of dutiable value applies for vehicles valued above $100,000.

Revenue from vehicle registration duty is expected to grow by 2.8% in 2020-21, and then grow at around 4.2% per annum across the forecast period.

4.5.4 Gambling taxes and levies

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

The government provided gaming tax relief for Queensland pubs and clubs impacted by the effects of coronavirus, including a deferral of March 2020 gaming machines taxes until June 2021. In addition, lotteries taxes for July to December 2020 could be deferred, to be paid in full before 1 April 2021, including by instalments due before that date.

Total gambling tax and levy collections declined by 5.6% in 2019-20, largely due to the venue closures from late March 2020.

Recent collections indicate significant strength in gambling taxes since the re-opening of venues, suggesting a strong rebound in gaming activity. Total gambling tax and levy collections are expected to grow by 17.4% in 2020-21, partly reflecting the reduced impact of venue closures compared to the longer period of closures in 2019-20, followed by growth of 1.2% in 2021-22, 3.9% in 2022-23, and 4.4% in 2023-24.

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 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 has provided land tax relief measures to property owners affected by the COVID-19 outbreak, including:

- 25% rebate on 2019-20 and 2020-21 liabilities if providing commensurate rent relief, or if the property owner's ability to secure tenants has been affected by COVID-19;
- waiver of the 2% foreign surcharge for 2019-20; and
- three-month deferral of 2020-21 liabilities

Land tax revenue totalled $1.406 billion in 2019-20, 7.4% lower than estimated at the 2019-20 MYFER. This downward revision is partly driven by the impacts of the COVID-19 relief measures.

Land tax is expected to grow 6.2% in 2020-21 and 8.3% 2021-22, followed by more modest growth expected as a result of the lagged impact of the COVID-19-induced economic downturn on taxable land values.

4.5.6 Waste disposal levy

The waste disposal levy commenced on 1 July 2019 and applies to 39 local government areas, covering more than 90% 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 three years. The first annual increase of $5 per tonne was deferred by six 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 totalled $295 million in 2019-20. Revenue is forecast to grow by around 3.4% in 2020-21, and 9.4% in 2021-22. Following this revenue is forecast to remain stable in 2022-23 (growth of less than 0.1%) followed by a decline of 1.0% in 2023-24.

This reflects the annual increases in levy rates, offset by further anticipated behavioural changes in the amount of waste disposed to landfill.

4.5.7 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. As outlined previously in Box 4.1, the Queensland Government provided substantial support to Queensland businesses through tax relief measures in response to COVID-19.

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

4.6 Grants revenue

Grants revenue is comprised of Australian Government grants (including GST), grants from the community and industry, and other miscellaneous grants. The 5.3% increase in grants revenue in 2020-21 is driven by increases in Australian Government Grants and specific purpose payments.

Table 4.4 Grants revenue[1]

	2018-19 Outcome $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Current grants						
GST revenue grants[2]	14,332	12,761	12,701	13,887	14,711	15,535
Total payments for specific purposes[3]	11,941	12,726	13,287	13,455	14,066	14,680
Other grants and contributions	317	313	310	269	285	321
Total current grants	**26,591**	**25,800**	**26,298**	**27,611**	**29,062**	**30,537**
Capital grants						
Australian Government grants	1,668	1,805	2,742	3,053	3,009	2,898
Other grants and contributions	48	37	54	33	17	20
Total capital grants	**1,716**	**1,841**	**2,796**	**3,086**	**3,025**	**2,918**
Total Australian Government payments	27,941	27,292	28,730	30,395	31,786	33,113
Total grants revenue	**28,307**	**27,641**	**29,094**	**30,697**	**32,087**	**33,454**

Notes:

1. Numbers may not add due to rounding.
2. Includes entitlements to payments associated with the 'no worse off' guarantee as part of the Australian Government changes to the GST distribution.
3. Queensland Treasury estimates. Differs from Chapter 7 due to the inclusion of direct Australian Government payments to Queensland agencies for Commonwealth own purpose expenditure and the exclusion of Australian Government capital grants, what are presented separately in this table.

4.6.1 Australian Government payments

Australian Government payments to Queensland in 2020-21 are expected to total $28.730 billion, representing an increase of $1.438 billion compared to payments received in 2019-20. This increase is driven by a $938 million increase in Australian Government Grants and a $561 million increase in total payments for specific purposes.

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.

Other grants and contributions, while only comprising a very small share of total grant revenues, are expected to decline by $3 million (0.9%) in 2020-21, compared to 2019-20. Other grants and contributions are expected to decline by 13.2% in 2021-22, followed by growth of 5.8% in 2022-23, and 12.9% in 2023-24.

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.

The COVID-19 pandemic has seen an unprecedented downgrade to the outlook for global economic growth in a short period of time. It has 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]

	2018-19 Outcome $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Coal	4,372	3,517	1,643	2,372	2,761	2,951
Petroleum[2]	454	466	308	467	635	702
Other royalties[3]	393	549	535	506	507	515
Land rents	159	154	146	172	174	176
Total royalties and land rents	**5,378**	**4,686**	**2,631**	**3,517**	**4,077**	**4,345**

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

While a large proportion of Queensland's royalties and land rents come from coal mining, the majority of this revenue is attributable to the hard coking coal used in steel production.

Lower royalties collected from thermal coal mining reflects the smaller volume of this type of coal mined in Queensland, the lower values per tonne of thermal coal and the three-tiered coal royalty rate system, where lower value coal is charged a lower average royalty rate. Compared to coal, petroleum royalties make up a relatively smaller share of total royalties, though petroleum royalties have grown strongly over the last few years due to growth in the LNG industry.

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.

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.

4.7.1 Coal royalties

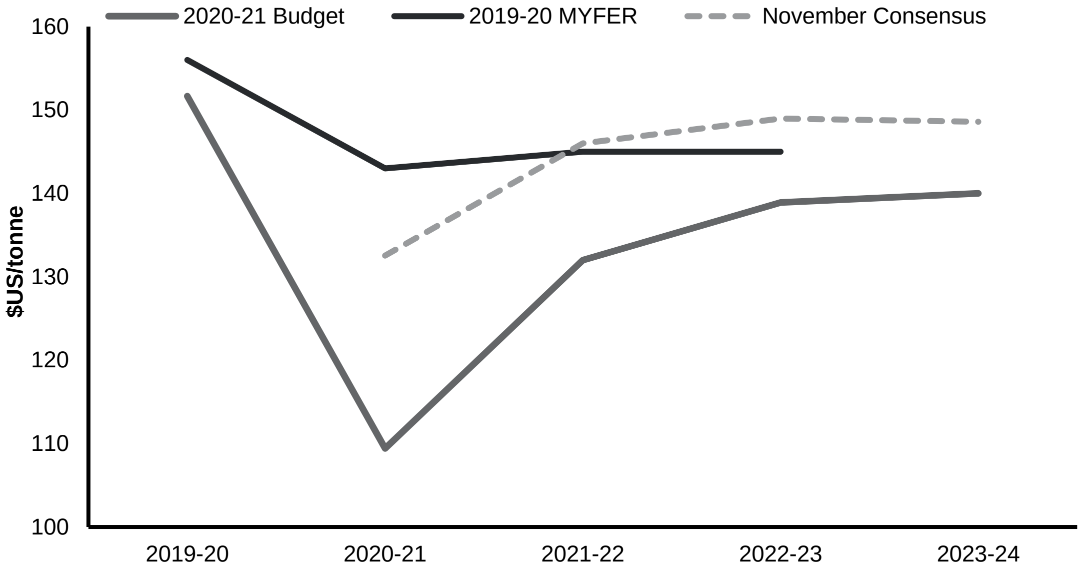
Coal royalties totalled $3.517 billion in 2019-20, 19.6% lower than in 2018-19 and 4.9% lower than forecast at the 2019-20 MYFER. Coal royalties are expected to fall a further 53.3% in 2020-21. This decline across the two years is driven by lower coal prices and volumes, reflecting weaker global economic growth, which was exacerbated significantly by the pandemic.

Some of the world’s largest steelmakers have scaled back operations due to a decline in steel demand, while restrictions in Japan and Korea are expected to reduce power demand. Ports data from Queensland's major coal export ports indicates that Queensland’s coal exports were 13.5% lower over the financial year to October 2020.

On a year average basis, the premium hard coking coal price decreased by around 26% in 2019-20 to around $US152 per tonne and is expected to decline by a further 28% to $US109 per tonne on average in 2020-21. Hard coking coal prices are expected to partially recover to $US140 per tonne by mid-2023.

Chart 4.7 shows coking coal price forecasts compared to the 2019-20 MYFER outlook and average quarterly prices from the latest *Consensus Economics* forecasts. This shows that hard coking coal prices forecast at the 2019-20 MYFER (prior to the impacts of COVID-19 being known) are similar to the latest *Consensus Economics* forecasts. The downward revisions made to hard coking price forecasts since the 2019-20 MYFER reflects the impacts of COVID-19 and import restrictions have had on demand and therefore price.

Chart 4.7 Coking coal price forecasts by iteration

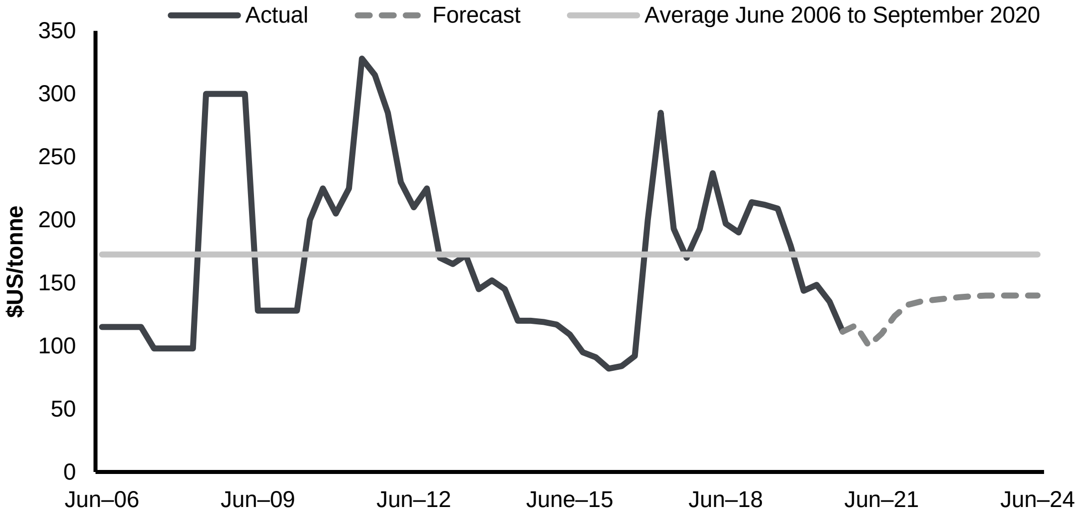


Sources: Consensus Economics and Queensland Treasury.

There remain significant downside risks in the short-term, including any further impacts from China's reported import restrictions. Reflecting the reduced demand in the first quarter, the continued impacts of COVID-19 and the uncertainty surrounding Australian access to the Chinese market, coal prices are expected to weaken further in early 2021. However, as the global economy begins to recover and demand for coal rebounds, prices are expected to move back towards a longer-term price of around US$140/t. This remains lower than recent coking coal prices, as shown in Chart 4.8.

As a result, coal royalties are expected to rebound 44.3% in 2021-22, before growth moderates to 16.4% in 2022-23 and 6.9% in 2023-24.

Chart 4.8 Coking coal price



Sources: 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. In 2019-20 revenue from petroleum and gas royalties totalled $466 million, 2.7% higher than 2018-19 but 15.1% lower than forecast at the 2019-20 MYFER.

While LNG export volumes are expected to be largely unaffected by the COVID-19, the pandemic has reduced global oil prices. This will materially impact LNG values in 2020-21 and petroleum and gas royalties are expected to decline by 34.0% in that year.

With OPEC+ (Organization of the Petroleum Exporting Countries plus Russia and other non-OPEC countries) committed to cutting production in order to sustain prices, the oil price is expected to gradually recover to US$60/bbl by June 2023 in line with growth in demand for oil as economies continue to re-open.

On 8 June 2020, the Queensland Government announced a new volume-based model. This model will replace the previous regime based on well head values from 1 October 2020. Under the volume-based model, royalties are calculated based on the volume of gas produced with rates moving in line with movements in prices.

Reflecting a combination of price recovery, volume growth and the new royalty arrangements, petroleum and gas royalties are forecast to grow by 52.0% in 2021-22, before growth moderates to 35.8% in 2022-23, and 10.7% in 2023-24.

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 increased by 39.9% in 2019-20, compared to 2018-19, supported by:

- increased metals volumes, with flooding in North Queensland having impacted volumes in 2018-19, and
- the finalisation of a number of significant compliance activities resulting in increased collections from penalties and interests.

A decline of 2.6% is expected in 2020-21 as collections resulting from compliance activities are anticipated to return to normal levels. This is partially offset by reassessment activities undertaken in late 2020 which increased revenue across metal and mineral royalty lines.

A further decline of 5.4% is expected in 2021-22, reflecting the return from the higher revenue collections from the reassessment of metal and mineral royalties. This is forecast to be followed by growth of 0.3% in 2022-23 and 1.5% in 2023-24.

4.7.4 Land rents

Revenue from land rents derived from mining and petroleum leases and pastoral holdings are expected to decline by 5.2% in 2020-21 primarily driven by a write down in rents during COVID-19 due to the government's relief.

Revenue from land rents are expected to rebound in 2021-22, and grow by 17.8%, driven by the expected recovery in the economy, as well as a tapering of drought relief rental deferrals due to moving into improved La Niña weather conditions. Revenue from land rents are expected to grow by around 1.3% in 2022-23 and 2023-24.

4.8 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.

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.

Table 4.6 Sales of goods and services[1]

	2018-19 Outcome $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Fee for service activities	2,278	2,215	2,455	2,655	2,596	2,637
Public Transport: South East Queensland	360	289	221	346	376	414
Rent revenue	565	583	474	566	587	607
Sale of land inventory	33	34	76	79	111	107
Hospital fees	844	689	894	893	904	912
Transport and traffic fees	452	471	478	514	532	549
Other sales of goods and services	1,251	1,338	1,378	1,098	1,138	1,306
Total	**5,783**	**5,618**	**5,975**	**6,152**	**6,243**	**6,532**

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 above 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 to support superannuation and insurance liabilities.

Interest income is estimated to account for 3.3% of total General Government Sector revenue in 2020-21.

Interest income has been impacted by significant falls in interest rates and volatile market conditions over the past 12 months. Investment interest rates are expected to remain low in the short to medium term when compared with the long-term average. Reflecting this, interest income is expected to decline by 9.3% in 2020-21

Interest income is forecast to improve across the forward estimates, benefiting from increases in investments being made as part of the Queensland Future Fund – Debt Retirement Fund initiative (see Box 3.2 in section 3.3.5). As a result, interest income is expected to rebound in 2021-22, growing by 26.1%, followed by growth of around 2% in 2022-23 and 2023 24.

4.10 Dividend and income tax equivalent income

Dividend and income tax equivalent income accounts for 2.1% of total General Government Sector revenue in 2020-21.

Revenue from dividend and income tax equivalent income totalled $1.929 billion in 2019-20, $855 million lower than in 2018-19, and $258 million lower than expected at the 2019-20 MYFER. This is primarily due to decreases in the electricity generation sector, driven by a decline in wholesale electricity spot prices due to unfavourable economic conditions.

In 2020-21, dividend and income tax equivalent income is expected to decline by $749 million compared to 2019-20. This is primarily due to decreases in the electricity network sector, driven by Energy Queensland Limited's new regulated revenue determinations for the period of 1 July 2020 to 30 June 2025.

Dividend and income tax equivalent income is forecast to be stable across 2021-22 and 2022-23. Dividend and income tax equivalent income is expected to grow by 10.6% in 2023-24, driven by expected higher wholesale prices following the anticipated closure of the Liddell Power Station in New South Wales.

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 6.7% of total General Government Sector revenue in 2020-21. Royalties and land rents themselves account for 4.7% of revenue in 2020-21 and are discussed in detail in section 4.8.

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 expected to grow by 12.5% in 2020-21, following a decline of 11.3% in 2019-20. This rebound is partially due to full year operation of mobile cameras compared to 2019-20 when operations were shut down for a month. 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 expected to grow a further 30.8% 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 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]

	2018-19 Outcome $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Royalties and land rents	5,378	4,686	2,631	3,517	4,077	4,345
Fines and forfeitures	458	406	457	597	641	642
Revenue not elsewhere classified	762	823	700	618	624	628
Total other revenue	**6,598**	**5,915**	**3,788**	**4,732**	**5,342**	**5,616**

Note:

1. Numbers may not add due to rounding.