# Appendix B: Tax expenditure statement

## Context

Governments employ a range of policy tools to achieve social and economic objectives. These include the use of direct budgetary outlays, regulatory mechanisms and taxation.

This Tax Expenditure Statement (TES) details revenue forgone as a result of Queensland Government decisions relating to the provision of tax exemptions or concessions. The TES is designed to improve transparency in the use of tax expenditures and increase public understanding of the fiscal process.

Tax expenditures are reductions in tax revenue that result from the use of the taxation system as a policy tool to deliver government policy objectives. Tax expenditures are provided through a range of measures, including:

- tax exemptions, rebates or deductions
- the application of reduced tax rates to certain groups or sectors of the community
- provisions, which defer payment of a tax liability to a future period.

Labelling an exemption or concession as a tax expenditure does not necessarily imply any judgement as to its appropriateness. It merely makes the amount of the exemption or concession explicit and thereby facilitates its scrutiny as part of the annual budget process.

## Methodology

### Revenue forgone approach

The method consistently used by governments to quantify the value of their tax expenditures is the revenue forgone approach. This method estimates the revenue forgone through use of the concession by applying the benchmark rate of taxation to the volume of activities or assets affected by the concession.

One of the deficiencies of the revenue forgone approach is that effects on taxpayer behaviour resulting from tax expenditures are not factored into the estimate. Consequently, the aggregation of costings for individual tax expenditure items presented in the TES will not necessarily provide an accurate estimate of the total level of assistance provided through tax expenditures.

Measuring tax expenditures requires the identification of:

- a benchmark tax base
- concessionally taxed components of the benchmark tax base such as a specific activity or class of taxpayer
- a benchmark tax rate to apply to the concessionally taxed components of the tax base.

### Defining the tax benchmark

An important step in the preparation of a TES is the establishment of a benchmark for each tax included in the statement. The benchmark provides a basis against which each tax concession can be evaluated. The aim of the benchmark is to determine which concessions are tax expenditures as opposed to structural elements of the tax. The key features of a tax benchmark are:

- the tax rate structure
- any specific accounting conventions applicable to the tax
- the deductibility of compulsory payments
- any provisions to facilitate administration
- provisions relating to any fiscal obligations.

By definition, tax expenditures are those tax concessions not included as part of the tax benchmark.

Identification of what features of a tax constitute a tax expenditure, as well as the relevant benchmark revenue bases and rates, requires a degree of judgement and is not definitive. In addition, data limitations mean that the tax expenditures are approximations and are not exhaustive. This statement does not include estimates of revenue forgone from exemptions or concessions provided to government agencies. Very small exemptions or concessions are also excluded.

## The tax expenditure statement

This year's statement includes estimates of tax expenditures in 2023–24 and 2024–25 for payroll tax, the mental health levy, land tax, duties, the waste disposal levy and gambling taxes. A summary of the major tax expenditures valued on the basis of revenue forgone is presented in Table B.1. Not all expenditures can be quantified at this time. Accordingly, the total value of tax expenditures should be considered as indicative only.

## Table B.1 Tax expenditure summary[1]

| | 2023–24 $ million | 2024–25 $ million |
|---|---|---|
| **Payroll tax** | | |
| Liability threshold | 1,094 | 1,122 |
| Graduated scale | 32 | 35 |
| Deduction scheme | 688 | 733 |
| Regional discount | 115 | 122 |
| Section 14 exemptions | 993 | 1,049 |
| Local government | 173 | 183 |
| Education | 266 | 281 |
| Hospitals (excluding public hospitals) | 80 | 85 |
| Charities | 474 | 500 |
| Apprentice and trainee exemption | 117 | 127 |
| Apprentice and trainee rebate | 51 | 55 |
| General practitioner amnesty and exemption[2] | 100 | 109 |
| **Total payroll tax** | **3,190** | **3,352** |
| **Mental health levy** | | |
| Graduated scale | 188 | 201 |
| **Land tax** | | |
| Liability threshold | 1,029 | 1,089 |
| Graduated land tax scale | 1,832 | 2,304 |
| Principal place of residence exemption | 591 | 804 |
| Primary production exemption | 313 | 417 |
| Part 6 Divisions 2 and 3 exemptions not included elsewhere | 196 | 216 |
| Land developers' concession | 9 | 10 |
| Land tax foreign surcharge (LTFS) exemption/ex gratia[3] | 70 | 54 |
| **Total land tax** | **4,041** | **4,894** |
| **Duties** | | |
| **Transfer duty[4]** | | |
| Home concession[5] | 542 | 488 |
| First home concession[5] | 147 | 359 |
| First home vacant land concession[5] | 15 | 30 |
| Additional foreign acquirer duty exemption/ex gratia | 19 | 12 |
| **Insurance duty** | | |
| WorkCover | 108 | 122 |
| Health insurance | 516 | 535 |
| Compulsory third party (CTP) | 95 | 98 |
| **Total duties** | **1,442** | **1,644** |

| | 2023–24 $ million | 2024–25 $ million |
|---|---|---|
| **Queensland waste levy** | | |
| Exempt waste – general | 17 | 40 |
| Approved exemptions | 172 | 225 |
| Approved discounts | 9 | 10 |
| **Total waste levy** | **199** | **276** |
| **Taxes on gambling** | | |
| Gaming machine taxes | 149 | 158 |
| Casino taxes | 14 | 15 |
| **Total gambling tax** | **163** | **173** |
| **Total** | **9,223** | **10,540** |

Notes:

1. Numbers may not add due to rounding.
2. From 1 December 2024, a payroll tax exemption for payments to all general practitioners (GPs), including employed GPs, has applied under Section 14 of the *Payroll Tax Act 1971*. Prior to this date, a payroll tax amnesty was provided for contracted GPs, with the amnesty due to expire on 30 June 2025. Tax expenditures for each measure are combined as a standalone item in this table.
3. Subject to revision as further LTFS ex gratia applications are processed.
4. Tax expenditures related to the removal of transfer duty for first home buyers buying or building a new home will be included separately from the 2026–27 Queensland Budget.
5. Changes from 2023–24 to 2024–25 reflect the raising of the property value thresholds for first home buyer concessions from 9 June 2024 (which reduced the number of first home buyer transactions receiving the home concession only), and the removal of transfer duty for first home buyers purchasing or building new homes from 1 May 2025.

# Discussion of individual tax expenditures

## Payroll tax

The benchmark tax base for payroll tax is assumed to be all taxable wages, salaries and supplements (including employer superannuation contributions) paid in Queensland, as defined in the *Payroll Tax Act 1971*.

### Payroll tax liability threshold

From 1 July 2019, employers in Queensland with an annual Australian payroll of $1.3 million or less have not been liable for payroll tax. On the basis of November 2024 average weekly adult total earnings, the threshold corresponded to businesses with payrolls equivalent to employing approximately 12 full-time equivalent employees. This threshold is designed to assist small and medium sized businesses.

### Graduated payroll tax scale

Queensland employers with Australian payrolls between $1.3 million and $6.5 million are liable for payroll tax at a rate of 4.75 per cent, and those with payrolls above $6.5 million are liable at a rate of 4.95 per cent. The benchmark tax rate for payroll tax is assumed to be 4.95 per cent.

### Deduction scheme

Queensland employers with Australian payrolls between $1.3 million and $10.4 million, benefit from a deduction in taxable payrolls of $1.3 million, which reduces by $1 in every $7 by which the annual payroll exceeds $1.3 million. No deduction is available for employers or groups that have annual payroll in excess of $10.4 million.

### Regional discount

Employers who are based in regional Queensland and pay over 85 per cent of taxable wages to regional areas may be entitled to a discount on the rate of payroll tax imposed on their taxable wages. The discounted payroll tax rates for regional businesses are 3.75 per cent for employers who pay $6.5 million or less in Australian taxable wages, or 3.95 per cent for employers who pay more than $6.5 million in Australian taxable wages.

From 1 July 2024, the regional discount does not apply for employers who pay more than $350 million in Queensland taxable wages.

### Section 14 exemptions

A number of organisations are provided with exemptions from payroll tax under Section 14 of the *Payroll Tax Act 1971*. The activities for which estimates have been calculated are wages paid by charities for employees working in hospitals, non-tertiary private educational institutions and for other qualifying exempt purposes, and for local governments (excluding commercial activities).

### Apprentice and trainee exemptions

Most apprentice and trainee wages are exempt from payroll tax. To be eligible the employee must sign a training contract with their employer to undertake an apprenticeship or traineeship declared under the *Further Education and Training Act 2014*.

### Apprentice and trainee rebate

In addition to being exempt wages for payroll tax, a rebate can be claimed that reduces the overall payroll tax liability of an employer. The rebate is calculated by multiplying 50 per cent of the apprentice and trainee wages by the applicable payroll tax rate for each return period.

### General practitioner amnesty and exemption

A payroll tax amnesty in relation to payments made to contracted general practitioners applied for the 5-year period until 30 November 2024. From 1 December 2024, wages paid by a medical practice (other than a hospital) to a contracted or employee general practitioner are exempt from payroll tax under Section 14 of the *Payroll Tax Act 1971*.

## Mental health levy

The benchmark tax base for the mental health levy is assumed to be taxable wages, salaries and supplements (including employer superannuation contributions) paid in Queensland.

Queensland employers with Australian payrolls between $10 million and $100 million are liable for a primary rate of 0.25 per cent, and those with payrolls above $100 million are liable for the primary rate of 0.25 per cent plus an additional rate of 0.5 per cent. The benchmark rate for the mental health levy is assumed to be 0.75 per cent.

## Land tax

The benchmark tax base is assumed to be all freehold land within Queensland. As outlined below for each specific tax expenditure, the appropriate benchmark tax rate for land tax is either the top rate of land tax applicable in Queensland (excluding surcharges) in each financial year, or the effective rate under the graduated scale of land tax rates for revenue foregone.

### Liability threshold

Land tax is payable on the value of taxable land equal to or above a threshold which depends on the land's ownership. The threshold for companies, trusts and absentees is $350,000 and for resident individuals the threshold is $600,000.

### Graduated land tax scale

A graduated (concessional) scale of land tax rates is applicable to land holdings with a taxable value of less than $10 million for resident individuals and companies, trustees and absentees. The benchmark rates used for estimating the tax expenditures were the highest rates applicable for different types of owner, 2.25 per cent for individuals, 2.5 per cent for absentees and 2.75 per cent for companies and trustees.

### Principal place of residence exemption

Land owned by resident individuals as their principal place of residence is excluded from the estimate of taxable land value in calculating land tax. The benchmark rates used for estimating the tax expenditures were the effective rate under the graduated scale of land tax rates.

### Primary production deduction

The taxable value of land owned by a resident individual, trustee or some absentees and companies does not include all or part of their land that is used for the business of agriculture, pasturage or dairy farming. The benchmark rates used for estimating the tax expenditures were the effective rate under the graduated scale of land tax rates.

### Part 6 Divisions 2 and 3 exemptions (not elsewhere included)

A number of land tax exemptions are granted to eligible organisations in Part 6 Divisions 2 and 3 of the *Land Tax Act 2010*. These include, but are not limited to, public benevolent institutions, religious institutions and other exempt charitable institutions, retirement villages, trade unions and showgrounds.

### Land developers' concession

Land tax payable by land developers is calculated on the basis that the unimproved value of undeveloped land subdivided in the previous financial year and which remains unsold at 30 June of that year is 60 per cent of the Valuer-General's value. This concession is outlined in Section 30 of the *Land Tax Act 2010*.

### Land tax foreign surcharge exemption/ex gratia

An Australian-based foreign corporation or trust whose commercial activities make a significant contribution to the Queensland economy and community, including through property development, may be eligible for ex-gratia relief from the land tax foreign surcharge.

## Duties

### Home concession

A concessional rate of duty applies to purchases of a principal place of residence.

A one per cent concessional rate applies on dutiable values up to $350,000, rather than the normal schedule of rates between 1.5 per cent and 3.5 per cent. For properties valued over $350,000, the scheduled rates of transfer duty apply on the excess.

### First home concession

Where a purchaser has not previously owned a residence in Queensland or elsewhere, the purchaser of a home receives a more generous concession on duty.

This concession comprises a rebate in addition to the home concession on properties (this concession may not be applicable if the purchase price is less than the full market value of the property). The size of the rebate depends on the value of the property.

For contracts signed before 9 June 2024, a full concession is provided for purchases of a first principal place of residence valued up to $500,000, phasing out at $550,000.

For contracts signed on or after 9 June 2024, a full concession is provided for eligible purchases of a first principal place of residence valued up to $700,000, phasing out at $800,000.

From 1 May 2025, no transfer duty will be payable on newly built homes purchased by eligible first home buyers, regardless of the property value.

### First home vacant land concession

For contracts signed before 9 June 2024, a first home concession was available for the purchase of certain vacant land up to the value of $400,000, with a full concession available on certain vacant land up to the value of $250,000.

For contracts signed on or after 9 June 2024 to 1 May 2025, a full concession is provided for eligible vacant land purchases valued up to $350,000, phasing out at $500,000.

From 1 May 2025, no transfer duty will be payable on vacant land purchased by eligible first home buyers on which they will build their new home, regardless of the land value.

### Additional foreign acquirer duty exemption

An Australian-based foreign corporation or trust whose commercial activities involve significant development by adding to the supply of housing stock in Queensland, where such development is primarily residential, may be eligible for ex-gratia relief from additional foreign acquirer duty.

### Insurance duty

The benchmark tax base is assumed to be all premiums for general insurance policies (not for life insurance). The benchmark tax rate is 9 per cent. Accident insurance (WorkCover) duty is levied at a rate of 5 per cent, health insurance is exempt from insurance duty, and CTP duty is levied at a rate of 10 cents per policy.

## Queensland Waste Levy

The Queensland Waste Levy is payable by landfill operators on waste disposed to landfill, except waste generated and disposed in the non-levy zone. In 2024–25, the levy rate was $115 per tonne in the metropolitan levy area and $94 per tonne in the regional levy area (higher for regulated wastes).

General levy exemptions exist for particular wastes, such as those from declared disasters and severe local weather events. Also, levy exemptions are available on application for other particular wastes, such as waste from charitable recycling organisations and community clean-up events.

Levy discounts of 50 per cent are available on application for residue wastes from particular recycling activities.

## Gambling taxes

### Gaming machine tax concessions for licensed clubs

The benchmark tax base is assumed to be all gaming machines operated by licensed clubs and hotels in Queensland. The benchmark tax rate is assumed to be the highest marginal tax rate (as is applied to hotels) that actually applied in each financial year.

A progressive tax rate scale applies to gaming machines operated by licensed clubs. The tax rate is calculated monthly on the gaming machine taxable metered win and the top tax rate is only applied to the portion of gaming machine revenue where the monthly metered win exceeds $1.4 million for any licensed club.

### Casino tax concessions

The benchmark tax base is assumed to be all casinos operating in Queensland. The benchmark tax rate is assumed to be the highest tax rate that is actually applied in each financial year.

A tax rate of 20 per cent of gross revenue applies for standard transactions in the Brisbane and Gold Coast casinos. A concessional tax rate of 10 per cent applies for gross revenue from standard transactions in the Cairns and Townsville casinos. The tax rate applicable to gaming machines in casinos is 30 per cent of gross revenue in the Brisbane and Gold Coast casinos, and 20 per cent in the Cairns and Townsville casinos.

In addition, concessional rates of 10 per cent also apply for revenue from high rollers table game play in all casinos. A GST credit is provided to casinos that approximates a reduction in the above tax rates of 9.09 per cent.