Appendix C: Revenue and expense assumptions and sensitivity analysis

The 2025–26 Queensland Budget, similar to all other jurisdictions, is based in part on assumptions made about parameters, both internal and external to Queensland, which can impact directly on economic and fiscal forecasts.

The sensitivity of revenue and expense forecasts to movements in underlying assumptions is particularly relevant given the ongoing uncertainty in global and national economic conditions and other factors that can directly or indirectly impact key revenues.

The forward estimates in the 2025–26 Queensland Budget are framed on a no-policy-change basis. That is, the expenditure and revenue policies in place at the time of the Budget (including those announced in the Budget) are applied consistently throughout the forward estimates period.

This appendix outlines the key assumptions, estimates and risks associated with key revenue and expenditure forecasts.

Taxation revenue assumptions and risks

The rate of growth in tax revenues is dependent on a range of factors linked to the rate of growth in economic activity in the state. Some taxes are closely related to activity in specific sectors of the economy, whilst others are broadly related to the general rate of economic growth, employment, inflation or wages.

Therefore, any change in the level of economic activity compared with that reflected in the economic forecasts outlined in this paper would impact a broad range of taxation receipts.

Wages and employment growth – payroll tax

Wages and employment growth have a direct impact on payroll tax collections. Forecasts for these parameters are outlined in Chapter 1.

A one percentage point variation in either Queensland wages growth or employment is estimated to change total payroll tax collections by approximately $79 million in 2025–26.

Property prices and transaction volumes – transfer duty

Transfer duty, as a transaction-based tax, can be volatile from year to year reflecting cyclical residential and non-residential market conditions.

A one percentage point variation in either the average value of property transactions or the volume of transactions is estimated to change transfer duty collections by approximately $72 million in 2025–26.

Royalty assumptions and revenue risks

Table C.1 provides the key assumptions adopted for the 2025–26 Queensland Budget in relation to coal and petroleum royalties, which represent the bulk of Queensland’s royalty revenue.

Table C.1 Taxation and royalty revenue[1]

	2023–24 Actual	2024–25 Est. Act.	2025–26 Budget	2026–27 Projection	2027–28 Projection	2028–29 Projection
Tonnages – crown export[2] coal (Mt)	193	196	214	219	217	213
Exchange rate US$ per A$[3]	0.66	0.65	0.64	0.65	0.68	0.72
Year average coal prices (US$ per tonne)[4]						
Hard coking	287	196	190	190	190	190
PCI/Semi-soft	171	152	141	143	143	143
Thermal	136	120	113	120	120	120
Year average oil price						
Brent (US$ per barrel)[5]	84	81	66	68	71	73

Notes:

1. Numbers in this table may be affected by rounding.
2. Excludes coal produced for domestic consumption and where royalties are not paid to the government (private royalties). The 2025–26 estimated domestic coal volume is approximately 24.5 million tonnes (Mt) and private coal is 6.0 Mt.
3. Estimated year-average.
4. Estimated year-average spot prices for highest quality coking and thermal coal. Lower quality coal can be sold below this price, with indicative average prices for 2025–26 as follows: hard coking coal US$176/t and thermal coal US$83/t.
5. Published Brent oil prices are lagged by 4 months to better align with royalty revenue.

Exchange rate and commodity prices and volumes

Estimates of mining royalties are sensitive to movements in the A$-US$ exchange rate and commodity prices and volumes.

Contracts for the supply of commodities are generally written in US dollar terms. Accordingly, a change in the exchange rate impacts on the Australian dollar price of commodities and, therefore, expected royalty collections.

Due to the prevailing global economic uncertainty, the exchange rate has been particularly volatile, even as prices and volumes continue to normalise from recent peaks seen between 2021–22 and 2023–24.

Coal royalties are based on progressive rates with higher royalty rates applying to higher coal prices. Conversely, as coal prices moderate downwards, only lower royalty tiers and rates apply.

Potential impact on coal royalty revenue[1]

For each one cent movement in the A$-US$ exchange rate in 2025–26, the impact on royalty revenue would be approximately $199 million.

A one per cent variation in export coking and thermal coal volumes would lead to an estimated change in royalty revenue of approximately $60 million.

[1] Sensitivities represent the estimated change to royalty revenue accruing over the 2025–26 return period.

A one million tonne variation in export volumes would lead to an estimated change in royalty revenue of approximately $28 million.

A one per cent variation in the average price of export coal would lead to an estimated change in royalty revenue of approximately $100 million.

Parameters influencing Australian Government GST payments to Queensland

The 2025–26 Queensland Budget incorporates estimates of GST revenue grants to Queensland based on 2025–26 Federal Budget estimates of national GST collections and Queensland Treasury assumptions of Queensland's share.

Since the Australian Government payments are based on the amount actually collected, it is the Queensland Budget that bears the risks of fluctuations in GST collections. There is a risk of lower collections than estimated if national economic growth and consumption are weaker than expected, or if the share of consumption subject to GST is lower than anticipated.

GST revenue forecasts are informed by the Commonwealth Grants Commission's (CGC) 2025 Review assessment methodologies as set out in the Review Outcomes and GST Relativities 2025–26 reports, released on 14 March 2025. The forecasts are on the basis that no further changes will be made to the methodologies underpinning the CGC's calculation of states' share of GST revenue over the forward estimates.

Due to the complexities associated with the GST base, the information provided in the Federal Budget papers is insufficient to prepare indicative estimates of the sensitivity of GST forecasts to key variables.

Sensitivity of expenditure estimates and expenditure risks

Interest rates

The GGS has a total debt servicing cost forecast at $3.501 billion in 2025–26. The current average duration of GGS borrowing with the Queensland Treasury Corporation is 5.96 years.

The majority of General Government Sector debt is held under fixed interest rates and, therefore, the impact of interest rate variations on debt servicing costs in 2025–26 would be relatively modest, with the impact occurring progressively across the forward estimates.

Actuarial estimates of superannuation and long service leave

Liabilities for superannuation and long service leave are estimated by the State Actuary with reference to, among other things, assumed rates of investment returns, salary growth, inflation and the discount rate. These liabilities are therefore subject to changes in these parameters. Similarly, the long service leave liabilities are subject to the risk that the actual rates of employee retention will vary from those assumed in the liability calculation.