3 Revenue

Features

- Queensland faces sustained revenue challenges due to the substantial negative impacts of the Commonwealth Grants Commission's (CGC) 2025 GST Review, global economic uncertainty and the continued normalisation of commodity prices from record high levels.
- Total key state revenues (taxes, royalties and GST) are expected to be $51.515 billion in 2025–26, $335 million (0.6 per cent) lower than in 2024–25. This decline is due to a notable reduction in GST, outweighing strong growth in tax revenue. This is expected to be the third consecutive year of reduced key revenues since the peak in 2022–23.
- From 2026–27 onwards, key revenues are expected to return to growth, reflecting the ongoing strength of Queensland's labour and housing markets and a rebound in GST as the impact of one-off transfers to other states for their COVID-19 related expenses is removed and the flow-on impact of exceptionally high royalties in previous years reduces.
- Queensland's overall revenue outlook across the forecast period has been severely impacted by the redistribution of GST revenue away from Queensland to other states because of the CGC's recent GST Methodology Review.
- The CGC's Review outcomes are estimated to result in a reduction in Queensland's GST of $2.292 billion in 2025–26 compared with 2024–25, the largest GST redistribution in history. The impacts of the CGC Review and Queensland's significant concerns with the changes made are discussed in detail in Box 3.3.
- Over the forward estimates, royalties are expected to be materially lower than the extraordinary levels recorded in 2022–23 and 2023–24. Royalty revenue collected in that 2-year period alone is expected to be greater than combined royalty revenue in the next 4 years to 2028–29.
- Total General Government Sector revenue is estimated to total $91.337 billion in 2025–26, up $1.861 billion (2.1 per cent) from 2024–25, with total revenue to then grow by an average of 3.9 per cent across the 3 years to 2028–29.
- The Queensland Government has reduced the tax burden on Queenslanders by abolishing transfer duty for first home buyers on new properties and removing the requirement for general practitioners to pay payroll tax. These initiatives will improve access to housing for first home buyers and reduce the cost of healthcare for Queenslanders in need.
- The Budget will ensure Queensland has competitive taxation settings, with per capita state tax estimated to be around $800 lower than the average of other jurisdictions in 2025–26.

3.1 2024–25 Estimated actual

Total key state revenues (taxes, royalties and GST) are expected to be $51.850 billion in 2024–25, $2.863 billion (5.2 per cent) lower than in 2023–24 and $5.271 billion (9.2 per cent) lower than the peak level recorded in 2022–23.

This amount represents a marginal decrease of $97.7 million (0.2 per cent) compared to the 2024–25 Mid-Year Fiscal and Economic Review (MYFER) forecast, reflecting lower GST revenue due to an expected adjustment to the national GST pool, along with a period of temporarily weaker coal prices.

The continued decline of key state revenues from 2023–24 is due to the following key factors:

- lower GST, reflecting the CGC's 2024 recommendation that Queensland receives a smaller share of the GST pool in 2024–25 compared to 2023–24, despite the national pool increasing
- lower royalty revenue, driven by commodity prices, in particular hard coking coal prices, continuing to moderate after the elevated levels seen over the previous 3 years.

3.2 2025–26 Budget and outyears

General Government Sector revenue is forecast to increase by $1.861 billion (2.1 per cent) in 2025–26, to be $91.337 billion, as outlined in Table 3.1. This increase in revenue is driven by:

- a $1.892 billion (7.6 per cent) increase in taxation revenue, reflecting strength in the Queensland labour and property markets flowing through to higher payroll tax, transfer duty and land tax
- a $1.901 billion (8.6 per cent) increase in non-GST Australian Government grants, particularly grants provided as part of Disaster Recovery Funding Arrangements and National Health Reform funding, and grants for on-passing.

These increases in taxation and other revenues are partially offset by a $2.292 billion (12.1 per cent) decrease in GST revenue in 2025–26, reflecting the results of the CGC's 2025 review.

Total key revenues are forecast to decline by 0.6 per cent in 2025–26 as strong taxation revenue growth is more than offset by significant GST revenue falls, before growing by 8.7 per cent in 2026–27 as taxation revenue continues to grow strongly, and GST revenue rebounds as Queensland's share begins to recover.

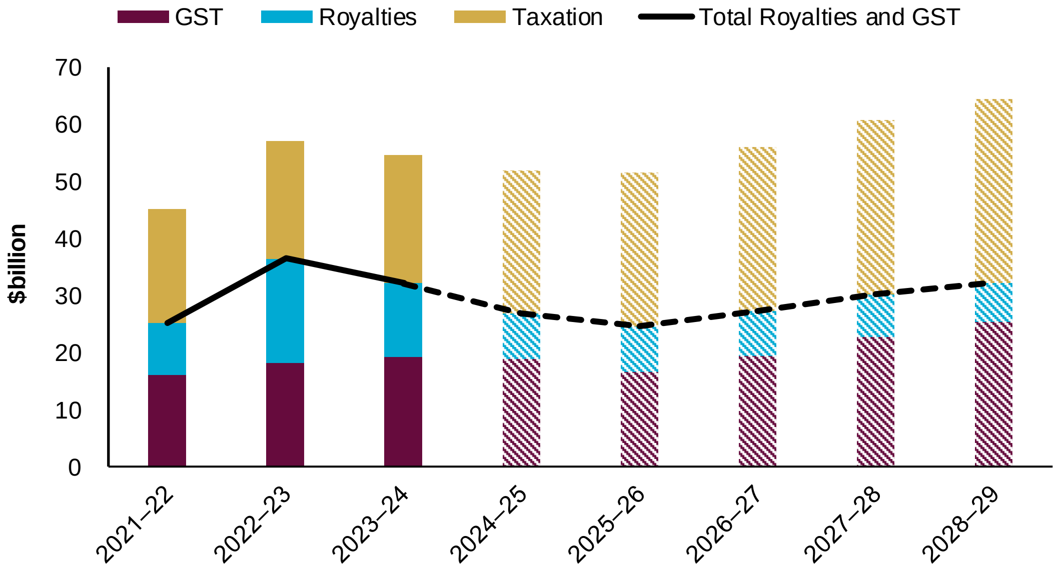
After being relatively flat in 2025–26, royalties are expected to decline from 2026–27 reflecting the gradual appreciation of the Australian dollar towards historical average levels.

Key revenues (taxes, royalties and GST) are fundamental to the state's finances, as they make up the majority of Queensland's untied general revenue. Other revenue sources such as non-GST grants from the Australian Government, and revenues from sales of goods and services, are largely tied to corresponding expenses.

As a result, movements in key revenues have a considerable impact on the state's fiscal position and capacity to fund state priority initiatives.

In 2025–26, royalties will remain considerably below previous highs. The impact on overall revenue growth will be compounded by the CGC's 2025 methodology changes which result in GST revenue declining materially and by more than previously expected, as shown in Chart 3.1.

Chart 3.1 Outlook for key revenues



Total key revenues are expected to continue to grow strongly in 2027–28 and 2028–29. However, importantly, total key revenues are still not expected to exceed the previous exceptional levels seen in 2022–23 until 2027–28.

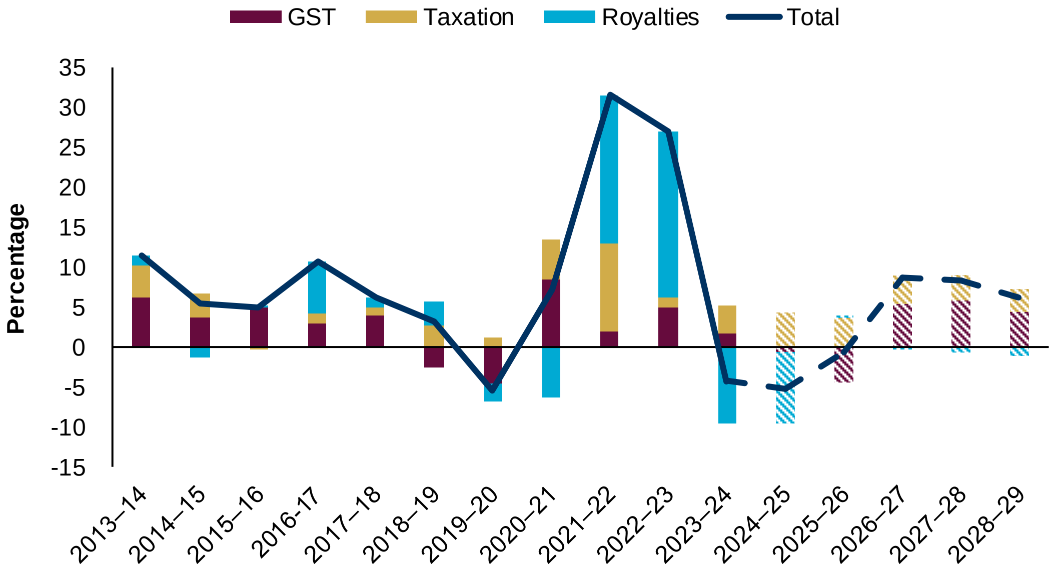
Chart 3.2 outlines the growth in revenue across the 3 key revenue streams and the share of growth attributable to each item across the period to 2028–29.

The chart highlights the strength of growth in 2021–22 and 2022–23 and the subsequent declines in key revenues in 2023–24 and 2024–25, primarily reflecting year on year falls in royalty revenue.

Taxation is expected to continue to grow steadily from 2024–25 onwards, while GST revenue is expected to fall significantly in 2025–26 before returning to growth in subsequent years.

However, GST revenues across the forecast period will be materially lower than would have otherwise been expected in the absence of the negative outcomes of the CGC's 2025 GST Methodology Review.

Chart 3.2 Outlook for 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.

Table 3.1 General Government Sector revenue[1]

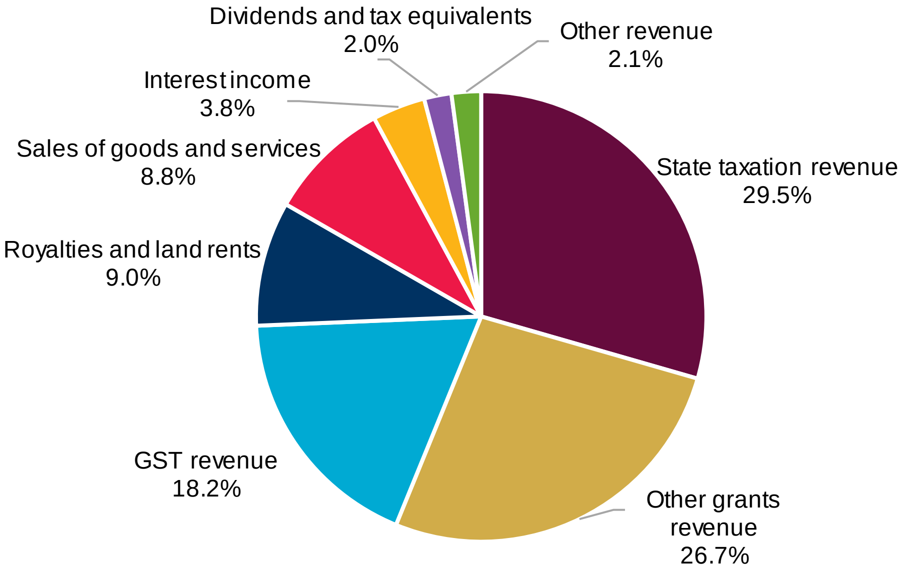
	2023–24 Actual $ million	2024–25 Est. Act. $ million	2025–26 Budget $ million	2026–27 Projection $ million	2027–28 Projection $ million	2028–29 Projection $ million
Taxation revenue	22,659	25,015	26,907	28,723	30,442	32,154
Sales of goods and services	7,143	7,846	8,057	8,017	7,566	7,690
Interest income	3,617	3,645	3,474	3,387	3,335	3,310
Grants revenue						
GST revenue	19,283	18,917	16,625	19,422	22,720	25,414
Australian Government and other grants and contributions	16,924	18,609	19,115	18,830	19,307	20,044
Australian Government capital grants, other grants and contributions	3,857	3,880	5,250	5,167	3,515	3,440
Dividend and income tax equivalent income						
Dividends	1,089	1,037	1,226	1,122	1,030	1,216
Income tax equivalent income	389	492	568	437	384	396
Other revenue						
Royalties and land rents	12,959	8,108	8,181	8,053	7,708	7,050
Other	1,848	1,927	1,933	1,727	1,739	1,742
Total revenue	**89,768**	**89,476**	**91,337**	**94,886**	**97,748**	**102,457**

Note:

1. Numbers may not add due to rounding.

As outlined below in Chart 3.3, the major sources of total General Government Sector revenue expected in 2025–26 are grants revenue, which includes GST and Australian Government Grants (44.9 per cent) and taxation revenue (29.5 per cent).

Chart 3.3 Revenue by operating statement category, 2025–26[1]



Note:

1. Numbers may not add up to 100 per cent due to rounding.

3.3 Revenue initiatives

Extending the apprentice and trainee payroll tax rebate for 12 months

The 50 per cent payroll tax rebate for wages paid to apprentices and trainees will be extended for 12 months until 30 June 2026. In addition to apprentice and trainee wages generally being exempt from payroll tax, this measure provides an additional tax concession for businesses with annual Australian taxable wages of $1.3 million and above who employ trainees and apprentices.

It is estimated this initiative will result in tax relief of $58.1 million for eligible businesses in 2025–26.

Streamlining of ex gratia relief for land tax foreign surcharge and additional foreign acquirer duty to support investment and housing supply

The government has committed to streamlining and simplifying the ex gratia relief process for additional foreign acquirer duty and the land tax foreign surcharge. Ex gratia relief is available to foreign entities that are Australian based and where their contribution to residential housing development or the local economy and community meet certain thresholds.

Administrative changes to improve application processing will provide eligible applicants, particularly property developers who contribute to residential housing supply, with greater certainty and timely consideration. This change will also contribute to broader efforts to increase housing supply and affordability.

The government will work with industry, through the newly re-established Property Consultative Committee, to identify and implement appropriate changes to ex gratia criteria that will support new housing development and improve Queensland's position as a welcoming destination for investment. Details will be developed and finalised before the end of 2025.

The measures noted above are in addition to the tax reforms contained in the government's election commitments and included in the 2024–25 MYFER to remove transfer duty for first home buyers when they buy or build a new home, and to exempt payments by medical practices to general practitioners (GPs), as outlined in Box 3.1.

Box 3.1 Delivering tax reform for Queenslanders

Abolishing transfer duty for first home buyers buying a new home

Housing affordability is a concern for many Queenslanders, with dwelling prices increasing across the country in recent years. Median dwelling prices in Brisbane have increased to around $918,000 in May 2025, which is over a 70 per cent uplift since the outbreak of the COVID-19 pandemic in March 2020.

Challenges around housing affordability are particularly evident for first home buyers. The Queensland Government is taking action to address this by reducing the tax burden on first home buyers.

From 1 May 2025, transfer duty (often referred to as stamp duty) is abolished for first home buyers purchasing a new build or vacant land to build a home on. This applies to all new homes for first home buyers, allowing Queenslanders to save on the purchase of the home that best suits their circumstances.

This policy will provide material help to first home buyers. Compared to the duty payable under previous policy settings, a first home buyer purchasing a new median priced property could see tax savings of over $24,000 in Toowoomba and around $39,500 in Brisbane North.

These changes help young people put more money towards saving a deposit, and ultimately unlocking the door on a place to call home. By incentivising new builds, improved affordability across the whole housing market is supported.

For first home buyers purchasing existing dwellings, Queensland retains favourable transfer duty settings that result in homebuyers paying substantially less duty than if they had purchased in other states.

This measure is expected to reduce transfer duty revenue by $47 million per annum on average over the forward estimates.

Reducing the cost of healthcare for Queenslanders

The Queensland Government is reducing the tax burden on primary health care by providing a permanent payroll tax exemption for payments by medical practices to both contracted and employed GPs.

This recognises the essential services that GPs provide to communities and the importance of the primary care system in keeping Queenslanders out of emergency departments and in good health at home.

The payroll tax exemption helps protect Queenslanders' access to bulk billing and address the cost-of-living pressures at a time of rising healthcare costs.

Queensland's favourable tax settings will also support the retention and attraction of GPs across the state, supporting access to these vital services.

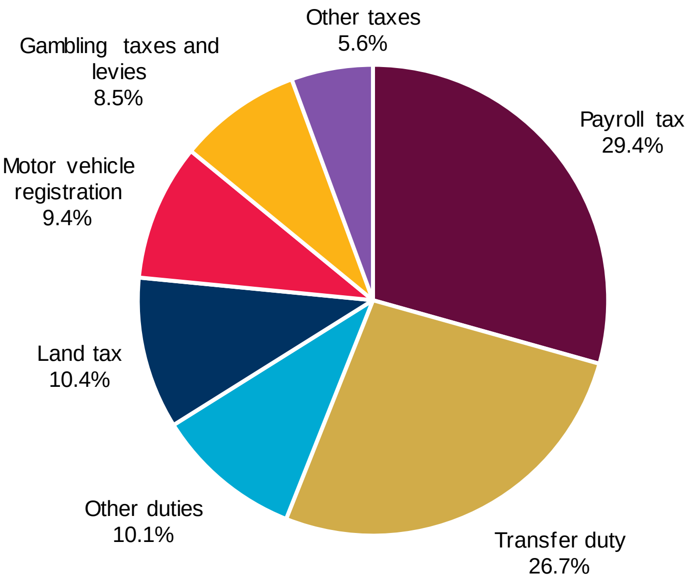
The revenue foregone due to the exemption over and above prior amnesty arrangements was incorporated into 2024–25 MYFER forecasts. Total revenue foregone is estimated to be around $130 million per annum on average over the forward estimates.

3.4 Revenue by operating statement category

3.4.1 Taxation revenue

Chart 3.4 outlines the composition of estimated state tax revenue for 2025–26. The largest sources are payroll tax and transfer duty, together representing 56.0 per cent of the state's total taxation revenue.

Chart 3.4 State taxation by tax category, 2025–26[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, competitive neutrality fees and other minor taxes. 'Payroll tax' includes the mental health levy.

Table 3.2 shows the main components of taxation revenue and the forecast revenues for each revenue component across the forward estimates.

Table 3.2 State taxation revenue[1]

	2023–24 Actual $ million	2024–25 Est. Act. $ million	2025–26 Budget $ million	2026–27 Projection $ million	2027–28 Projection $ million	2028–29 Projection $ million
Payroll tax						
Payroll tax	6,231	6,819	7,316	7,759	8,160	8,575
Mental health levy	492	545	582	616	650	682
Total payroll tax	**6,723**	**7,364**	**7,898**	**8,376**	**8,809**	**9,257**
Duties						
Transfer	5,492	6,866	7,175	7,627	8,049	8,503
Vehicle registration	893	873	886	908	936	964
Insurance[2]	1,526	1,662	1,783	1,904	2,017	2,136
Other duties[3]	54	47	45	46	46	47
Total duties	**7,964**	**9,448**	**9,889**	**10,486**	**11,048**	**11,650**
Gambling taxes and levies						
Gaming machine tax	1,054	1,149	1,201	1,249	1,299	1,351
Health services levy	168	195	209	224	237	251
Lotteries taxes	438	390	410	430	451	474
Betting tax	295	303	311	319	328	337
Casino tax	114	112	116	121	126	131
Keno tax	28	30	31	32	33	34
Total gambling taxes and levies	**2,097**	**2,179**	**2,278**	**2,375**	**2,474**	**2,578**
Other taxes						
Land tax	2,026	2,465	2,807	3,260	3,713	4,115
Motor vehicle registration	2,367	2,081	2,525	2,669	2,786	2,908
Emergency management levy	660	670	703	738	775	813
Waste disposal levy	429	462	477	494	508	500
Competitive neutrality fees	358	313	296	291	293	296
Other taxes[4]	35	34	34	35	36	37
Total taxation revenue	**22,659**	**25,015**	**26,907**	**28,723**	**30,442**	**32,154**

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.

Payroll tax and mental health levy

Payroll tax revenue is estimated to total $6.819 billion in 2024–25. Driven by the strength of Queensland's labour market, payroll tax is expected to grow by a further 7.3 per cent in 2025–26, with average annual growth of around 5.4 per cent forecast over the 3 years ending 2028–29.

Mental health levy revenue in 2024–25 is estimated to be $545.2 million, $52.8 million (10.7 per cent) higher than in 2023–24, due to the stronger than expected labour market. Over the forward estimates, mental health levy revenue is expected to grow largely in line with payroll tax growth, supporting the provision of enhanced mental health services in Queensland.

Duties

Transfer duty

Transfer duty is estimated to be $6.866 billion in 2024–25, driven by record large transactions in late 2024 and supported by ongoing strength in the residential housing market.

Revenue from large transactions is expected to return to normal levels but consistent activity in the housing market is expected to support solid average annual growth of around 5.5 per cent over the 4 years to 2028–29.

Other duties

Revenue from other duties, including vehicle registration duty and insurance duties, is expected to be $2.582 billion in 2024–25, reflecting stable motor vehicle transaction volumes and insurance premium growth.

Other duties revenue is forecast to grow by average annual growth of around 5.1 per cent forecast over the 4 years ending 2028–29.

Land tax

Land tax revenue is expected to be $2.465 billion in 2024–25, reflecting strong land value growth across the state.

The immediate impact on land tax of the recent value growth has been tempered by the 3-year averaging of land values that applies when determining land tax liabilities. However, sustained land value growth will continue to support solid growth in land tax in future years.

The rate of growth in land tax is expected to moderate over coming years as prices stabilise, but strong average annual growth of 13.7 per cent is forecast over the 4 years to 2028–29.

Gambling taxes & levies

Total gambling tax and levy collections are expected to total $ 2.179 billion in 2024–25, $81.7 million (3.9 per cent) higher than in 2023–24. This growth primarily reflects ongoing growth in various forms of gambling activity in the state's hotels and clubs.

Total gambling tax and levy collections are forecast to grow by an average of 4.3 per cent per annum over the 4 years ending 2028–29.

Other taxes

Other taxes include motor vehicle registration, the emergency management levy, waste disposal levy, competitive neutrality fees and other minor taxes.

Revenue from motor vehicle registrations is expected to total $2.081 billion in 2024–25, $286.2 million (12.1 per cent) lower than in 2023–24. The decline reflects the 20 per cent reduction in motor vehicle registration costs for all light vehicles for a 12-month period announced in the 2024–25 Budget.

Revenue from motor vehicle registrations is expected to grow by 21.4 per cent in 2025–26 as the one-off 20 per cent reduction unwinds, as was factored into the forecast published in the 2024–25 Queensland Budget. The reduction in registration costs was not budgeted to extend beyond the 12-month period ending in mid-September 2025. Following this, revenue is expected to grow on average by 4.8 per cent per annum over the 3 years ending 2028–29.

Overall, revenue from other taxes excluding motor vehicle registration is estimated to be $1.479 billion in 2024–25, $2.9 million (0.2 per cent) lower than in 2023–24. These revenues are forecast to grow by an average of 2.7 per cent per annum over the 4 years ending 2028–29.

Queensland’s competitive tax status

Delivering a competitive tax system is critical to providing the environment for Queensland businesses and industries to expand and grow, and to moderate the tax burden on hardworking citizens to ease cost-of-living pressures.

The government is committed to fostering tax settings which provide stability and certainty to position the state as an attractive destination for investment from interstate and overseas to stimulate growth.

In 2025–26, taxation per capita in Queensland is projected to be significantly lower than the average taxation per capita in the other states and territories.

Based on the latest available budgets for states and territories published by the respective jurisdictions, Queensland’s taxation per capita in 2025–26 will be around $800 lower than the average of other jurisdictions.

Taxation per capita is expected to remain notably below the average of other jurisdictions across the forward estimates.

3.4.2 Grants revenue

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

A 1.0 per cent decrease in total grants revenue is forecast for 2025–26 compared to 2024–25. This is primarily driven by an expected 12.1 per cent decrease in GST revenue.

Table 3.3 summarises current and capital grants to the Queensland Government.

Table 3.3 Grants revenue[1,2]

	2023–24 Actual $ million	2024–25 Est. Act. $ million	2025–26 Budget $ million	2026–27 Projection $ million	2027–28 Projection $ million	2028–29 Projection $ million
Current grants						
GST revenue grants[3]	19,283	18,917	16,625	19,422	22,720	25,414
Australian Government grants[4]	16,575	18,233	18,727	18,468	18,949	19,693
Other grants and contributions	349	376	388	363	358	351
Total current grants	**36,208**	**37,526**	**35,741**	**38,253**	**42,028**	**45,458**
Capital grants						
Australian Government capital grants	3,832	3,836	5,242	5,167	3,515	3,440
Other grants and contributions	24	44	8	0	0	0
Total capital grants	**3,857**	**3,880**	**5,250**	**5,167**	**3,515**	**3,440**
Total Australian Government payments	39,690	40,986	40,595	43,057	45,184	48,547
Total grants revenue	**40,064**	**41,406**	**40,990**	**43,420**	**45,542**	**48,898**

Notes:

1. Numbers may not add due to rounding.
2. Amounts in this table may differ to those outlined in Chapter 8 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 6 due to the inclusion of direct Australian Government payments to Queensland agencies for Australian Government own purpose expenditure.

GST revenue

Queensland's GST revenue in 2024–25 is expected to be $366 million (1.9 per cent) lower than in 2023–24, reflecting the CGC's recommendation that Queensland receives a smaller share of the GST pool in 2024–25 compared with 2023–24.

GST revenue is expected to fall by a further $2.292 billion (12.1 per cent) to $16.625 billion in 2025–26, following the negative outcomes of the CGC's recent 2025 Review.

This is the largest reduction across all jurisdictions since the introduction of GST in 2000.

GST revenue is expected to recover from 2026–27 as the exceptionally high royalty revenues received by Queensland in previous years (in particular in 2021–22 and 2022–23) rolls out of the CGC's 3-year assessment period.

The CGC's revised treatment to include very large New South Wales and Victorian COVID-19 related expenses, which suppresses Queensland's GST share in 2025–26, also drops out of the assessment period from 2026–27 onwards.

Box 3.2 Previous royalty windfalls and provisions for GST impacts

It is a long-established practice under the principles developed by the CGC that jurisdictions with strong resources industries like Queensland will receive a reduced share of GST revenue, all else being equal, in years subsequent to significant increases in royalty revenue. Changes made as part of the CGC's 2025 GST Methodology Review significantly exacerbate this challenge.

In the 2021–22 Queensland Budget Update, the former government reported a $2.9 billion royalty windfall due to an increase in coal prices and foreshadowed this would have an impact on future GST revenue up to and including the 2025–26 financial year.

A $2.5 billion Long Term Asset held by the Consolidated Fund was established to serve as a buffer against future GST revenue reductions. However, more than half of these funds were withdrawn in May 2024 to fund projects from the former government's Queensland Renewable Energy and Hydrogen Jobs Fund, and the 2024–25 Budget assumptions saw the remaining funds earmarked for projects from the Queensland Energy and Jobs Plan.

This means that the funds set aside as a buffer from adverse GST impacts are not available in the year when Queensland will experience the largest reduction in GST revenue in history.

Revisions to the GST pool

The Australian Government's national GST pool forecasts were downgraded in the 2025–26 Federal Budget. In 2024–25, the GST pool is expected to be around $353 million (or 0.4 per cent) lower than forecast in the 2024–25 Federal Mid-Year Economic and Fiscal Outlook (MYEFO), while the total national pool is forecast to be $521 million lower across the 4 years to 2027–28, compared with the Commonwealth's MYEFO estimates.

GST – Queensland's assessed fiscal capacity

Queensland typically has received a higher per capita share of GST in recognition of the higher cost of providing services to Australia's most decentralised state and levels of disadvantage, especially in regional and remote locations.

However, in early 2025, the CGC's 2025 GST Methodology Review recommended that Queensland be awarded a significantly lower share of GST revenue in 2025–26 compared with 2024–25. The CGC estimated that Queensland's share of the GST pool would decrease from 19.6 per cent in 2024–25 to 17.4 per cent in 2025–26, or by $2.292 billion.

The 3 largest factors for this reduction, based on information published by the CGC were:

- Mining production and royalties — Substantial changes to the methodology the CGC applies in assessing coal royalties, combined with higher coal prices and average royalty rates in 2023–24 compared with 2020–21, as well as Queensland's above-average share of coal production, significantly increased Queensland's relative capacity to raise revenue from coal royalties and reduced its assessed GST needs.

- COVID-19 services to industry expenses — The CGC introduced a new actual per capita assessment of COVID-19 business support expenses covered by the national partnership agreements. Queensland's below-average COVID-19 business support expenses reduced its assessed GST needs.
- COVID-19 health expenses — The CGC introduced a new actual per capita assessment of COVID-19 health expenses covered by the national partnership agreement. Queensland's below-average COVID-19 health expenses reduced its assessed GST needs.

GST revenue forecasts are informed by the CGC's 2025 Review assessment methodologies as set out in the 2025 Review Outcomes and 2025–26 GST Relativities reports, released on 14 March 2025. The forecasts are prepared 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.

Box 3.3 Fighting for Queensland's fair share of GST

GST remains a critical revenue source for all jurisdictions and underpins the delivery of essential state Government services such as health, education, law and order, and transport.

The distribution of GST between jurisdictions is determined by the CGC through a complex methodology meant to balance the fiscal capacities of states, ensuring a similar standard of services and infrastructure can be delivered to all Australians regardless of where they live. This is known as horizontal fiscal equalisation (HFE).

The CGC's 2025 Methodology Review resulted in significant changes to the GST distribution methods from 2025–26 onwards, including in the assessment of key service delivery expenses, such as transport and health, and key state revenues such as coal and gas royalties.

The CGC's 2025 Review outcomes have resulted in a material reduction in Queensland's GST revenue, with an estimated $2.292 billion reduction in 2025–26 compared with 2024–25.

This is the largest GST redistribution across all jurisdictions since the introduction of the GST in 2000.

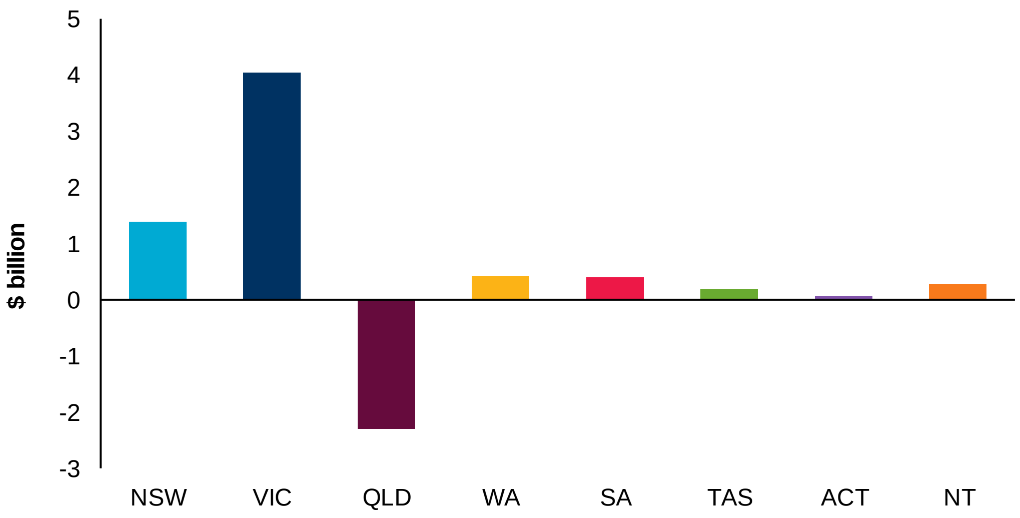
In fact, it is almost 50 per cent greater than the next largest GST reduction of $1.565 billion in 2019–20, which also applied to Queensland.

Importantly, the 2019-20 outcome was in the context of the significant negative impact of COVID-19 on the national GST pool, resulting in reduced GST revenue for most states at that time.

Queensland Treasury has estimated that the cumulative negative impact of the CGC's 2025 Review, compared with the GST Queensland would have received in absence of the methodology and data changes recommended by the CGC, to be around $5.3 billion over the 3 years to 2027–28.

As illustrated in Chart 3.5 below, Queensland is the only state to experience a reduction in GST in 2025–26, while Victoria and New South Wales are set to receive billions of dollars in extra GST as a result of the CGC's Review.

Chart 3.5 Change in total GST revenue by state, 2024–25 to 2025–26



Source: Queensland Treasury analysis based on 2025–26 Federal Budget.

This reduction in GST severely compromises Queensland's capacity to deliver essential services and infrastructure for our growing state.

The outcomes are largely based on methodology that has been strongly disputed by Queensland and include a number of subjective decisions made by the CGC which stand in conflict with long-standing principles and practice.

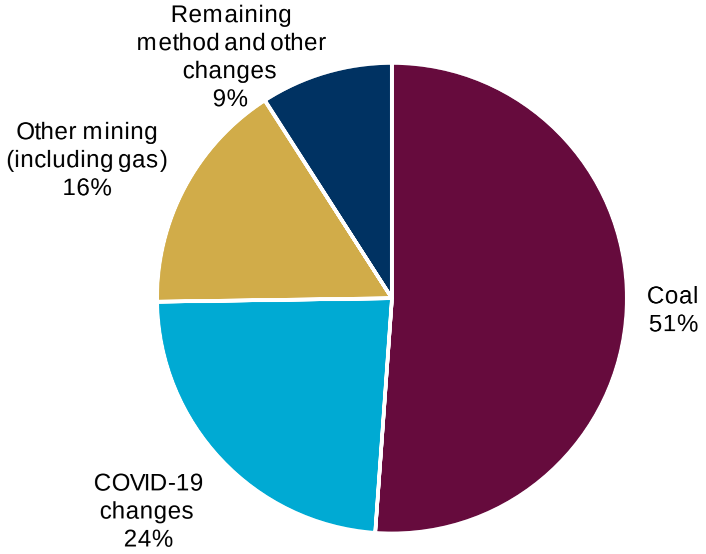
If the impacts of normal GST mechanics are excluded (e.g. changes in the national GST pool and state population shares which are outside of the CGC's assessment of state fiscal capacities), the annual reduction in Queensland's GST in 2025–26 due to the CGC's 2025 Review would have been even greater at $3.391 billion[1].

Importantly, the CGC's published data suggests only around half of this negative impact is driven by fiscal capacities due to changes in circumstances related to coal royalties.

The other half of the negative GST impact is due to other methodology and data decisions made by the CGC – decisions which Queensland contests.

The extent to which various changes made by the CGC have impacted Queensland's GST revenue in 2025–26 is outlined in Chart 3.6.

Chart 3.6 Drivers of change in Queensland's assessed fiscal capacity, 2025–26



Note:
Categories relate to the components (or summation of components) of the $3.391 billion change in Queensland's fiscal capacity in 2025–26 compared with 2024–25, as outlined in tables 2-4, 2-8 and on page 10 in the CGC's 2025–26 Update Report. Coal reflects impacts of changes in value of production, while COVID-19 changes reflect inclusion of COVID-19 related spending related to health and business support.

Source: Queensland Treasury analysis based on CGC, GST Relativities 2025–26

The CGC's decision to assess COVID-19 expenses 5 years after the pandemic results in Queenslanders losing over $800 million in GST in 2025–26 alone.

The CGC also decided to deem southern states as having no or limited ability to raise petroleum royalties, despite these states having significant gas resources. Rather, specific policy choices by those jurisdictions have restricted their gas production.

Queensland's sensible approach in continued support of gas production is a decision which has benefits beyond state borders and certainly should not lead to a reduction in its GST share.

The confluence of these factors in a single year has led to this historic single year cut to Queensland's share of the GST.

The government continues to advocate for the determination of the CGC to be rejected by the Federal Treasurer or, in the absence of this, for general revenue assistance to be provided to Queensland in 2025–26.

[1] Reflects the impact of CGC assessments in the 2025 Review, page 10 of GST Relativities 2025–26 Report i.e. excludes external drivers such as national GST growth, population shares, GST relativity blending, and GST no worse off guarantee. Note that the change in GST revenue for Queensland in 2025–26 compared to 2024–25 is $2.292 billion as per page 5 of Budget Paper 3 the 2025–26 Commonwealth Budget, which reflected updated GST pool and population forecasts. This final figure is slightly smaller than the CGC's estimate of $2.371 billion.

The Australian Government has previously provided general revenue assistance to Western Australia and the Northern Territory in circumstances where their GST shares fell, noting that these were smaller reductions than what Queensland is due to experience in 2025–26.

These methodology changes will have ongoing impacts. The Queensland Government continues to advocate strongly for a fair share of GST revenue for Queensland, both in the short term and in the context of the 2030 Methodology Review.

This includes fighting for critical Commonwealth funding, such as that provided to upgrade the nationally significant Bruce Highway, to be exempt from GST calculations, and actively engaging in the 2026 Australian Productivity Commission inquiry on HFE.

Bruce Highway funding

The Queensland Government is advocating for the Australian Government to quarantine $7.2 billion in committed funding to upgrade and fix the Bruce Highway from impacting on GST calculations.

Unless payments are quarantined, an estimated $3 billion could be at risk of redistribution away from Queensland through GST. This means the investment of $7.2 billion could effectively be reduced to around $4 billion after accounting for GST impacts.

The Bruce Highway is of national importance as the primary transport corridor to Northern Australia. This critical infrastructure plays a vital role in connecting regional centres from Brisbane to Cairns and facilitating the movement of passengers, freight and tourists in support of the national economy.

A commitment from the Australian Government to quarantine these payments would demonstrate its genuine willingness to work with the Queensland Government to improve the Bruce Highway and protect the lives and livelihoods of the drivers and communities relying on it.

2026 Australian Productivity Commission Inquiry on HFE

As part of new GST arrangements introduced in 2018, the Australian Government legislated an Australian Productivity Commission (PC) inquiry into new arrangements to be completed by 31 December 2026.

Having worked with jurisdictions to agree to a proposed scope and Terms of Reference for the Inquiry, the Queensland Government will push for the Australian Government to issue Terms of Reference that appropriately consider whether the GST system is fit for purpose.

It is important the Australian Government listen to states and directs the PC to examine whether the 2018 reforms are achieving HFE, whether the GST system's design is sustainable into the future to ensure every state has the fiscal capacity to deliver services and infrastructure to a similar standard, and whether the CGC's methods and practices in the 2025 Review have addressed issues highlighted by the PC's recommendations in 2018.

Australian Government payments

Australian Government current grants (excluding GST) to Queensland in 2025–26 are expected to total $18.727 billion, representing an increase of $494.1 million (2.7 per cent) compared to those received in 2024–25, predominantly due to grants provided as part of National Health Reform funding and grants for on-passing.

Over the 4 years ending 2028–29 Australian Government current grants to Queensland are forecast to grow by an average of 1.9 per cent per annum.

Australian Government capital grants to Queensland in 2025–26 are expected to total $5.242 billion, representing an increase of $1.406 billion (36.7 per cent) compared to payments received in 2024–25, largely due to an increase in capital grants under Disaster Recovery Funding Arrangements.

Chapter 6 provides a detailed overview of federal financial arrangements, including Australian Government payments to Queensland.

3.4.3 Royalty revenue

Royalty revenues are particularly sensitive to movements in global commodity prices as well as changes in the exchange rate, both of which are subject to a high degree of volatility and uncertainty over time.

Changes in commodity export volumes also have the potential to impact Queensland's royalty estimates, while changes in export volumes, in particular if driven by supply side constraints, may in turn also impact global prices.

Appendix C outlines key parameter assumptions, and the sensitivity of coal royalty estimates to individual changes in price, volume and exchange rate parameters.

Global coal and oil prices have fallen significantly since their peak, with hard coking coal (HCC) spot prices rising to over US$670/t in early 2022 before reducing to around US$185/t in the March quarter 2025. These movements reflect a range of factors including a decline in steel demand in China and India, global economic uncertainty and improving supply conditions.

Royalty revenues peaked in 2022–23 and are expected to remain considerably below this over the forward estimates.

This reduction is such that total royalties collected in the 2-year period of 2022–23 and 2023–24 are expected to be greater than combined royalties across the next 4 years to 2028–29, as shown below in Chart 3.7.

Chart 3.7 Total royalty revenue

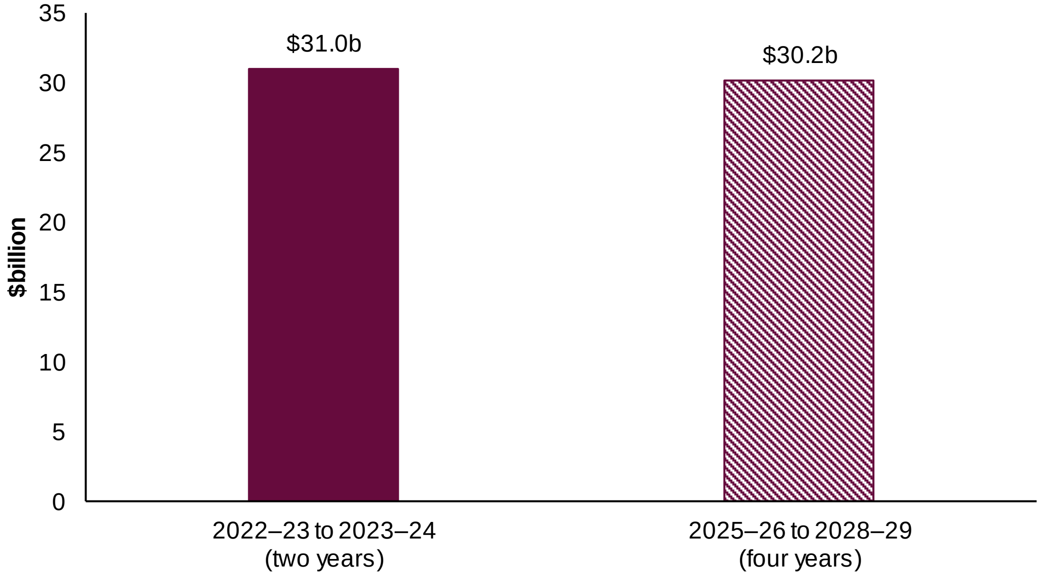


Table 3.4 Royalty revenue[1]

	2023–24 Actual $ million	2024–25 Est. Act. $ million	2025–26 Budget $ million	2026–27 Projection $ million	2027–28 Projection $ million	2028–29 Projection $ million
Coal	10,521	5,494	6,172	6,158	5,824	5,251
Petroleum[2]	1,705	1,689	1,196	1,135	1,148	1,083
Other royalties[3]	545	734	615	554	523	496
Total royalties	**12,771**	**7,917**	**7,982**	**7,847**	**7,495**	**6,830**
Land rents	188	191	199	206	213	220
Total royalties and land rents	**12,959**	**8,108**	**8,181**	**8,053**	**7,708**	**7,050**

Notes:
1. Numbers may not add due to rounding.
2. Includes gas converted into liquefied natural gas.
3. Includes base and precious metals, other minerals and other royalties.

Coal royalties

As outlined above in Table 3.4, a large proportion of Queensland's royalties are sourced from coal mining, particularly in recent years due to the period of high global coal prices.

In 2024, HCC, used primarily in global steel production, accounted for around 61 per cent of Queensland's total coal export value, semi soft/pulverized coal injection coal accounted for around 20 per cent, and thermal coal accounted for around 19 per cent.

Coal royalties are expected to total $5.494 billion in 2024–25, $5.027 billion (or 47.8 per cent) lower than the amounts collected in 2023–24 and $344 million (5.9 per cent) lower than forecast at the 2024–25 MYFER.

Across the 4 years ending 2027–28, coal royalties have been upgraded by $3.903 billion compared to 2024–25 MYFER. This uplift in coal royalties is primarily driven by a lower A$/US$ exchange rate leading to higher Australian dollar revenues for Queensland's coal exporters. US$ coal prices over the forward estimates are expected to be higher than MYFER, reflecting forecast increases in the marginal cost of production and consistent with industry price benchmarks.

This is partially offset by lower export volumes, particularly in the near term, as a result of a weak outlook for supply and contributed to by flooding events in North Queensland and the fire at Moranbah North.

Current global trade tensions and the impact of tariffs present clear downside risks to the royalties outlook and will continue to be monitored closely.

Coal export prices and volumes

Coking coal prices

Recent US$ prices for HCC have been weaker than forecast at the 2024–25 MYFER, reflecting moderating economic growth in China reducing demand for steel, as well as a rebound in supply from Queensland.

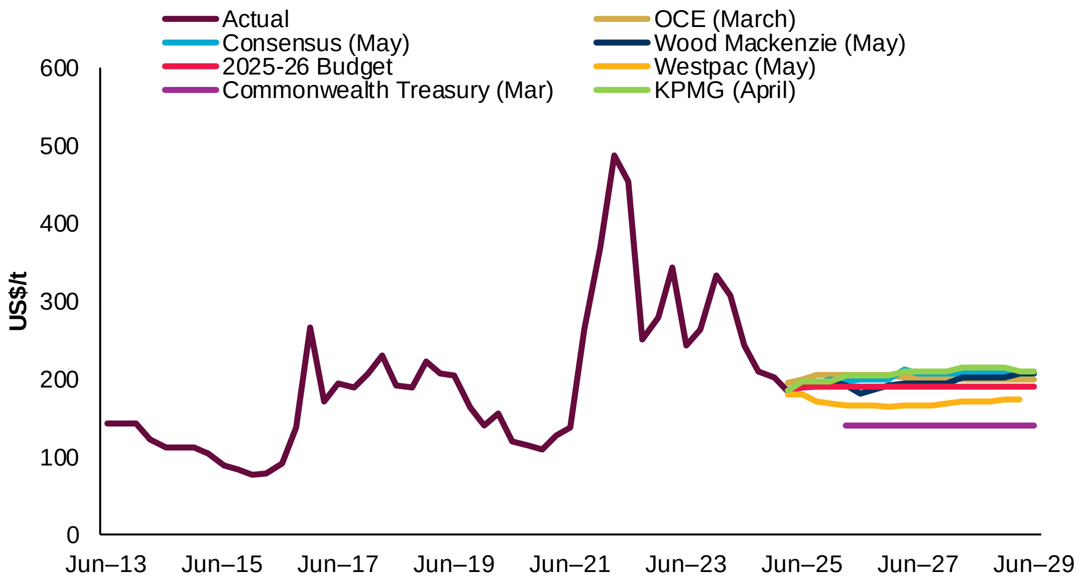
HCC prices averaged US$185/t in the first quarter of 2025, which is close to Queensland Treasury's expectations for the quarter.

However, notwithstanding a recent period of weakness following US tariff announcements, prices have recovered to around US$190/t since mid-April 2025. Prices are expected to stay at around this level across the forward estimates.

This reflects expectations for the marginal cost of production, incorporating information on operating costs and margins, and sits within the range of industry benchmarks. Chart 3.8 shows HCC price forecasts compared to the latest quarterly price forecasts from a range of other forecasters.

As demonstrated in Chart 3.8, Queensland Treasury's medium-term price expectation of reaching US$190/t for HCC is similar to most other forecasters.

Chart 3.8 Coking coal price forecasts



Sources: Consensus Economics, Wood Mackenzie, OCE, Westpac, KPMG, Commonwealth Treasury, and Queensland Treasury.

Thermal coal prices

US$ thermal coal prices have been lower than forecast since the 2024–25 MYFER, driven by increased supply from other markets, lower relative prices in substitutes such as natural gas and a warm northern hemisphere winter.

Average premium thermal coal prices across the first quarter of 2025 at US$107/t have been below Treasury's medium term price assumption but are expected to gradually increase as temporary factors impacting prices unwind to be in line with the medium-term assumption of US$120/t by mid-2026. This is broadly similar to most other forecasters.

Coal export volumes

Total coal export tonnages over the 4 years ending 2027–28 have been revised downwards by around 2 per cent, compared with the 2024–25 MYFER forecasts.

This weakness in production and export volumes is concentrated in the near term and is driven by recent supply side disruptions relating to floods in North Queensland in early 2025 and the fire at the Moranbah North mine in April 2025. These impacts largely affect metallurgical coal and are expected to be temporary, with coal volumes broadly recovering in 2025–26.

Global demand for coal, particularly thermal coal, continues to be influenced by overall global economic activity and trade, and emissions reduction commitments from key trading partners.

Petroleum royalties

Revenue from petroleum royalties is estimated to total $1.689 billion in 2024–25 and fall by almost 30 per cent in 2025–26.

This is driven by steep declines in oil prices due to expectations of a slowdown in global demand. The expected fall in revenue also reflects the price impacts of an increase in supply driven by an OPEC+ commitment to raise production.

Oil prices are expected to continue to unwind before returning to a medium-term price of $US75/barrel by June 2029. Petroleum royalties remain subject to ongoing uncertainty driven by changes in oil prices and exchange rates.

Other royalties

Revenue from other royalties (including base and precious metals, other minerals and other royalties) are estimated to total $734.1 million in 2024–25, driven by the increasing price of gold as well as exchange rate movements.

Other royalties are expected to decline across the 4 years to 2028–29. This is driven by an expected ongoing reduction in copper, lead, and zinc volumes due to depletion of ore reserves and scheduled mine closures over coming years. Although some new mines will inevitably open, potential royalties from these operations are only incorporated into forecasts once final investment decisions are made.

3.4.4 Sales of goods and services

Sales of goods and services revenue comprises primarily the cost recovery from the Queensland Government's provision of a range of goods or services.

Sales of goods and services revenue is expected to decline from current levels, which have been elevated following successive years of growth of around 10 per cent.

A forecast decline over the forward estimates period is predominantly due to the expected completion of the Cross River Rail project, which drives significant sales from the general government sector to the Public Non-financial Corporations sector. With completion of this project, there will also be offsetting reductions in expenditures.

Table 3.5 provides a breakdown of the categories of goods and services captured in terms of these revenues. The fall in public transport revenue reflects the impact of the decision to permanently adopt 50 cent fares.

Table 3.5 Sales of goods and services[1]

	2023–24 Actual $ million	2024–25 Est. Act. $ million	2025–26 Budget $ million	2026–27 Projection $ million	2027–28 Projection $ million	2028–29 Projection $ million
Fee for service activities	3,310	4,155	4,316	4,027	3,454	3,429
Public transport	325	84	61	63	64	65
Rent revenue	638	632	690	772	802	818
Sale of land inventory	68	95	96	118	99	122
Hospital fees	1,035	1,005	1,048	1,076	1,104	1,130
Transport and traffic fees	572	533	598	631	662	700
Other sales of goods and services	1,195	1,342	1,249	1,329	1,380	1,427
Total	**7,143**	**7,846**	**8,057**	**8,017**	**7,566**	**7,690**

Note:

1. Numbers may not add due to rounding.

Government Indexation Policy

For the 2025–26 year, the government has set the Government Indexation Rate for fees and charges at 3.4 per cent. This is in line with the government's efforts to strengthen the state's financial position with a focus on respect for taxpayers' money.

To provide greater budget certainty, the government has determined this annual indexation rate will apply for each of the next 4 financial years until 2028–29.

3.4.5 Interest income

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

Interest income is expected to decline moderately over the forward estimates by an average of 2.4 per cent over the 4 years to 2028–29. This reflects expected drawdowns on investments from the Debt Retirement Fund to repay debt, and suspension of contributions to the defined benefit scheme. Further details on investment consolidation and the debt repayment strategy are discussed in Chapter 5.

3.4.6 Dividend and income tax equivalent income

Revenue from dividend and income tax equivalent income is estimated to total $1.529 billion in 2024–25, largely consistent with 2023–24, and $247.2 million lower than expected at the time of the 2024–25 MYFER.

Over the forward estimates, dividend and income tax equivalent forecasts remain relatively stable, increasing slightly to $1.613 billion over the 4 years to 2028–29.

Key movements over the period include steady growth in electricity network and port dividends, in line with increasing earnings, moderated by dividends and income tax equivalents from the electricity generation sector and rail sectors, as market electricity prices stabilise and major rail assets come into operation. Trends in dividends and income tax equivalent income are discussed in more detail in Chapter 7.

3.4.7 Other revenue

Other revenue, including royalty revenue, accounts for 11.1 per cent of total General Government Sector revenue in 2025–26 (see Table 3.6).

Table 3.6 Other revenue[1]

	2023–24 Actual $ million	2024–25 Est. Actual $ million	2025–26 Budget $ million	2026–27 Projection $ million	2027–28 Projection $ million	2028–29 Projection $ million
Royalties and land rents	12,959	8,108	8,181	8,053	7,708	7,050
Fines and forfeitures	763	772	850	959	960	960
Revenue not elsewhere classified	1,085	1,155	1,083	768	780	782
Total other revenue	**14,807**	**10,035**	**10,114**	**9,780**	**9,447**	**8,792**

Note:

1. Numbers may not add due to rounding.

Royalties (including land rents) account for 9.0 per cent of total revenue in 2025–26 and are discussed in more detail above in section 3.4.3.

The major fines included in the fines and forfeitures category include speeding, red light, mobile phone and seatbelt camera detected offences and tolling offences.

Revenue from fines and forfeitures is expected to total $772.3 million in 2024–25, $21.8 million (2.7 per cent) lower than expected at the 2024–25 Budget forecast due to lower infringement rates and revised timing of the camera program rollout.

Fines and forfeitures are expected to grow by an average of 11.4 per cent in 2025–26 and 2026–27 primarily driven by planned expansions of the camera program, before stabilising from 2027–28.

Revenue not elsewhere classified includes assets contributed to the state and payments received for works delivered on behalf of government-owned corporations.