4 Revenue

Features

- The strength of the Queensland economy, including the state's strong labour market performance, combined with the exceptionally high prices that have continued to be received by Queensland's coal producers since late 2022, has resulted in higher than previously expected state revenues in 2022–23.
- However, as the extraordinary and temporary high coal prices normalise, total key state revenues (taxes, royalties and GST) are expected to decline substantially in 2023–24 and remain at more moderate levels across the later years of the forecast period.
- General Government Sector revenue is estimated to total $87.623 billion in 2022–23, up $13.437 billion (18.1 per cent) compared with 2021–22. This is $13.736 billion (18.6 per cent) higher than estimated in the 2022–23 Queensland Budget, with this upward revision largely driven by:
  - a $10.462 billion increase in royalties, reflecting the extraordinary strength in coal and oil prices across 2022 and early 2023
  - a $1.721 billion increase in taxation, reflecting the strength of domestic economic activity and the state's exceptional jobs growth and labour market performance
  - a $586 million increase in GST, driven primarily by a larger national GST pool.
- In 2023–24, General Government Sector revenue is estimated to total $82.079 billion, a decrease of $5.544 billion (6.3 per cent) compared with 2022–23. This decline largely reflects a substantial decline in royalties, as the temporary surge in coal prices begins to unwind and return towards medium-term expectations.
- Total key revenues are then expected to grow by an average of 1.9 per cent over the 3 years to 2026–27, reflecting average annual growth in taxation of 5.0 per cent and GST of 1.0 per cent across that period. However, this growth in tax and GST is partially offset by an expected further decline in royalties as coal and oil prices continue to normalise.
- Australian Government payments to Queensland in 2023–24 are expected to total $39.3 billion, an increase of $3.175 billion (8.8 per cent) compared with payments in 2022–23. This includes an increase in GST revenue, which is expected to be 5.9 per cent higher than in 2022–23, due primarily to higher national GST collections.
- Importantly, Queensland is maintaining its competitive tax status, with per capita state tax estimated to be $720 below the average of other states and territories in 2021–22.
- The government has extended the payroll tax discount for regional employers into the longer term, out to 30 June 2030, and the 50 per cent payroll tax rebate on wages for apprentices and trainees until 30 June 2024. A package of land tax concessions is also being provided to eligible Build to Rent developments to help drive the provision of increased rental supply and affordable dwellings for Queenslanders.

4.1 2022–23 Estimated actual

General Government Sector revenue is estimated to be $87.623 billion in 2022–23, $13.736 billion (18.6 per cent) higher than forecast at the time of the 2022–23 Queensland Budget.

The substantial upward revision compared with the 2022–23 Queensland Budget estimate is largely driven by:

- a $10.462 billion increase in royalties, reflecting higher-than-expected global coal and oil prices being received by Queensland's key commodity producers
- a $1.721 billion increase in taxation revenue, reflecting the strength of domestic economic activity and the state's exceptional jobs growth and labour market performance
- a $586 million increase in GST, driven primarily by a larger national GST pool.

The total General Government Sector revenue expected in 2022–23 represents growth of 18.1 per cent compared with 2021–22.

Total key revenues of taxes, GST and royalties are estimated to be 26.8 per cent higher in 2022–23 compared with 2021–22, reflecting:

- higher coal royalties, due to a sustained period of high global coal prices in combination with the new progressive coal royalty rates announced in the 2022–23 Queensland Budget, which ensure Queenslanders receive a fairer return on this valuable non-renewable resource during periods when coal producers are receiving extraordinary prices and revenues
- a 14.4 per cent increase in GST revenue, primarily driven by a larger national GST pool, reflecting the exceptional strength of consumption expenditure nationally.

However, growth in key state revenues is expected to moderate significantly in later years from the strength seen in 2021–22 and 2022–23.

In particular, the substantial increases in royalties experienced in 2021–22 and 2022–23, due to the unprecedented high coal and oil prices, are only temporary and are not expected to be repeated over the forward estimates as coal and other commodity prices normalise.

4.2 2023–24 Budget and outyears

General Government Sector revenue is forecast to decline by $5.544 billion (6.3 per cent) in 2023–24, to be $82.079 billion, as outlined in Table 4.1. This decline in revenue is:

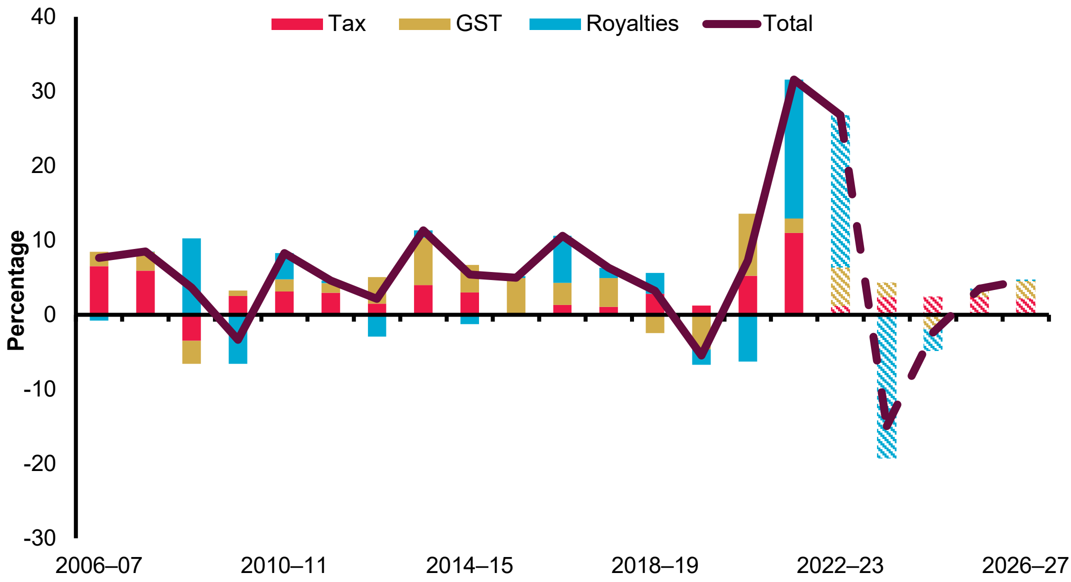
- due to a $10.982 billion fall in royalties, reflecting the expectation that the currently elevated prices for coal and oil return to levels more consistent with medium term expectations
- expected to be partially offset by a $2.095 billion increase in Australian Government grants, a $1.080 billion increase in GST revenue, and a $1.374 billion increase in taxation revenue.

Total key revenues are forecast to decline by 14.9 per cent in 2023–24 as royalty revenue normalises.

In 2024–25, total key revenues are expected to begin to stabilise (declining by around 2 per cent) with an expected decline in GST revenue being offset by an expected increase in taxation revenue, due to modest ongoing growth in transfer duty and continued strength in the labour market supporting payroll tax. Following this period of adjustment, all key revenues are expected to grow in the years beyond 2024–25.

Chart 4.1 outlines the growth in revenue across the 3 key revenue streams and the share of growth attributable to each item across the period to 2026–27.

Chart 4.1 Annual growth in key revenues[1]



Note:

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

Taxation revenue is forecast to grow by 4.9 per cent per annum on average over the period 2021–22 to 2026–27. This reflects strong growth in land tax and payroll tax, along with the impact of revenue measures, including the mental health levy, introduced in the 2022–23 Queensland Budget. The growth profile for taxation revenue over this period also reflects the fact that transfer duty revenue is coming off a very high base in 2021–22, having more than doubled over the preceding 2 years as a result of the exceptional cyclical strength in property markets.

Royalties are expected to decline by 60.7 per cent in 2023–24, and then decline by a further 19.6 per cent in 2024–25. This reflects the expectation that coal and oil prices will return from recently elevated levels to more sustainable levels in 2024.

Royalties are then expected to grow by 1.7 per cent in 2025–26 and 0.9 per cent in 2026–27, primarily reflecting an expected modest increase in coal export volumes over time.

Queensland's GST revenue is estimated to grow by 5.9 per cent in 2023–24 but then decline by 4.9 per cent in 2024–25, as the higher coal royalties received in 2022–23 are expected to lead to Queensland being assessed as requiring a lower share of the GST pool in later years.

However, overall GST revenue is still expected to grow slightly, by 2.2 per cent in 2025–26 and 6.0 per cent in 2026–27, largely driven by expected ongoing growth in the national GST pool, as outlined in the recent 2023–24 Federal Budget.

Table 4.1 details Queensland's total General Government Sector revenue by component across the forward estimates period.

Table 4.1 General Government Sector revenue[1]

	2021–22 Actual $ million	2022–23 Budget $ million	2022–23 Est. Act $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Taxation revenue	20,011	18,842	20,563	21,938	23,125	24,285	25,387
Sales of goods and services	5,896	6,181	6,344	6,921	6,969	7,054	6,871
Interest income	2,643	2,847	3,166	3,206	3,173	3,116	3,107
Grants revenue							
GST revenue	16,079	17,811	18,397	19,477	18,528	18,927	20,069
Australian Government and other grants and contributions	15,308	14,561	15,203	16,467	16,726	16,756	17,287
Australian Government capital grants, other grants and contributions	2,749	2,870	2,971	3,699	3,689	3,254	3,261
Dividend and income tax equivalent income							
Dividends	209	928	628	970	1,224	1,212	1,290
Income tax equivalent income	581	572	415	551	659	644	668
Other revenue							
Royalties and land rents	9,088	7,832	18,288	7,318	5,929	6,032	6,087
Other	1,623	1,442	1,649	1,532	2,079	1,577	1,563
Total revenue	**74,185**	**73,886**	**87,623**	**82,079**	**82,102**	**82,858**	**85,591**

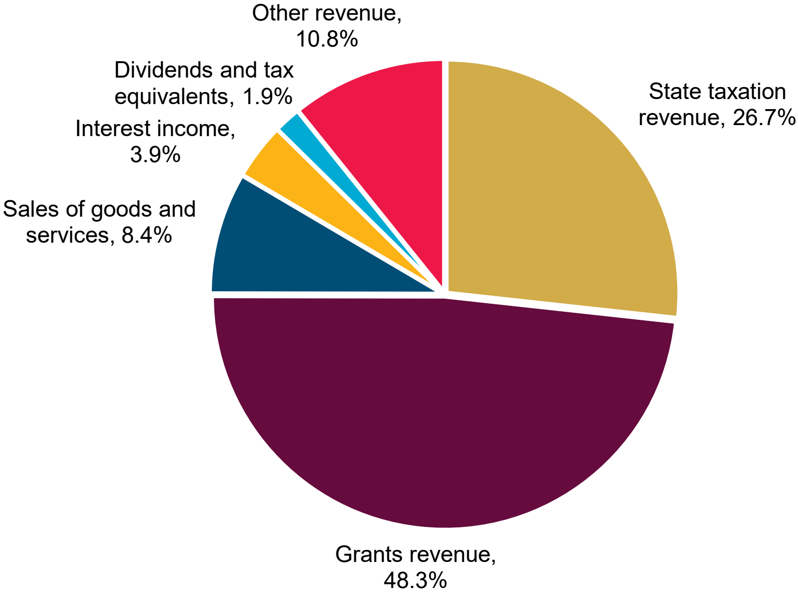
Note:

1. Numbers may not add due to rounding.

The major sources of total General Government Sector revenue in 2023–24 are grants revenue, which includes GST revenue and Australian Government Grants (48.3 per cent), and taxation revenue (26.7 per cent).

Chart 4.2 illustrates the expected composition of Queensland General Government Sector revenue in 2023–24.

Chart 4.2 Revenue by operating statement category, 2023–24[1,2]



Notes:

1. Numbers may not add up to 100 per cent due to rounding.
2. Chart prepared in line with Operating Statement categories. 'Other revenue' includes royalties and land rents, which comprise 8.9 per cent of total revenues.

4.3 Revenue initiatives

General practitioner payroll tax amnesty

Medical practices are liable to pay payroll tax on payments made to contracted general practitioners (GPs) unless an exemption applies.

An amnesty is being provided to qualifying medical practices, otherwise liable to pay payroll tax on payments made to contracted GPs, up to 30 June 2025 and for the previous 5 years (i.e. 2018 to 2025). The amnesty recognises a potential lack of awareness of the payroll tax treatment of contractors among GPs and the need to support these practices to come into compliance with the least disruption possible.

The additional payroll tax revenue which may have been recovered in absence of the amnesty is estimated to be up to $100 million per annum during the amnesty period.

Extension of payroll tax discount for regional employers

In the 2019–20 Queensland Budget, the government introduced a one per cent discount on the payroll tax rate for employers that had an ABN registered business address in regional Queensland and at least 85 per cent of their taxable wages paid to employees located outside South East Queensland. Accordingly, a reduced tax rate of 3.75 per cent or 3.95 per cent, as applicable, applied to those businesses.

This measure was set to expire in June 2023. However, the government has committed to continue this initiative over the longer term to ensure that vital support for jobs and growth across regional Queensland is maintained. Accordingly, this measure has been extended for 7 years, until 30 June 2030, to provide certainty to regional businesses until the end of the decade.

It is estimated this initiative will result in total tax relief of $505.4 million over the 4 years ending 2026–27, supporting more than 3,400 regional Queensland businesses.

Extension of 50 per cent apprentice and trainee payroll tax rebate

The 50 per cent payroll tax rebate for wages paid to apprentices and trainees will be extended for 12 months until 30 June 2024. In addition to apprentice and trainee wages generally being exempt from payroll tax, this rebate provides additional support for businesses supporting youth employment and businesses who employ trainees and apprentices.

It is estimated this initiative will result in tax relief of $48.6 million for Queensland businesses employing trainees and apprentices in 2023–24.

Box 4.1 Ongoing payroll tax relief to support employment and regional businesses

As part of the Queensland Government’s commitment to support businesses across regional Queensland, as well as supporting apprentice and trainee opportunities across the state, the 2023–24 Queensland Budget includes 2 key payroll tax relief measures that will deliver substantial savings to thousands of Queensland businesses.

The Regional Payroll Tax Discount, which supports regional businesses and employment by reducing costs for regional businesses and incentivising regionally-based businesses to hire local employees, will be extended over the long term to 30 June 2030.

This discount is available to all eligible employers regardless of their taxable wage levels and across all industries and sectors. It helps support regional businesses across all industries, including mining, agriculture and manufacturing through to education, retail trade and services.

Businesses eligible for the discount operate across regional Queensland and, importantly, the vast majority of benefitting businesses (around 75 per cent of eligible businesses) are businesses with annual wages of less than $6.5 million.

Since the introduction of the regional discount in 2019, the unemployment rate has reduced substantially across regional Queensland, with the average unemployment rate across Queensland's regions outside South East Queensland being 3.9 per cent as at April 2023.

The continuation of the regional discount will continue to support these employment gains and create further job opportunities across regional economies.

The 50 per cent Apprentice and Trainee Rebate, which applies in addition to the exemption of apprentice and trainee wages from payroll tax, has been extended to 30 June 2024.

The extension of the rebate to reduce costs for businesses across the state that employ apprentices and trainees aligns with the government's broader objectives of supporting youth engagement in employment, skills and education, and will also help to address skills shortages across industries, including in trades and hospitality.

The Apprentice and Trainee Rebate also complements the broad suite of other Queensland Government support provided to drive enhanced employment outcomes for apprentices and trainees, including youth. This includes:

- the revitalised Back to Work Program, which provides support payments to employers engaging unemployed jobseekers. This includes a Youth Boost payment of up to $20,000 for employers who hire an eligible jobseeker aged between 15-24 years
- free apprenticeships for under 25s, which contributes to the cost of training for priority apprentice and trainee qualifications
- a travel and accommodation allowance of up to 26 cents per kilometre for travel and $40 to $76 per night for accommodation, for apprentices and trainees that need to travel greater than 100km for work
- workers compensation discounts for firms that hire apprentices.

Build to Rent

Following the Queensland Government's Housing Roundtable on 28 March 2023, the government announced a proposal to provide tax concessions for Build to Rent developments that provide at least 10 per cent of dwellings as affordable housing, at a discounted rent.

This initiative, to commence from 1 July 2023, will help support the delivery of an enhanced supply of rental dwellings across the state, including more affordable housing for Queenslanders.

Box 4.2 Build to Rent

The Queensland Government's Build to Rent tax concessions will deliver more affordable housing for more Queenslanders by supporting Build to Rent developments that provide at least 10 per cent of dwellings as affordable housing at discounted rents.

Discounted rents will need to be provided at least 25 per cent below market rents of similar dwellings in the Build to Rent development to qualify.

The initiative will commence from 1 July 2023 and will be available to eligible Build to Rent developments across the state.

Eligible Build to Rent developments will be able to benefit from the following tax concessions:

- 50 per cent reduction in the taxable value of land for land tax, for land used for a Build to Rent development, up to a maximum term of 20 years
- 100 per cent reduction in the taxable value of land for land tax foreign surcharge for land used for a Build to Rent development up to a maximum term of 20 years
- 100 per cent discount on any additional foreign acquirer duty for land for a Build to Rent development.

The tax concessions will be made available for a maximum term of 20 years or until 30 June 2050 (whichever comes sooner).

Concessions will only be available once a development is operational, noting eligible developments must be operational by 30 June 2030 to qualify for the concessions.

To be eligible, a Build to Rent development must provide at least 50 self-contained dwellings and be owned under a unified ownership structure and managed by a single entity.

Tenants eligible for the discounted rent will need to meet appropriate income and asset tests, which will include:

- a household income test based on average weekly full-time adult total earnings in Queensland, published by the Australian Bureau of Statistics for May each year
- a household's asset wealth cannot exceed 25 per cent of a benchmark set with reference to Services Australia pension assets test for non-homeowners.

Queensland Revenue Office compliance and debt recovery

The 2023–24 Queensland Budget provides funding for the Queensland Revenue Office (QRO) to continue and establish key compliance and debt recovery measures. These comprise a range of activities that both support taxpayers to understand and meet their obligations and enforce compliant behaviour through audits, investigations and escalated enforcement actions.

These measures build community confidence in the fairness and equity of tax administration and, by safeguarding key state revenues, will help deliver better services and critical infrastructure for Queenslanders, including enabling the ongoing funding of investments in new hospitals, schools, road upgrades and essential services across the state.

4.4 Revenue by operating statement category

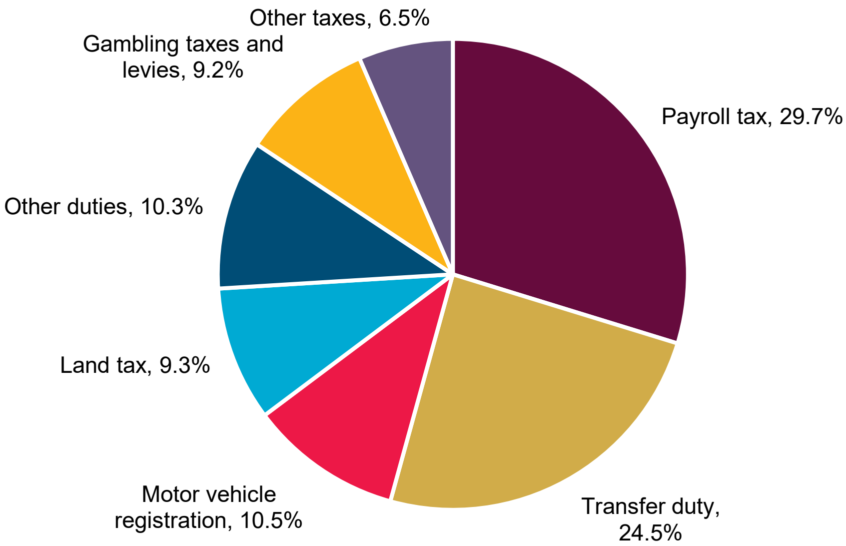
4.4.1 Taxation revenue

Chart 4.3 outlines the composition of estimated state taxation revenue for 2023–24, with the largest sources being payroll tax and transfer duty, together representing 54.3 per cent of the state's total taxation revenue.

Payroll tax generally has a relatively stable base, with its growth usually driven by the underlying strength of the economy and how this feeds through to employment and wages growth. Transfer duty can be much more variable, reflecting pronounced cyclical residential and non-residential market conditions.

Land tax growth can also reflect variability in the property market, such as the material increases in land values seen in recent years, but is generally more stable than most other tax lines due to the relatively stable base and assessments being based on 3-year average of land values, which helps mitigate the impact of increasing land values.

Chart 4.3 State taxation by tax category, 2023–24[1]



Note:

1. Percentages may not add to 100 per cent due to rounding. 'Other duties' includes vehicle registration duty, insurance duty and other minor duties. 'Other taxes' includes the emergency management levy, waste disposal levy, guarantee fees and other minor taxes. 'Payroll tax' includes the mental health levy.

Table 4.2 shows the main components of taxation revenue and the forecast revenues for each component across the forward estimates.

Table 4.2 State taxation revenue[1]

	2021–22 Actual $ million	2022–23 Est. Act $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Payroll tax						
Payroll tax	5,001	5,690	6,122	6,491	6,872	7,272
Mental health levy	0	184	402	422	443	466
Total payroll tax	**5,001**	**5,874**	**6,524**	**6,913**	**7,315**	**7,738**
Duties						
Transfer	6,336	5,209	5,385	5,607	5,877	6,166
Vehicle registration	703	782	786	809	834	859
Insurance[2]	1,219	1,360	1,428	1,500	1,575	1,653
Other duties[3]	40	70	41	41	42	42
Total duties	**8,298**	**7,422**	**7,640**	**7,957**	**8,328**	**8,720**
Gambling taxes and levies						
Gaming machine tax	851	999	1,001	1,031	1,062	1,094
Health services levy	117	160	161	173	187	202
Lotteries taxes	381	394	418	443	470	498
Wagering taxes	160	216	266	273	280	288
Casino taxes and levies	112	130	142	147	152	158
Keno tax	23	28	28	29	30	31
Total gambling taxes and levies	**1,645**	**1,927**	**2,015**	**2,096**	**2,182**	**2,271**
Other taxes						
Land tax	1,633	1,777	2,031	2,280	2,416	2,471
Motor vehicle registration	2,103	2,186	2,301	2,398	2,499	2,589
Emergency management levy	604	629	660	687	716	745
Waste disposal levy	348	390	423	453	477	496
Guarantee fees	333	318	311	307	319	322
Other taxes[4]	45	41	32	34	34	35
Total taxation revenue	**20,011**	**20,563**	**21,938**	**23,125**	**24,285**	**25,387**

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

Payroll tax revenue is estimated to total $5.690 billion in 2022–23, $689.4 million (13.8 per cent) higher than in 2021–22, driven by stronger than expected employment and wages growth.

Payroll tax is expected to grow by 7.6 per cent in 2023–24, with average annual growth of around 5.9 per cent then forecast over the 3 years ending 2026–27. This reflects expected ongoing solid employment and wages growth over the forward years.

Queensland's payroll tax exemption threshold of $1.3 million is one of the highest of all jurisdictions, meaning most Queensland small businesses are not liable for payroll tax, while the standard rate of 4.75 per cent is one of the lowest rates of all jurisdictions. For comparison, New South Wales currently has an exemption threshold of $1.2 million and a standard rate of 5.45 per cent, while Victoria has an exemption threshold of $700,000 and a standard rate of 4.85 per cent. Further, Queensland offers a one percentage point discount for eligible regional employers.

There is also a deduction available for employers between the exemption threshold of $1.3 million and the current deduction threshold of $10.4 million in annual Australian taxable wages, that reduces the amount of tax payable between this wage range. The deduction was extended to the $10.4 million ceiling in the 2022–23 Queensland Budget, increasing substantially from the previous $6.5 million ceiling, benefitting an estimated 12,000 Queensland businesses.

Mental health levy

The mental health levy was announced in the 2022–23 Queensland Budget in order to provide a sustainable funding source to enhance the provision of mental health services and investment.

The levy only applies to large businesses with national payrolls of more than $10 million, with those businesses paying a 0.25 per cent levy on taxable wages above $10 million. Very large businesses with national payrolls of more than $100 million pay an extra 0.5 per cent levy on wages above $100 million.

The levy commenced from 1 January 2023 and, as such, 2022–23 revenue reflects only half a year of revenues following its implementation. Mental health levy revenue in 2022–23 is estimated at $184 million, consistent with expectations at the 2022–23 Budget Update. Over the forward estimates, mental health levy revenue is expected to grow largely in line with broader payroll tax growth.

Box 4.3 Mental health levy funding investment in Queenslanders' wellbeing

Many Queenslanders experience mental ill health, problematic alcohol and other drug use and mental health crisis in their lifetime. These issues impact individuals, families and communities.

In recognition of this, the government provided $1.645 billion in the 2022–23 Budget to support the implementation of mental health, alcohol and other drug (MHAOD) and suicide prevention services across the state.

Delivering on the recommendations of the Mental Health Select Committee, in its report to Parliament – *Report No.1, 57th Parliament – Inquiry into the opportunities to improve mental health outcomes*, a mental health levy on large businesses began 1 January 2023.

Funds raised through the levy are used to provide services or infrastructure that supports mental health, pursuant to the *Mental Health Act 2016* and the *Queensland Mental Health Commission Act 2013.*

Funding has already started to roll-out to MHAOD services with 2022–23 expenditure as at 25 May 2023 including initiatives such as:

- $10.9 million for whole of government action on the social determinants of mental health and wellbeing, including improving access to improved tenancy sustainment and expanded employment opportunities for people with MHAOD issues
- $11.0 million for a new perinatal mental healthcare centre being established at Mater Hill
- $7.7 million for new and existing mental health co-responder model with Queensland Ambulance Service
- $3.5 million to deliver improved services with First Nations peoples.

Additional support for MHAOD from 2023–24 will include:

- $150 million for a new mental health facility at the Redland Hospital, which will almost double mental health capacity and free up critical land on the hospital site for potential future expansion
- $67.8 million over 5 years to expand existing and establish new Crisis Support Spaces, offering an alternative to the emergency department for people experiencing mental distress and/or suicidality. Home-like environments will be designed at 11 additional hospital campuses, available by the end of 2024
- $45.1 million increase over 5 years to the Head to Health services. This will establish 12 new adult services (including Cairns, Bundaberg, Rockhampton, Logan, and the Redlands) and 2 new children's services (opening in the Gold Coast and Brisbane, to also service the Logan-Beaudesert and Moreton Bay regions)

- $44.5 million over 5 years to provide consultation liaison and specialist MHAOD clinical in-reach services to all headspace centres, providing free health services for young people aged 12 to 25 years
- Through this significant investment, supported by the mental health levy, the government is continuing its momentum to improve mental health and wellbeing outcomes for Queenslanders by transforming, optimising and growing state funded MHAOD treatment, care and support and responses to mental health crisis and suicidality.

Duties

Transfer duty

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

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

If a first home buyer purchases a property valued at $500,000 or under they will pay no duty, with reduced rates available up to $550,000.

Queensland's transfer duty settings compare favourably to other jurisdictions. For a home buyer purchasing a principal place of residence reflecting median capital city dwelling prices as at May 2023, they would pay around $24,000 less transfer duty in Queensland than if they purchased in New South Wales, and around $22,000 less transfer duty than if they purchased in Victoria.

Transfer duty revenue is estimated to be 17.8 per cent lower in 2022–23 compared with 2021–22, reflecting a significant moderation in both residential and non-residential activity since 2021–22. Modest growth of 3.4 per cent is forecast in 2023–24 as housing market activity begins to stabilise. However, in the context of recent and potential future increases in interest rates, the size and timing of impacts on housing markets remain uncertain.

After declining in 2022–23, house prices are expected to return to modest growth across 2023–24 and 2024–25, and transaction volumes are also expected to return to be more in line with pre-2020–21 levels. The combination of these factors, along with ongoing recovery in the non-residential sector, is supporting an expected average annual growth of 4.6 per cent in transfer duty over the 3 years ending 2026–27.

Vehicle registration duty

Vehicle registration duty applies to applications to register or transfer a vehicle. Duty is imposed on the dutiable value, with the applicable rate dependent on the type of vehicle. An additional amount of registration duty is imposed on applications to register or transfer vehicles (other than special vehicles or heavy vehicles) with a dutiable value of more than $100,000.

Revenue from vehicle registration duty in 2022–23 is expected to be 11.2 per cent higher than in 2021–22, driven by the continued strength in vehicle sales in line with the high levels of broader consumption expenditure experienced as part of the recovery from COVID-19.

Vehicle registration duty is expected to remain relatively flat in 2023–24, due to rising interest rates and broader cost-of-living pressures, but is then forecast to grow by around 3 per cent per annum over the 3 years ending 2026–27.

Land tax

Land tax is imposed on the taxable value of a landowner's aggregated holdings of freehold land owned in Queensland as at 30 June each year. The landowner's home and some other specified types of landholdings are exempt.

Individuals other than absentees are generally liable for land tax if the total taxable value of the freehold land owned by that person 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 is equal to or greater than $350,000.

Land tax revenue is expected to grow by 14.3 per cent in 2023–24, largely reflecting the impact of recent land value growth. However, the impact of these value increases has also been tempered by the 3-year averaging of land values applied in determining land tax liability.

While the strong land value growth seen in recent years will continue to flow through to support growth in land tax revenue in future years due to the effect of 3-year averaging, the subsequent falls in residential property values in 2022–23 are expected to partially offset that impact and moderate growth in land values for land tax purposes going forward.

Average annual growth of 6.8 per cent is forecast for land tax over the 3 years ending 2026–27.

Box 4.4 Queensland's competitive land tax regime

Land tax is generally considered one of the most efficient forms of tax available to states. Its broad application provides a stable and growing revenue base, and minimises distortionary impacts, including prolonged land banking.

The thresholds at which land tax becomes payable in Queensland are among the most generous in Australia. For individuals, the land tax-free threshold of $600,000 is the second highest in the country, only behind New South Wales.

Other major states also have materially higher comparative average house and associated land values. CoreLogic data for May 2023 shows that, compared to the median house price of $792,125 in Brisbane, the median house price in Sydney is $1,293,529 (63 per cent higher than Brisbane) while the median house price in Melbourne is $911,007 (15 per cent higher than Brisbane).

When land tax thresholds are considered against these median house prices, noting land value is the most significant component of house prices, the competitiveness of Queensland's individual tax-free threshold becomes apparent as shown in Chart 4.4.

Chart 4.4 Comparison of median house prices and individual land tax thresholds[1]

Note:
1. From 1 January 2024, Victoria's tax-free threshold for general land tax rates will decrease to $50,000 as part of its temporary COVID Debt Levy

Sources: state revenue office websites (various), CoreLogic (May)

This shows that Queensland's individual tax-free threshold relative to median capital city house prices compares favourably with other states. However, importantly, the home that Queenslanders live in is exempt from land tax, meaning the vast majority of Queensland homeowners are not liable for any land tax.

The Queensland Government has also recently announced it will put in place an automatic exemption process for the principal place of residence for eligible owners, based on appropriate verifying data.

Land tax in Queensland is also subject to a system of 3-year averaging of the land value, which further reduces the impacts of increasing land values on the tax payable by landholders.

Consistent with most other jurisdictions, Queensland has a progressive land tax regime, with different thresholds of taxable land value at which different rates of tax apply. Therefore, as land values increase and individuals' or entities' wealth increases (i.e. taxable landholdings increase in value), their land tax liability also tends to increase. Hence, it is considered a relatively fair form of tax.

Individuals are subject to more generous tax-free thresholds and lower average tax rates than companies, trusts and absentees.

Land tax provides an important revenue source to help fund the provision of essential government services and infrastructure for all Queenslanders, including critical health, education, law and order, transport and other services across the state.

Gambling taxes and levies

A range of gambling activities are subject to state taxes and levies. Total gambling tax and levy collections are expected to be 17.1 per cent higher in 2022–23 compared with 2021–22, reflecting the ongoing strong levels of gambling-related activity, including in the state's hotels and clubs, as well as partially reflecting the betting tax measures announced in the 2022–23 Budget.

Total gambling tax and levy collections are expected to grow by 4.6 per cent in 2023–24, and average annual growth of 4.1 per cent is forecast for gambling tax revenue over the 3 years ending 2026–27, incorporating increased revenue over time from the opening of the Queen's Wharf Brisbane casino.

Waste disposal levy

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

To help Queensland reach its waste recovery targets, changes to the waste levy commenced from 1 July 2022. These included dividing the existing levy zone into metropolitan and regional levy areas, which have different annual levy rate increases. The metropolitan levy rate was increased by $10 to $95 per tonne and the regional levy rate increased in line with the consumer price index to $88 per tonne.

Revenue from the waste disposal levy is estimated to be $390 million in 2022–23, 12.0 per cent higher than in 2021–22 reflecting the increase of the metropolitan levy rate.

The government has committed to using 70 per cent of proceeds from the waste levy for resource recovery and other programs that reduce the impact of waste and protect the environment and local communities.

Queensland's competitive tax status

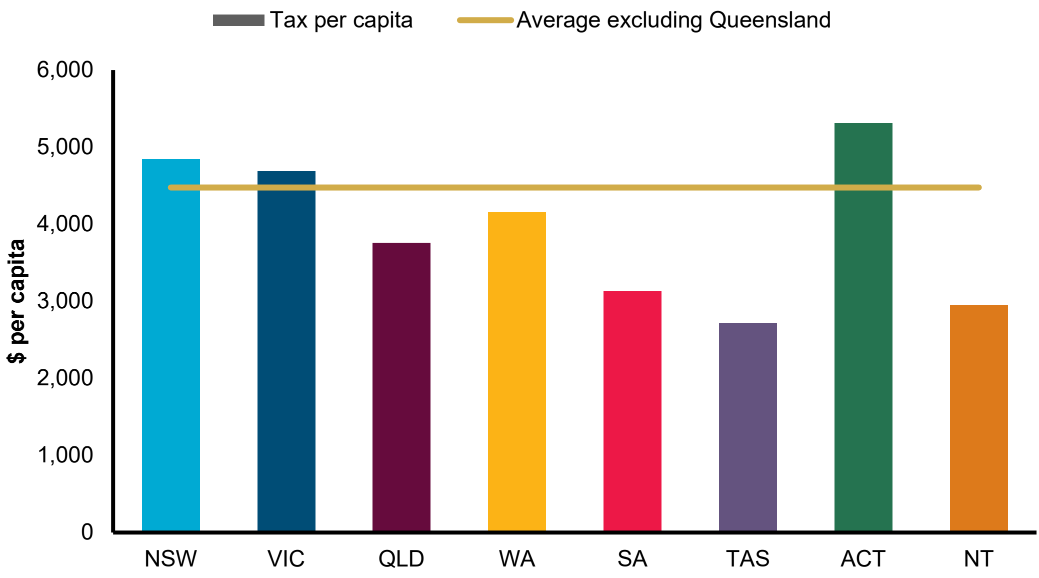
Maintaining the competitiveness of Queensland's tax system is critical to provide a competitive advantage to business and to moderate the tax burden on citizens.

Maintaining a competitive tax regime is also fundamental to the Queensland Government's economic strategy and its commitment to creating more jobs in more industries and maintaining a competitive investment environment.

Importantly, as Chart 4.5 shows, taxation per capita in Queensland was lower in 2021–22 than the average taxation per capita in the other states and territories, highlighting the ongoing competitiveness of Queensland's taxation regime.

Based on the latest available actuals data from states and territories, Queensland's taxation per capita in 2021–22 was $720 less than the average of other jurisdictions. On average, Queenslanders paid $1,087 less tax than New South Wales residents and $928 less than Victorian residents, as highlighted in Chart 4.5.

Chart 4.5 Taxation per capita, 2021–22



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

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

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

The CGC's 2022 update assessed that Queensland's tax effort in 2021–22 (latest available CGC estimate, based on 2021–22 data and using total taxation revenue effort for CGC-assessed taxes) was 5.4 per cent below the national average.

The third measure of tax competitiveness (that is, taxation as a share of gross state product) also confirms that Queensland's taxes are highly competitive, being below the average of the other states and territories, and significantly lower than the major southern states.

Table 4.3 summarises the estimates of these 3 measures compared with other states and territories and demonstrates that the Queensland tax system is very competitive.

Table 4.3 Tax competitiveness, 2021–22

	NSW	VIC	QLD	WA	SA	TAS	ACT[4]	NT	Avg[5]
Taxation per capita[1] ($)	4,844	4,685	3,757	4,155	3,126	2,722	5,308	2,956	4,477
Taxation effort[2] (%)	96.8	106.9	94.6	102.1	96.3	87.9	139.3	86.2	100
Taxation % of GSP[3] (%)	5.7	6.0	4.5	2.9	4.4	4.0	5.2	2.4	5.0

Notes:

1. 2021–22 data (latest available actuals). Sources: *ABS Government Finance Statistics* and *ABS National, State and Territory Population*.
2. 2021–22 data (latest available). Source: Commonwealth Grants Commission 2023 Update – total taxation revenue effort for assessed taxes (payroll, transfer duty, land tax, insurance duty and motor vehicle taxes). Revenue raising effort ratios are an indicator of the extent to which governments burden their revenue bases.
3. 2021–22 data (latest available). Sources: *ABS Annual State Accounts* and *ABS Government Finance Statistics*
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).

Tax expenditures

Tax expenditures are reductions in taxation 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.

Appendix B provides details of tax expenditure arrangements provided by the Queensland Government.

4.4.2 Grants revenue

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

An 8.4 per cent increase in total grants revenue is forecast for 2023–24, primarily driven by an expected 11.8 per cent growth in Australian Government grants and an expected 5.9 per cent increase in GST revenue.

Table 4.4 Grants revenue[1,2]

	2021–22 Actual $ million	2022–23 Est. Act $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Current grants						
GST revenue grants[3]	16,079	18,397	19,477	18,528	18,927	20,069
Australian Government grants[4]	14,992	14,790	16,145	16,410	16,438	16,968
Other grants and contributions	315	413	323	317	318	319
Total current grants	**31,387**	**33,600**	**35,944**	**35,254**	**35,683**	**37,356**
Capital grants						
Australian Government capital grants	2,706	2,938	3,679	3,654	3,248	3,261
Other grants and contributions	42	33	20	35	7	0
Total capital grants	**2,749**	**2,971**	**3,699**	**3,689**	**3,254**	**3,261**
Total Australian Government payments	33,778	36,125	39,300	38,591	38,613	40,298
Total grants revenue	**34,135**	**36,571**	**39,643**	**38,943**	**38,937**	**40,618**

Notes:

1. Numbers may not add due to rounding.
2. Amounts in this table may differ to those outlined in Chapter 9 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 7 due to the inclusion of direct Australian Government payments to Queensland agencies for Australian Government own purpose expenditure.

GST revenue

Growth in the national GST pool, along with an increase in Queensland’s share of the pool, have been the key drivers of stronger Queensland GST revenue across 2022–23 and 2023–24 compared with previous years.

Queensland’s GST revenue in 2022–23 is expected to be 14.4 per cent higher than in 2021–22, with this increase attributed to higher national GST collections. The 2023–24 Federal Budget estimated the total GST pool in 2022–23 to be $8.2 billion higher compared with 2021–22.

A further increase of 5.9 per cent in GST revenue in 2023–24 is expected compared with 2022–23. This more modest rate of growth, compared to the previous year, is driven by changes in the GST pool and population, combined with the CGC’s recommendation related to Queensland’s GST share in 2023–24.

Queensland’s expected share of GST, and the key factors impacting on it over the remainder of the forecast period, are discussed in further detail below.

Revisions to the GST pool

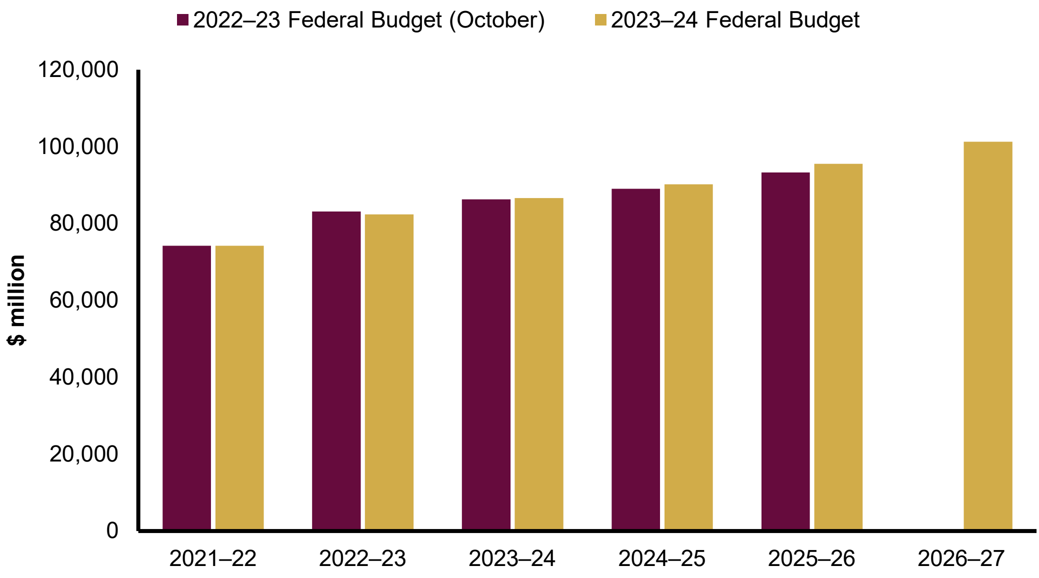
The Australian Government's national GST pool forecasts were upgraded in the 2023–24 Federal Budget, to be $2.9 billion higher across the 4 years to 2025–26 compared with the October 2022–23 Federal Budget estimates.

The 2023–24 Federal Budget stated that increases in GST receipts largely reflect compliance measures and parameters and other variations. In particular, the 2023–24 Federal Budget announced a 4-year extension of its GST compliance program to ensure businesses meet their tax obligations, including accurately accounting for and remitting GST, and correctly claiming GST refunds. The Australian Government estimates this measure will increase GST receipts by $3.8 billion over the 4 years ending 2026–27.

The Australian Government expects the GST pool to increase by 5.2 per cent in 2023–24 and 3.9 per cent in 2024–25, in line with nominal household consumption.

Chart 4.6 compares GST pool forecasts published in the 2022–23 and 2023–24 Federal Budgets.

Chart 4.6 Australian Government forecasts of national GST revenue pool[1]



Note:
1. The 2022–23 October Federal Budget estimates are limited to the 2025–26 financial year.

Source: 2021–22 Final Budget Outcome, 2022–23 Federal Budget (October), and 2023–24 Federal Budget.

Box 4.5 2025 GST Methodology Review

GST is distributed between states and territories under a GST distribution methodology administered by the CGC. This methodology involves balancing fiscal capacity between state and territory governments so a similar standard of services and infrastructure can be delivered by each state to their population, no matter where they live. This is known as horizontal fiscal equalisation.

The GST distribution methodology is multifaceted to take into account different revenue raising capacities and differing need and costs of providing services across states and territories.

Since the introduction of the GST in 2000–01, the GST distribution methodology has been reviewed 4 times — on a 5-yearly basis — most recently in 2020. These reviews occur under terms of reference issued by the Australian Treasurer to the CGC and allow the CGC, in consultation with the states and territories, to consider changes to the data and methods for measuring fiscal capabilities and determining how GST is shared.

Terms of reference for the 2025 Methodology Review — to review the GST distribution methods to apply from 2025–26 — were issued by the Australian Treasurer to the CGC on 9 February 2023 and are available on the CGC's website.

In 2022–23, GST is estimated to represent approximately 21 per cent of Queensland's state revenue – providing critical funds for essential state government services such as health, education, law and order, transport and other services that are utilised by all Queenslanders.

Queensland Treasury will ensure Queensland's position is clearly communicated and advocated for in the Methodology Review, to ensure Queensland receives its fair share of GST revenue. This significant body of work will be a focus for Queensland Treasury for the next 2 years, until the scheduled issue of CGC's outcome report in March 2025.

It will also involve significant input from departments across the Queensland Government, to ensure the data used and assumptions relied upon by the CGC appropriately reflect the needs of the people of Queensland. This includes taking into account the state's growing population, social-demographic composition and the challenges of service delivery in a large and decentralised state.

GST – Queensland's assessed fiscal capacity

In early 2023, the Australian Government accepted the CGC's recommendation that Queensland requires a similar share of GST revenue in 2023–24 compared with 2022–23, with the CGC estimating Queensland's share of the GST pool at 21.2 per cent.

This was driven by the following factors:

- population – a lower than average decline in Queensland's population growth between 2018–19 and 2021–22, coupled with downward revisions in urban populations in New South Wales and Victoria, increased Queensland's share of investment needs relative to other states
- property sales – very strong growth in the value of properties transferred in New South Wales increased its capacity to raise revenue from stamp duties, reducing its assessed GST needs relative to other states.

These were offset by the following factors:

- mining production – the increased value of coal production increased Queensland's relative revenue raising capacity from mining-related activity and reduced its assessed GST needs
- capital improvements – national urban transport investment more than doubled between 2018–19 and 2021–22, decreasing the assessed GST needs of Queensland compared to more densely populated states such as New South Wales.

Importantly, states and territories' shares of GST revenue fluctuate over time based on the CGC's assessment of their fiscal capacity and expenditure needs. Some key drivers of changes to Queensland's and all states' shares of GST are factors that are not Queensland specific, including the impacts of changes in royalty revenue from iron ore in Western Australia and transfer duty collections in New South Wales.

Box 4.6 No worse off guarantee

In 2018, the former Australian Government legislated a new way to distribute GST revenue among the states, referred to as the new equalisation arrangements. These changes included:

- equalising to the stronger of New South Wales or Victoria, rather than the state with the greatest fiscal capacity, with this change to be gradually introduced over 6 years from 2021–22
- a relativity floor of 0.7 in 2022–23, increasing to 0.75 from 2024–25. That is, no state will receive less than 70 per cent of their population share of GST in 2022–23 and no less than 75 per cent in 2024–25 and beyond
- a permanent boost to the GST Pool. The Australian Government will inject $600 million per year from 2021–22 and an extra $250 million per year from 2024–25. This boost will continue in perpetuity and grow with the national pool
- provision of a 'no worse off' guarantee that would result in supplementary payments to any state that cumulatively received less GST under the new system than it would have received under the previous system, to apply between the years from 2021–22 to 2026–27 (the transition period)
- the Australian Productivity Commission to review the system by December 2026.

Queensland's longer-term GST revenue, from 2027–28 onwards, is at significant risk under these arrangements, compared to the ongoing revenue outcomes expected under the previous system. In particular, the cessation of the no worse off guarantee will involve significant revenue implications for Queensland, and most other states and territories, from 2027–28 onwards, once the transition period ends.

The 2023–24 Federal Budget estimates that Queensland's no worse off guarantee payment for 2022–23 will be $949 million, increasing to $1.303 billion by 2025–26.

Queensland Treasury currently estimates that cessation of the no worse off guarantee could result in Queensland being worse off by almost $1 billion a year from 2027–28 onwards.

The Treasurers of all states and territories have collectively requested that the Australian Treasurer extend the no worse off guarantee indefinitely.

The Queensland Government looks forward to genuine engagement with the Australian Government on this critical issue given its potentially significant implications for future state funding needed to provide essential services and infrastructure to the people of Queensland.

The 2024–25 Budget will be the first year where state budgets include 2027–28 GST forecasts in the forward estimates.

Australian Government payments

Australian Government payments to Queensland in 2023–24 are expected to total $39.3 billion, representing an increase of $3.175 billion (8.8 per cent) compared to payments in 2022–23. This increase is attributable to a 11.8 per cent increase in Australian Government grants and a 5.9 per cent increase in GST.

Chapter 7 provides a detailed overview of federal financial arrangements, including Australian Government payments to Queensland.

Other grants and contributions

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

The main sources of contributions are those received from private enterprise and community groups to fund research projects and community services and contributed assets and goods and services received for a nominal amount. Contributions exclude Australian Government grants and user charges.

Other grants and contributions comprise only a small share of total grant revenue (forecast to be 0.9 per cent in 2023–24).

4.4.3 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 a share of the proceeds of the extraction of non-renewable resources are returned to the community. Land rents are also earned from pastoral holdings and mining and petroleum leases.

There is a high degree of uncertainty associated with estimates of commodity prices, which can have significant impacts on royalty revenue. Risks to commodity export volumes, in particular coal, also have the potential to impact Queensland's royalty estimates, although changes to export volumes may in turn impact prices.

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

Coal and oil prices rose substantially across 2021–22, providing a substantial short-term boost to revenues. Global prices have since moderated somewhat but remain elevated compared to historical levels.

However, the recent strength in prices, particularly in relation to coal prices, is primarily driven by a range of short-term supply side factors and disruptions. As such, prices are expected to return to more sustainable levels in 2024, but the timing and extent of the decline remains uncertain.

Forecast royalties and land rents are detailed in Table 4.5.

Table 4.5 Royalties and land rents[1]

	2021–22 Actual $ million	2022–23 Est. Act $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Coal	7,243	15,296	5,345	4,024	4,224	4,400
Petroleum[2]	1,184	2,332	1,275	1,222	1,143	1,039
Other royalties[3]	490	477	503	483	460	440
Land rents	171	183	195	200	204	209
Total royalties and land rents	**9,088**	**18,288**	**7,318**	**5,929**	**6,032**	**6,087**

Notes:

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

Coal royalties

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

The lower level of royalties collected from thermal coal mining compared with HCC reflects the smaller volume of thermal coal mined in Queensland, the generally lower values per tonne of thermal coal and the tiered coal royalty rate system, where lower value coal is subject to a lower average royalty rate. In 2022, HCC, in volume terms, represented around 52 cent of coal exported from Queensland, with semi soft/PCI 21 per cent and thermal coal 27 per cent.

Coal royalties are expected to total $15.296 billion in 2022–23, more than double that in 2021–22 and around 9 times the coal royalties raised in 2020–21.

The increase in coal royalties expected in 2022–23 is partially driven by the new progressive coal royalty rates announced in the 2022–23 Queensland Budget, but it primarily reflects the sustained period of higher than previously expected prices flowing through to royalty revenues more broadly. Without the new tiers introduced through the 2022–23 Queensland Budget measure, royalties during this period of unprecedented coal prices would have been around one third lower.

Importantly, as outlined in the 2022–23 Budget Update, the additional revenue raised from coal royalties, has enabled the funding of a range of substantial investments across regional Queensland, including in the key coal producing regions. The Queensland Government's action in implementing these investments is outlined in Box 4.7 below.

Box 4.7 New tiers delivering for regional Queensland

Over the 2 years since mid-2021, Queensland's coal producers have enjoyed unprecedented benefits from an exceptional surge in global coal prices. These prices resulted in the value of Queensland coal exports reaching a calendar year record of $83.5 billion in 2022, more than double the value in 2021 and triple the value in 2020.

The record export revenues have contributed to the strong financial performance of coal mining companies operating in Queensland, with many reporting record revenues and profits in 2022.

Meanwhile, the favourable conditions created by high prices has supported strong employment growth in the mining sector, with Queensland Mines Inspectorate data showing employment in Queensland coal mines grew by 7.4 per cent in the second half of 2022.

In the context of these unprecedented global coal prices, the new coal royalty tiers announced by the Queensland Government in the 2022–23 Budget mean Queenslanders are also benefitting from these exceptional prices. Queenslanders are getting a fair and reasonable return for the use of the state's valuable and limited resources in a period when coal mining companies are generating extraordinary revenues and profits.

Given the ongoing strength of coal prices, in particular hard coking coal prices, since the 2022–23 Budget Update, the new progressive coal royalty tiers are now expected to generate a revenue uplift of around $7.2 billion over the 5 years ending 2026–27, with most of this (around $5.7 billion) expected in 2022–23.

A more modest revenue uplift of around $783 million is expected in 2023–24. Then, as prices unwind to more normal levels in line with medium-term expectations, an average revenue uplift from the new tiers of around $235 million per annum is expected from 2024–25 onwards, representing only around 6 per cent of total coal royalty revenue once prices normalise.

The additional revenue raised from coal royalties due to the ongoing exceptionally high prices, including the revenue raised from the new progressive royalty tiers, has allowed the Queensland Government to invest more than $16 billion towards economic and social infrastructure and essential services to meet the needs of Queenslanders across all regions of the state, including coal-producing regions.

This includes continuing to deliver world class health services across regional Queensland and providing the productivity-enhancing infrastructure needed to support key growth industries and facilitate the energy transformation critical to drive increased employment opportunities and higher incomes into the future.

In the 2022–23 Budget Update, the government committed to utilise the uplift in royalty revenue to fund a combined $4 billion in productivity-enhancing investments across regional Queensland, which includes a $3 billion long-term asset held by the Consolidated Fund and $1 billion provided as equity investments in the Public Non-financial Corporations sector.

In this Budget, the government is providing an additional $6 billion in funding for the Borumba Pumped Hydro Energy Storage project. This brings the government's total commitment to $10 billion for relevant regional PNFC sector infrastructure projects funded by the General Government Sector equity injections supported by coal royalties, and includes:

- $1.06 billion towards CopperString 2032, which will support the construction of the 1,100km transmission line from Townsville to Mount Isa, connecting Queensland's North West Minerals Province to the national electricity grid project
- $7 billion towards state-owned, large-scale, long duration pumped hydro, including $6 billion for the Borumba project over the construction period and $1 billion for the Pioneer-Burdekin project
- $550 million for the Fitzroy to Gladstone Pipeline, enabling long-term water security to the region
- $500 million to CleanCo to support a 2.3-gigawatt portfolio of wind and solar projects in Central Queensland
- $440 million towards Sunwater's Burdekin Falls Dam Improvement and Raising Project, improving and raising the dam by 2 metres to further support water security, noting this is on top of the existing $100 million commitment towards the project
- $300 million for CS Energy to pursue investments in new wind projects and energy firming options to support future industrial decarbonisation in Central Queensland
- $100 million for Gladstone Port Corporation's Northern Land Expansion project, subject to approvals, supporting the release of additional land at Gladstone port and the development of renewable energy and other industries
- $50 million for the replacement of North Queensland Bulk Ports' Bowen Wharf, with the plans, design and approvals subject to further consultation with stakeholders.

Further, leveraging Queensland's economic strengths and to help capitalise on global growth opportunities in new and emerging sectors that will drive sustainable job creation, the following investments have been committed across regional Queensland:

- $150 million will be provided to support workers in Queensland's publicly-owned coal-fired power stations and $200 million for a Regional Economic Futures Fund
- $150 million will be allocated for common user infrastructure to support development, extraction and production of critical minerals

- $120 million to enlarge the Resources Community Infrastructure Fund, with a special focus on coal producing regions
- $100 million to establish a Queensland Critical Minerals and Battery Technology Fund to position Queensland for the next resources boom in the critical minerals needed for the clean energy revolution.

The Budget also allocates $520 million for investments through the Low Emissions Investment Partnerships program to encourage the mining industry to fast-track capital investments that will both rapidly reduce their emissions profile and help maintain a competitive edge for the industry.

To ensure Queenslanders residing in regions have access to world class health services, the government is also investing:

- more than $3.6 billion to build new or expanded hospitals in the coal producing regions of Moranbah and Mackay, as well as in Cairns, Townsville, Bundaberg, Fraser Coast and Toowoomba
- $920 million for new 10-year agreements with the Royal Flying Doctor Services and LifeFlight Australia to provide aeromedical services across the state including from bases in Bundaberg, Cairns, Charleville, Longreach, Mount Isa, Rockhampton, Roma, Townsville and Toowoomba
- $70 million over 4 years, and $21 million per annum ongoing, to support an increase to the Patient Travel Subsidy Scheme (PTSS) which primarily supports Queenslanders in rural and regional areas to access specialist medical services not available locally.

The government is also providing a $29 million boost to the initial $25 million election commitment for the Browne Park redevelopment in Rockhampton.

More broadly, the increase in royalties due to the windfall prices enjoyed by coal producers has also enabled the government to provide ongoing substantial support to regional businesses across the state, by extending the one per cent regional discount on payroll tax for a further 7 years until June 2030, estimated to cost more than $500 million over the 4 years to 2026–27.

Coal prices

Global coal prices have experienced an unprecedented surge since mid-2021, with the premium HCC spot price averaging US$392 per tonne (/t) in 2021–22, an increase of 220 per cent on 2020–21. This surge in coal prices has been driven by a number of short-term factors including:

- China's strong demand for coal from other exporters since late 2020, due to its reduced importation of Australian coal at that time, appears to have distorted global market dynamics, leading to a shortage in supply and potentially contributing to upward pressure on prices
- European buyers reducing their purchases of Russian coal following the commencement of the Russia-Ukraine conflict in early 2022. This also led to concern about securing supply, putting further upward pressure on prices
- COVID-19 impacts and a range of weather-related supply shortages across 2022 and early 2023.

As noted in the 2022–23 Queensland Budget and 2022–23 Budget Update, these factors are all expected to be temporary in nature. In particular, COVID-19 and weather-related impacts are expected to subside, resulting in an easing of the supply constraints and thus lessening the upward pressure on coal prices. Therefore, global coal prices are expected to continue to unwind over coming quarters to align more with medium-term expectations.

However, to date, throughout late 2022 and the first half of 2023, coal prices have remained higher than previously expected and exceptionally strong compared with historical prices.

While the higher-than-expected coal prices seen in early 2023 have led to a large short-term boost to royalty revenues in 2022–23, the sustained higher global prices have also resulted in a sustained period of extraordinary returns and profits for the state's major coal producers.

Across the 2021 calendar year, the value of Queensland coal exports totalled $39.5 billion, a growth of 41 per cent compared to the 2020 calendar year total of $28.0 billion. The value of coal exports across 2022 was more than double that of 2021, totalling $83.5 billion, or 3 times the value of coal exported only 2 years earlier.

Continued high prices in early 2023 have sustained the extraordinary returns being received by the state's coal producers. The latest ABS data shows that the value of Queensland's coal exports over the 12 months to March 2023 have remained at exceptionally high levels, at $80.0 billion, highlighting the extended period over which coal producers have been receiving exceptionally high prices and revenues.

While coal prices are expected to decline significantly over time, the precise timing and magnitude of such a decline is not known. Queensland Treasury has taken an appropriately conservative approach to its coal forecasts and assumed prices will normalise over time, with HCC and thermal coal prices returning to more sustainable medium-term levels in early 2024 and late 2024 respectively.

Given the expectation of lower coal prices over subsequent years compared with the prices seen across 2021–22 and so far in 2022–23, coal royalty revenue is forecast to decline by 65.1 per cent in 2023–24 and by a further 24.7 per cent in 2024–25.

Coal royalty revenue is forecast to grow by 5.0 per cent in 2025–26 and by a further 4.1 per cent in 2026–27 with crown export coal tonnages[1] forecast to gradually increase over this period. This largely reflects the continued recovery in global economic activity.

Coking coal prices

At the time of the 2022–23 Budget Update, HCC spot prices were expected to average US$231/t in December quarter 2022 and decline to US$177/t in March quarter 2023. HCC prices were expected to decline across the remainder of 2022–23 reaching US$160/t by June 2023.

Prices have fallen substantially since the unprecedented levels in early to mid-2022, with HCC prices averaging US$271/t (A$405/t) in April 2023, a fall of 43 per cent compared to April 2022.

[1] Excludes coal where royalties are not paid to the Queensland Government, that is, private royalties.

However, HCC prices remained stronger than expected following the 2022–23 Budget Update, growing from an average of US$279/t (A$426/t) in December quarter to an average of US$343/t (A$501/t) across March quarter.

The continued strength in HCC prices so far in 2023 has been driven primarily by concerns around supply, in particular due to the impacts of wet weather. In particular, January 2023 was a particularly wet month in Queensland's coal mining regions, with delays in port loadings and several major producers indicating wet weather in late 2022 and early 2023 was a factor in reducing supply. For example:

- major ports in Queensland experienced delays of 1-2 weeks in mid-January due to issues with loading caused by the heavy rainfall
- in their December 2022 production reports, several major coal companies, including BHP, Yancoal, Stanmore, Coronado, Glencore and Anglo American, cited wet weather as a factor in reducing supply
- a train collision caused Aurizon to close its Blackwater coal rail system in Central Queensland. The rail line was closed from 29 January to 12 February, with coal exports from the Port of Gladstone falling by 2.8 million tonnes (Mt) in February
- Severe Tropical Cyclone Gabrielle formed off the coast of North Queensland in February, which affected shipping going to Queensland ports, resulting in delays and increasing prices.

There is a consensus among market analysts that the recent surge in HCC prices cannot be sustained indefinitely, and prices are still expected to decline over coming quarters as weather-related issues constraining supply diminish and international markets continue to adjust to other temporary factors that have contributed to the recent high prices. For example:

- the Commonwealth Department of Industry Science and Resources' Office of the Chief Economist (OCE) stated that *'prices are expected to ease slowly over the outlook period, with the largest fall expected in 2023 as supply conditions (notably in Australia) improve and normalise*[1]*'*
- Wood Mackenzie indicated that '*supply availability recovers and trade flow inefficiencies are worked out, pushing prices down in the next three years*[2]*'*
- S&P Global Commodity Insights reported that '*prices are largely driven by the weather impact on mining and shipping operations in the Australian state of Queensland, as evidenced by the strong prices earlier in the year. With drier weather in store now the three-year La Nina event has finished, along with the end of the rainy season in northern Australia, supply is set to increase*[3]*'*

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[1] Department of Industry, Science and Resources, Commonwealth of Australia (2023), *Resources and Energy Quarterly March 2023*. www.industry.gov.au/req accessed 3 April 2023.

[2] Wood Mackenzie (2023). Global Metallurgical Coal Strategic Planning Outlook H1 2023.

[3] Bartholomew, P., Cao, S., Hao, C. (2023) Coking coal prices heading lower in Q2. S&P Global Commodity Insights 4 May 2023.

- The International Energy Agency[1] expect Australian metallurgical coal supply to improve '*as weather conditions normalise, improving mine and infrastructure performance. Conditions were poor for three consecutive years due to the La Nina weather phenomenon. In addition, met coal projects under development are expected to advance as they continue to find financing, insurance and government support*.'

However, global coal prices are now expected to be slightly higher in the longer term than previously expected, as global markets continue to adjust over time to factors impacting market dynamics and prices such as:

- higher hard coking coal prices continuing to be sustained in early 2023 compared to previous expectations, with market analysts and forecasters now generally expecting prices to remain higher for longer than previously expected
- China's decision to lift its strict COVID-19 restrictions in late December/early January, which is expected to provide some potential upside to overall global demand for coal, including Australian coal, over time
- the likelihood of ongoing impact of global cost pressures in a high inflation environment, including the impacts of prevailing supply chain constraints and labour market tightness
- the impacts of decarbonisation efforts on mining costs in the medium term.

These expectations are broadly consistent with the views outlined in the 2023–24 Federal Budget which provided the following commentary around the short to medium-term outlook for commodity prices[2]:

- *a series of significant and interrelated shocks have affected global commodity markets in recent years. In early 2022, Russia's invasion of Ukraine precipitated a shift in global commodity supply, including a significant reduction in global gas supply and forced restructuring of global oil trade flows*
- *major weather disruptions in key producing regions, including for coal production in Australia and iron ore production in Brazil, reduced both the level and reliability of non-Russian supplies to global commodity markets*
- *the global economy has also experienced a sustained period of cost inflation that has increased production costs across the global mining sector. Input prices for the Australian coal sector, for example, have increased by around 15 per cent since 2021*
- *strong cost inflation has built in a materially higher cost base across the industry that is expected to result in structurally higher prices over the medium term.*

As a result, while HCC prices are still expected to moderate substantially across 2023 from the exceptional prices seen in 2022 and early 2023, they are now expected to average US$175/t across the 3 years from 2024–25 to 2026–27 compared to the previous forecast of US$160/t over those years.

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[1] IEA (2022), *Coal 2022*, IEA, Paris https://www.iea.org/reports/coal-2022 accessed 25 May 2023.

[2] The Commonwealth of Australia (2023). *2023–24 Budget – Budget Strategy and Outlook* www./budget.gov.au/content/bp1/index.htm accessed 22 May 2023.

The upward revision to coal price forecasts in forward years compared to those expected at the time of the 2022–23 Queensland Budget is consistent with other forecasters, for example:

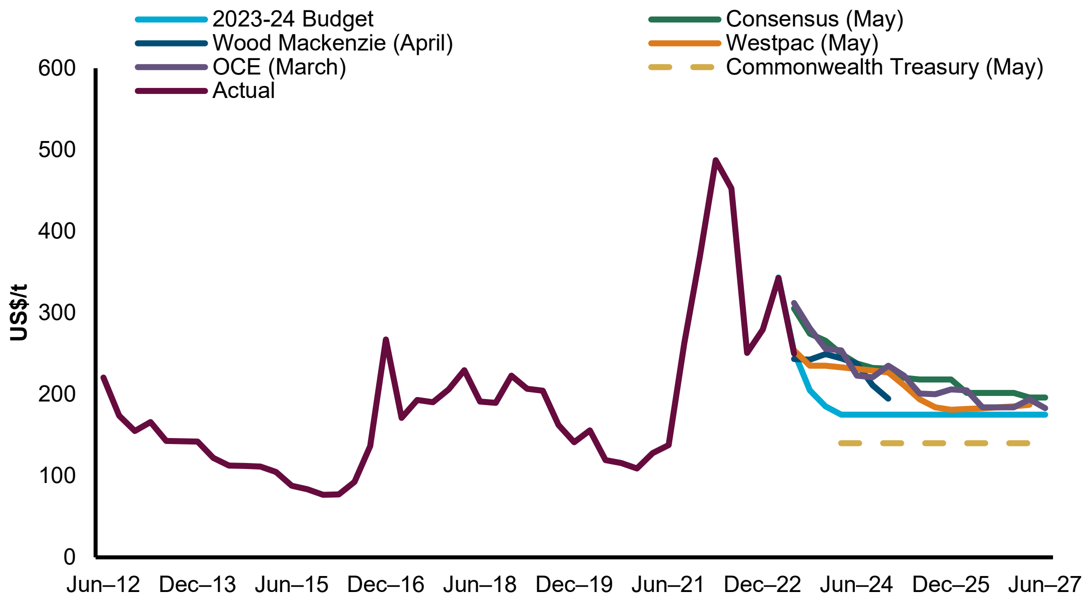
- Consensus Economics' May 2023 HCC price forecasts were revised upwards compared to those in May 2022, as follows: up from US$209/t to US$238/t in 2024; from US$184/t to US$219/t in 2025; and from US$162/t to US$202/t in 2026
- OCE's March 2023 HCC spot price forecasts were revised upwards compared to those in March 2022 as follows: up from US$157/t to US$233/t in 2024; from US$154/t to US$208/t in 2025; from US$152/t to US$189/t in 2026; and from US$150/t to US$188/t in 2027.

Chart 4.7 shows HCC price forecasts compared to the latest quarterly price forecasts from Consensus Economics, Wood Mackenzie, Westpac, OCE, and the Commonwealth Treasury.

This comparison shows that the expected sharp decline in coal prices from current levels is broadly consistent with the expectations of other key forecasters that global coal prices will be substantially lower over coming quarters and years. Queensland Treasury's medium-term anchor price of US$175/t for HCC is similar to most other forecasters, although the pace of adjustment differs.

As at 31 May 2023, the June quarter 2023 HCC spot price averaged US$250/t, which is closely aligned with Queensland Treasury's implied forecast for average spot prices of US$252/t in the quarter. Other key forecasters' estimated spot price for June quarter 2023 ranged from US$243/t (Wood Mackenzie, April 2023 forecast) to US$312/t (OCE, March 2023 forecast).

Chart 4.7 Coking coal price forecasts[1,2]



Notes:
1. Actual price for June quarter 2023 reflects the average actual spot prices up until 31 May 2023
2. Spot prices used where possible. Where spot prices are unavailable, contract prices have been used.

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

Thermal coal prices

The Russia-Ukraine conflict and associated sanctions led to a sustained surge in premium thermal coal prices beyond those expected in the 2022–23 Queensland Budget. For example, premium thermal coal spot prices[1] rose from an average of around US$389/t (A$551/t) in May 2022 to a peak of around US$458/t (A$675/t) in early September 2022.

Thermal coal prices have since fallen substantially as expected at the time of the 2022–23 Budget Update, averaging around US$253/t (A$369/t) across March quarter 2023 as the extreme tightness in spot availability of high-energy coal started to subside. However, they remain elevated compared to previous levels, for example premium thermal coal (spot) prices averaged around US$79/t (A$105/t) in 2020–21.

The price for premium thermal coal is still expected to decline further from its recent peaks. However, consistent with the medium-term price outlook in the 2022–23 Budget Update, the spot price is now expected to decline to US$153/t (A$209/t) across 2023–24 before reaching a medium-term level of US$120/t (around A$160/t) across 2024–25, 2025–26, and 2026–27.

[1] Based on Newcastle 6,300 GAR spot prices.

This mainly reflects expectations that, regardless of when the conflict in Ukraine ends, the ongoing impacts of sanctions and changes in global market dynamics resulting from the conflict will continue to impact over the medium term.

Importantly, the expectation that global coal prices may now remain slightly higher over the medium term than previously expected also implies the state's coal producers will receive greater revenues than previously expected.

By way of illustration, the upward revision to coal price forecasts in this Budget, compared to the 2022–23 Queensland Budget forecasts, is estimated to result in an indicative uplift to coal producer revenue of around $8.1 billion in each 2023–24, 2024–25, and 2025–26.

In comparison, the expected higher prices over the medium term will only result in an estimated uplift in state revenues from the new tiers of around $657 million in 2023–24, and around $90 million in 2024–25 and in 2025–26 compared with the revenue expected from the new tiers at the time of the 2022–23 Queensland Budget.

Coal export volumes

Chart 4.8 shows coal export tonnage forecasts compared to the 2022–23 Queensland Budget outlook. This highlights that coal export tonnages have been revised downwards by around one per cent over the 4 years ending 2025–26.

The reduced export tonnages compared to the 2022–23 Queensland Budget are due to downward revisions in thermal coal exports. This is because Australian thermal coal exports to India have fallen sharply over the past year.

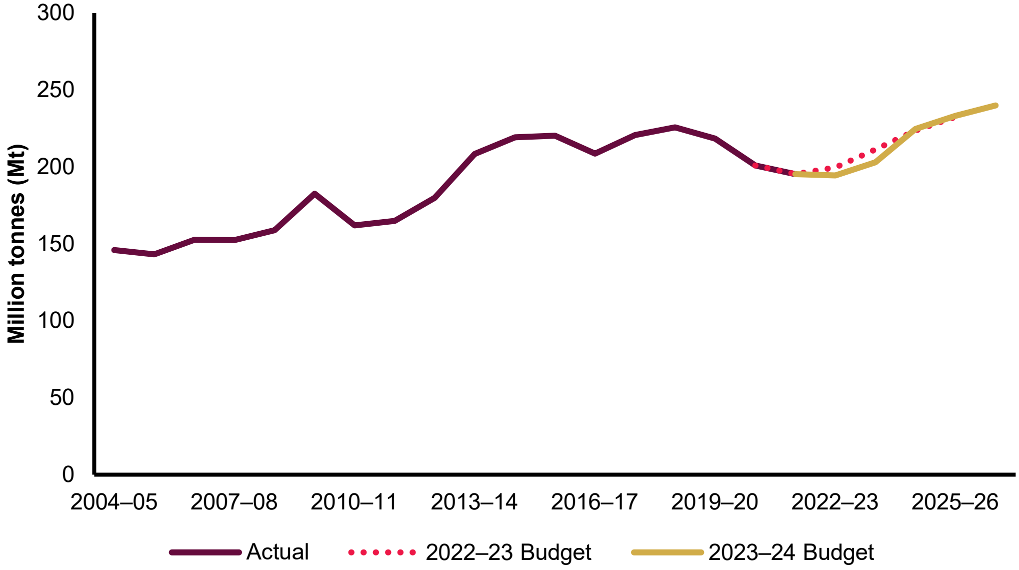
In 2022, Indian thermal imports from Indonesia increased by 30.7Mt compared to 2021 and imports from Russia increased by 6.7Mt. Meanwhile Indian thermal coal imports from South Africa fell by 20.7Mt in 2022, while imports from Australia fell by 9.3Mt. This reflects the impacts of the relatively high Australian thermal coal prices compared with some cheaper alternatives, including from Russia.

This downward revision is partially offset by an upward revision in forecast metallurgical coal exports. This is driven by a range of factors, including China's re-opening of the economy from COVID-19 restrictions and indications China is willing to reconsider importing coal from Australia, both of which may lead to upward pressure on demand globally and demand for Australian coal.

In addition, the decision by some key markets, including Japan and Taiwan, to not import Russian coal has increased the upside for exports of PCI coal[1].

[1] PCI coal is used in the blast furnace route of steelmaking to provide heat to the process to reduce use of higher priced coking coal. Queensland is one of the major suppliers of high quality PCI coal in the Asian market.

Chart 4.8 Export coal tonnages[1]



Note:

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

Source: Unpublished ABS trade data and Queensland Treasury

An ongoing risk to global coal demand and export volumes over the medium to longer term is that Japan and South Korea have committed to achieving net zero CO_2 emissions by 2050, while China has committed to achieve this by 2060. This may lead to an earlier reduction in thermal coal consumption in these countries than previously expected.

In addition, several South East Asian nations have announced policies to phase out coal fired power generation over the longer term. Queensland exported 11.8Mt of thermal coal to South East Asia in 2022, accounting for 22.5 per cent of total thermal coal exports, with most of this exported to Vietnam (7.5Mt) and Singapore (1.9Mt).

However, as outlined above, given the majority of Queensland's coal exports are metallurgical coal, it is still expected that international demand should continue to support Queensland's coal exports over coming decades.

As outlined in Queensland Treasury's report on *Queensland's Coal Industry and Long-Term Global Coal Demand* (November 2022), the positive outlook for Queensland's long term metallurgical coal industry reflects several key factors[1]:

- Queensland continues to offer an attractive environment for investment in coal, reflecting its numerous competitive advantages including its high-quality hard coking coal, proximity to the fast-growing Asian region, efficient supply chain, good infrastructure, and skilled workforce.
- Since mid-2022, there have been numerous announcements of substantial investments or acquisitions in the Queensland coal industry, providing a clear indication of coal producers' ongoing confidence and appetite to invest in Queensland.
- Queensland accounted for around 90 per cent of Australia's metallurgical coal production in 2021–22 and, given around 70 per cent of the state's coal production in 2021–22 was metallurgical coal, Queensland's coal industry remains relatively well placed over the longer term compared with other jurisdictions that are much more reliant on thermal coal production and exports.
- As such, Queensland's coal industry continues to enjoy key advantages compared with many of its global competitors.

[1] Queensland Treasury (2022) Queensland's Coal Industry and Long-Term Global Coal Demand November 2022. https://s3.treasury.qld.gov.au/files/Queensland%E2%80%99s-Coal-Industry-and-Long-Term-Global-Coal-Demand_November-2022.pdf Accessed 22 May 2023.

Box 4.8 Queensland coal producers continue to enjoy strong returns and profits

In the lead up to the 2022–23 Queensland Budget, coal producers were benefitting substantially from an exceptional surge in global coal prices, with spot metallurgical coal prices reaching as high as around A$900/t.

At the time, prices were expected to decline significantly as the temporary nature of the key factors driving the spike in global coal prices were expected to unwind relatively quickly.

However, following the 2022–23 Queensland Budget, premium thermal coal prices surged to a peak of around A$675/t in September 2022. While prices have since moderated from these highs, they remain elevated compared to historical levels. In addition, while hard coking coal prices began to moderate following the 2022–23 Queensland Budget, they have remained stronger for longer than expected.

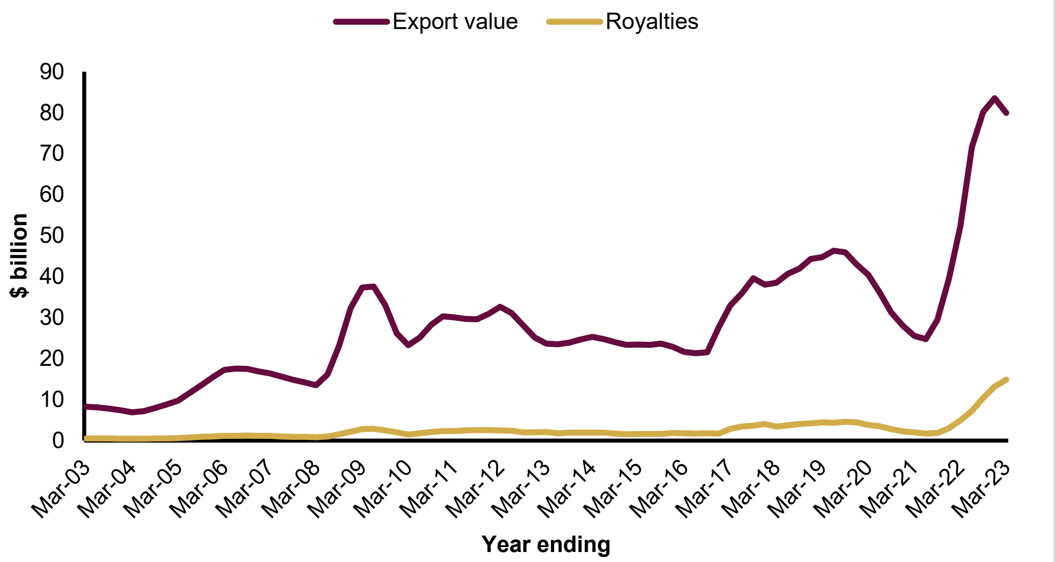
As outlined in Queensland Treasury's report, *Queensland's Coal Industry and Long Term Global Coal Demand* (November 2022), this unprecedented surge in coal prices has seen the value of Queensland coal exports (and, therefore, the revenues and profits being enjoyed by the state's coal mining companies) increase significantly to record levels.

The ongoing high prices across 2022 saw coal producers continuing to receive record levels of revenue, with ABS data showing that the value of Queensland's coal exports in 2022 increased by a further 112 per cent to reach a new record high of A$83.5 billion, 3 times the value of coal exports recorded only 2 years earlier.

Continued high prices in early 2023 have sustained the extraordinary returns being received by the state's coal producers, with the latest ABS data showing that the value of Queensland's coal exports over the 12 months to March 2023 remained at exceptionally high levels, at A$80.0 billion.

Chart 4.9 shows Queensland's total coal export values over the past 20 years, highlighting the exceptional and unprecedented returns being received by Queensland's coal producers during the recent extended period of high prices, including the extent of those increased revenues to coal companies compared with the royalties to Queenslanders.

Chart 4.9 Value of coal exports – rolling annual sum[1]



Note:

1. The most recent 2 months of data are provisional and subject to revision.

Source: Unpublished ABS trade data

Prior to the 2022–23 Queensland Budget, the highest marginal royalty rate applicable to Queensland coal royalties was 15 per cent, payable on that part of the average price per tonne exceeding A$150. This royalty rate structure was not providing a fair return to Queenslanders during periods of exceptionally high prices.

To ensure a fairer return to the people of Queensland, at the 2022–23 Queensland Budget, the government introduced 3 additional tiers to the coal royalty structure, with effect for coal sold, disposed of or used on or after 1 July 2022.

Since that time, global coal prices have remained stronger for longer than expected, but the recent surge in coal prices cannot be sustained indefinitely. Prices are still expected to decline in coming quarters as the current temporary drivers of higher prices diminish and international markets adjust.

However, given the various factors impacting global coal market dynamics, global coal prices are now expected to be slightly higher in the longer term than previously expected.

When prices are high coal miners receive higher revenues and profits. As prices adjust downwards and drop below key price thresholds, they will no longer trigger the higher royalty tiers, and royalty revenue will fall significantly.

Petroleum royalties

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

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

For 2022–23, petroleum and gas royalties are estimated to total $2.332 billion, almost double 2021–22.

Oil prices were at unexpectedly high levels throughout 2022 following Russia's invasion of Ukraine, with concerns surrounding global oil supply due to sanctions on Russian oil. However, global oil production has since outpaced global oil consumption, which has seen oil prices moderate from their record high levels to pre-Ukraine war levels. While uncertainty in the market resulting from the war remains, its impact on oil prices has lessened greatly.

LNG prices, which are linked to oil prices, have benefitted greatly from these elevated oil prices. While oil prices have fallen throughout 2022–23, the lag in LNG contracts mean that LNG prices are expected to remain relatively high for a period, driving the expected growth in petroleum royalties compared with 2021–22.

LNG prices are expected to fall in 2023–24, with petroleum royalties expected to decline by around 45.3 per cent in 2023–24 and by a further 4.1 per cent in 2024–25.

Oil price (and subsequently LNG price) forecasts have been revised down since the 2022–23 Queensland Budget.

Other royalties

Other royalties include revenue from base and precious metals mined in Queensland such as gold, silver, copper, lead, and zinc, and other minerals such as bauxite.

Revenue from other royalties is estimated to total $477 million in 2022–23, 2.8 per cent lower than in 2021–22. This is mainly driven by heavy rainfall in early March 2023 causing significant mine access and flooding issues with several large operations shutting down. This is partially offset by a decline in shipping costs (which are deductible when calculating royalties) from previously elevated levels due to COVID-19-related issues.

Other royalties are expected to grow by around 5.5 per cent in 2023–24 reflecting an expected return to previously expected production levels following the disruptions caused by flooding as well as an expected increase in bauxite volumes.

Across the 3 years to 2026–27, other mineral royalties are forecast to decline on average by around 4.4 per cent per annum, driven by a reduction in copper, lead, and zinc volumes.

Land rents

Revenue from land rents derived from mining and petroleum leases and pastoral holdings is estimated to total $183 million in 2022–23. This is 7.5 per cent higher than in 2021–22 but 3.4 per cent lower than expected at the 2022–23 Budget, due to fewer leases subject to land rent than anticipated.

Revenue from land rents is forecast to grow by 6.3 per cent in 2023–24 driven by higher rental valuations.

Revenue from land rents is then expected to grow by 2.4 per cent per annum over the forward estimates.

4.4.4 Sale of goods and services

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

Table 4.6 Sales of goods and services[1]

	2021–22 Actual $ million	2022–23 Est. Act $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Fee for service activities	2,696	2,959	3,236	3,331	3,305	2,995
Public transport: South East Queensland	203	275	338	358	371	385
Rent revenue	549	554	595	620	633	644
Sale of land inventory	94	53	94	75	105	131
Hospital fees	810	875	827	827	837	844
Transport and traffic fees	509	553	574	597	620	645
Other sales of goods and services	1,036	1,075	1,257	1,162	1,183	1,226
Total	**5,896**	**6,344**	**6,921**	**6,969**	**7,054**	**6,871**

Note:

1. Numbers may not add due to rounding.

The government provides substantial 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.

Appendix A provides details of the concession arrangements provided by the Queensland Government.

Fee for service activities

Examples of major items of fee for service activities across the General Government Sector include:

- recoverable works carried out by the Department of Transport and Main Roads and the commercialised arm of the department
- fees charged by TAFE colleges
- fees charged by CITEC to commercial clients for information brokerage services.

Other sales of goods and services

As shown in Table 4.6, revenue is also raised from a variety of other types of sales of goods and services. These include revenue from public transport ticketing arrangements, rent or lease of government property, hospital fees, transport and traffic fees, title registration fees and other licences and permits.

4.4.5 Interest income

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

Interest income is estimated to total $3.166 billion in 2022–23, 11.2 per cent higher than expected at the 2022–23 Budget, and 19.8 per cent higher than received in 2021–22. The increase in interest income in 2022–23 largely driven by interest earnings on investment of Queensland's increased resources-related revenue.

Interest income is expected to grow by a further 1.3 per cent in 2023–24, before declining across the remaining forward estimates as investments are drawn down to fund priority infrastructure projects largely undertaken by Public Non-financial Corporation sector entities.

4.4.6 Dividend and income tax equivalent income

Revenue from dividend and income tax equivalent income is estimated to total $1.043 billion in 2022–23, $253 million (32.0 per cent) higher than in 2021–22, but $456 million (30.4 per cent) lower than expected at the time of the 2022–23 Queensland Budget.

Higher dividends in 2022–23 compared to 2021–22 reflect a return to normal government owned corporation (GOC) dividend policy in 2022–23 following the government's prior year decision to allow the GOCs to retain 2021–22 dividends for critical infrastructure and growth initiatives. This reflects steady earnings growth across this sector.

Dividends and income tax equivalents are expected to increase from $1.521 billion in 2023–24 to $1.958 billion by 2026–27. This reflects steady earnings growth across the energy generation sector, as investment in new renewable generation grows and wholesale prices stabilise and significant volumes of new renewable generation and energy storage enter the market.

Trends in dividends and income tax equivalent income are discussed in more detail in Chapter 8.

4.4.7 Other revenue

Other revenue, including royalty revenue, accounts for 10.8 per cent of total General Government Sector revenue in 2023–24 (see Table 4.7). Royalties and land rents account for 8.9 per cent of total revenue in 2023–24 and are discussed in detail in section 4.4.3.

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

This revenue is expected to grow by 53.0 per cent in 2022–23, partly driven by the increase in penalties for high-risk driving offences, and the full year impact of mobile phone and seatbelt detection cameras. This revenue is then expected to decline by 4.7 per cent in 2023–24 driven by expected behavioural changes associated with the mobile phone and seatbelt camera infringements and grow by 5.4 per cent in 2024–25 reflecting changes to the forward camera program schedule.

After providing for the cost of administration, funds raised from camera detected offences are allocated to allowable road safety initiatives in accordance with the legislation. Such initiatives include road funding to improve the safety of the sections of state-controlled roads based on risk assessment, road safety education and awareness programs, enabling practices and behaviours that improve road safety and road accident injury rehabilitation programs.

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

Table 4.7 Other revenue[1]

	2021–22 Actual $ million	2022–23 Est. Act $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Royalties and land rents	9,088	18,288	7,318	5,929	6,032	6,087
Fines and forfeitures	558	853	814	857	859	859
Revenue not elsewhere classified	1,065	795	719	1,221	718	704
Total other revenue	**10,710**	**19,937**	**8,850**	**8,008**	**7,609**	**7,650**

Note:

1. Numbers may not add due to rounding.