4 Revenue

Features

- Total key state revenues (taxes, GST and royalties) peaked in 2022–23, reaching $57.120 billion, contributing to a record total General Government Sector revenue of $89.810 billion. This outcome reflected significant growth in key revenues of 31.6 and 26.9 per cent respectively in 2021–22 and 2022–23, which were the highest 2 rates of annual growth in key revenues recorded since the GST was introduced in 2000–01.
- This revenue growth was primarily driven by increased royalties, due to the higher global prices being received by coal producers from late 2021 to mid-2023, combined with the impact of the new progressive coal royalty tiers introduced in the 2022–23 Budget.
- However, as previously expected, these temporarily high commodity prices have since fallen substantially, and are expected to continue to decline across 2024–25 and 2025–26.
- As a result, the associated decline in royalties is expected to outweigh the strong growth in taxation revenue in the near term, with total key revenues declining materially in 2024–25 and remaining flat in 2025–26.
- Although a return to solid growth is expected in 2026–27, total key revenues are not forecast to exceed 2022–23 levels again until 2027–28.
- However, despite annual declines or softness in key revenues until 2026–27, revenue compared to the earlier estimates in the 2023–24 Budget Update have been revised up. The key reasons for this upward revision include a slower than expected decline in oil prices and coal prices since late 2023 (notwithstanding sharp coal price falls in March 2024), ongoing strength in property prices and activity and the exceptional performance of the state's labour market.
- Total General Government Sector revenue is estimated to total $89.059 billion in 2023–24, down $750.6 million (0.8 per cent) compared with 2022–23 but up $3.271 billion (3.8 per cent) compared with Queensland Budget Update forecasts for 2023–24.
- In 2024–25, General Government Sector revenue is estimated to total $88.107 billion, a further decrease of $952.4 million (1.1 per cent) compared with 2023–24. This decline reflects the expected decrease in royalties and the Commonwealth Grants Commission's assessment that Queensland requires a lower share of GST in 2024–25 compared to 2023–24, partly offset by ongoing growth in taxation revenue and an increase in non-GST Australian Government payments.
- This year's Budget provides significant support to Queensland's first home buyers through reforms to existing transfer duty concessions — eligibility for the first home concession and the first home vacant land concession will be extended to homes valued up to $800,000 (up from $550,000), and vacant land up to $500,000 (up from $400,000), respectively.
- Queensland continues to maintain its competitive tax status, with per capita state tax estimated to be $780 lower than the average of other states and territories in 2022–23.

4.1 2023–24 Estimated actual

Growth in key state revenues over the 2 years to 2022–23 was significant, reaching a peak of $57.120 billion in 2022–23.

Key state revenues grew by 31.6 per cent in 2021–22, followed by a further 26.9 per cent growth in 2022–23, representing historically high annual growth rates.

However, as previously expected, the exceptionally high coal prices and resulting strength in royalty revenues that drove this growth have been primarily due to a range of temporary factors.

The premium hard coking coal spot price fell sharply in March 2024, from US$313.50 per tonne at the end of February to US$243 per tonne at the end of April. This reflected a decline in steel demand in China and India and improving supply conditions. Looking forward, as supply conditions continue to normalise, the hard coking coal spot price is expected to continue to moderate towards medium-term fundamentals.

The decline in royalties in 2023–24, compared with 2022–23, is only partially offset by:

- a 10 per cent increase in taxation revenue, driven predominantly by ongoing strength in Queensland's labour and housing markets
- a 6.3 per cent increase in GST revenue, driven by a larger national GST pool, reflecting growth in taxable transactions.

However, reflecting the substantial reduction in royalties and resulting overall key revenues, General Government Sector revenue is expected to fall in 2023–24 to $89.059 billion, down 0.8 per cent compared with 2022–23.

Despite the decline compared with 2022–23 levels, General Government Sector revenue is estimated to be $3.271 billion (3.8 per cent) higher in 2023–24 than forecast at the time of the 2023–24 Queensland Budget Update. This upward revision is primarily driven by coal prices being received by the state's producers across 2023 and early 2024 not falling as quickly as expected.

4.2 2024–25 Budget and outyears

General Government Sector revenue is forecast to decline by $952.4 million (1.1 per cent) in 2024–25, to be $88.107 billion, as outlined in Table 4.1. This decline in revenue is driven by:

- a further $4.366 billion fall in royalties, reflecting the expectation that elevated prices for coal and oil will continue to moderate towards levels more consistent with medium-term expectations
- a $934 million decline in GST revenue due to the Commonwealth Grants Commission (CGC) recommending Queensland receive a smaller share of the GST pool in 2024–25 compared with 2023–24.

These declines in royalty and GST revenue are expected to be partially offset by:

- a $2.129 billion increase in taxation revenue in 2024–25, reflecting underlying strength in payroll tax, transfer duty and a range of other key taxes and duties supported by the strength of activity in the labour market, property market and broader economy
- a $1.556 billion increase in non-GST Australian Government payments, due to the Australian Government bringing forward financial assistance to local governments from 2023–24 to 2022–23, as well as increased Australian Government funding for health and schools.

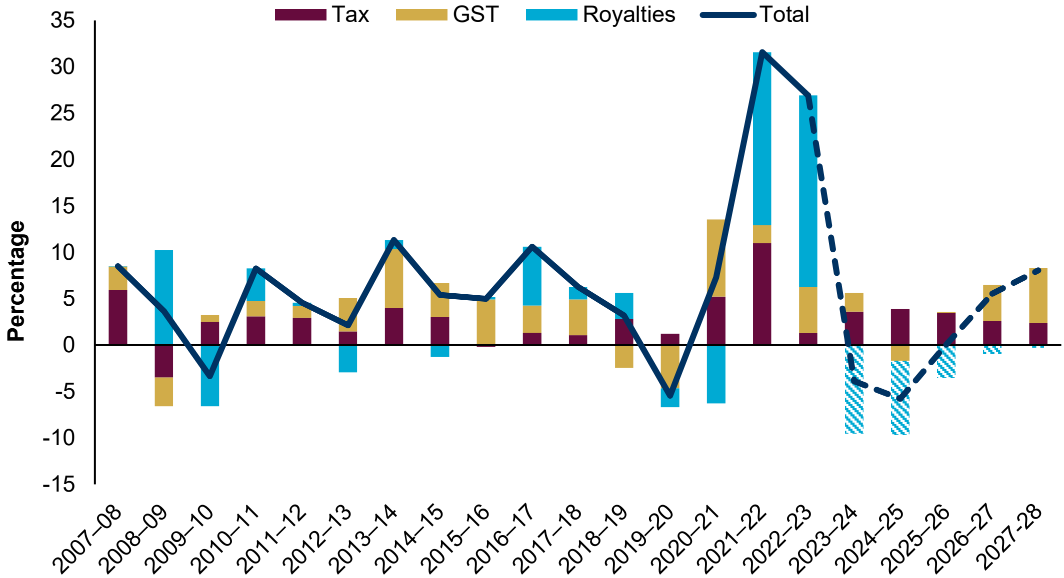
Total key revenues are forecast to decline by 5.8 per cent in 2024–25 and remain flat in 2025–26 as coal prices continue to unwind.

Following the decline in 2024–25 and softness in 2025–26, total key revenues are expected to return to solid growth in 2026–27 and 2027–28, driven by continued growth in both taxation revenues and GST. However, total key revenues will not exceed 2022–23 levels until 2027–28.

Chart 4.2 outlines the growth in revenue across the 3 key revenue streams and the share of growth attributable to each item across the period to 2027–28.

As can be seen, the majority of growth in 2021–22 and 2022–23, and the majority of the fall in 2023–24 and 2024–25 is due to changes in royalty revenue. Taxation is expected to continue growing steadily from 2024–25 onwards, while GST revenue returns to strong growth from 2026–27.

Chart 4.1 Outlook for growth in key revenues[1]



Note:

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

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

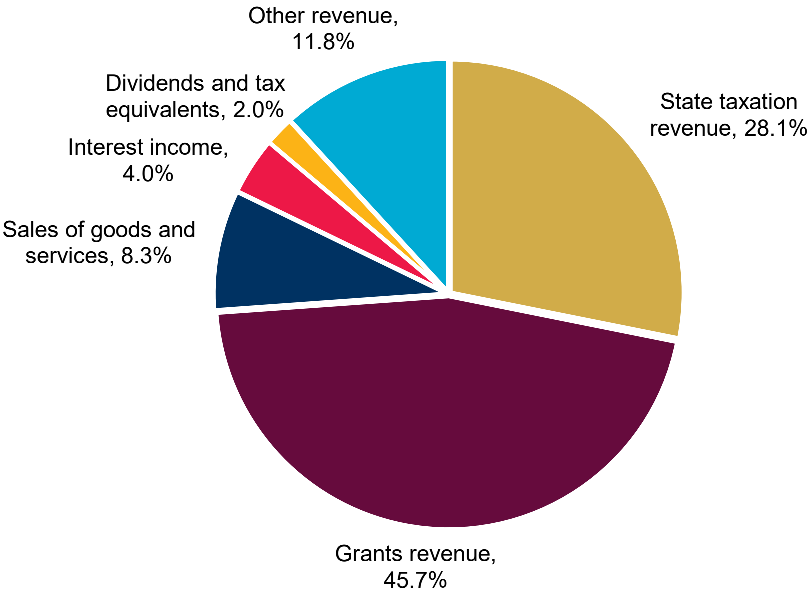
Table 4.1 General Government Sector revenue[1]

	2022–23 Actual $ million	2023–24 Est. Act $ million	2024–25 Budget $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Taxation revenue	20,601	22,670	24,799	26,573	27,910	29,202
Sales of goods and services	6,483	6,946	7,333	7,663	7,325	7,314
Interest income	3,226	3,532	3,501	3,370	3,422	3,498
Grants revenue						
GST revenue	18,306	19,459	18,525	18,610	20,647	23,906
Australian Government and other grants and contributions	15,895	16,478	18,118	17,722	18,125	18,734
Australian Government capital grants, other grants and contributions	4,133	3,612	3,635	4,354	3,691	3,461
Dividend and income tax equivalent income						
Dividends	606	1,142	1,209	1,190	1,135	1,013
Income tax equivalent income	401	578	561	516	494	416
Other revenue						
Royalties and land rents	18,395	12,955	8,599	6,774	6,278	6,136
Other	1,765	1,685	1,826	1,945	1,645	1,652
Total revenue	**89,810**	**89,059**	**88,107**	**88,717**	**90,670**	**95,332**

Note:
1. Numbers may not add due to rounding.

The major sources of total General Government Sector revenue expected in 2024–25 are grants revenue, which includes GST and Australian Government Grants (45.7 per cent) and taxation revenue (28.1 per cent).

Chart 4.2 Revenue by operating statement category, 2024–25[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 9.8 per cent of total revenues.

4.3 Revenue initiatives

Supporting first home buyers through increased transfer duty concession thresholds

The 2024–25 Queensland Budget provides substantial increased support for first home buyers through changes to eligibility thresholds for 2 key transfer duty concessions.

- First home concession — eligibility will be extended to homes with a dutiable value up to $800,000 (up from $550,000 currently). The changes mean that a first home buyer will pay no duty on homes valued up to $700,000 (up from $500,000 currently) and will receive a partial concession for homes valued between $700,000 and $800,000. This reform will see first home buyers now eligible for a maximum first home concession of up to $17,350, compared with the previous maximum first home concession of $8,750.
- First home vacant land concession — eligibility will be extended to vacant land with a dutiable value up to $500,000 (up from $400,000 currently). The changes mean that a first home buyer will pay no duty on vacant land on which they build their first home, if they occupy the home constructed on the vacant land within 2 years, valued up to $350,000 (up from $250,000 currently), and will receive a partial concession for vacant land valued between $350,000 and $500,000. This reform will see first home buyers now eligible for a maximum first home vacant land concession of up to $10,675, compared with the previous maximum concession of $7,175.

It is estimated the changes to the first home buyer concessions will result in total additional tax relief of $360 million over the 4 years ending 2027–28, and benefit around 10,000 first home buyers per year.

The increased eligibility thresholds will apply for contracts dated from the date of announcement inclusive, with effect from the date legislative amendments receive royal assent. More detailed information on this measure can be found in Box 4.2.

Land tax surcharge for foreign companies and trustees of foreign trusts, and absentees

The surcharge rate of land tax imposed in addition to general land tax rates for foreign companies and trustees of foreign trusts, and absentees, will be increased from 2 per cent to 3 per cent from 30 June 2024. This increase will mean that Queensland's rate of surcharge land tax is still below that of New South Wales and Victoria, which both have a surcharge rate of 4 per cent.

Ex gratia relief from the land tax foreign surcharge will continue to be offered for Australian-based foreign entities whose commercial activities make a significant contribution to the Queensland economy and community, subject to eligibility criteria.

It is estimated this measure will result in additional taxation revenue of approximately $330 million over the 4 years ending 2027–28. When combined with additional taxation revenue from the increased additional foreign acquirer duty (AFAD) rate, these measures will offset the cost of extending the first home buyer concessions.

Additional foreign acquirer duty increase

Additional foreign acquirer duty, which is levied on direct and indirect purchases of residential property in Queensland by foreign owners, is being increased from 7 per cent to

8 per cent from 1 July 2024. This increase will align Queensland's rate of additional duty on foreign purchases of residential land with that of New South Wales and Victoria.

Ex gratia relief from AFAD will continue to be offered to Australian-based foreign entities whose commercial activities involve significant development by adding to the supply of housing stock in Queensland, subject to eligibility criteria.

It is estimated this measure will result in additional taxation revenue of approximately $90 million over the 4 years ending 2027–28.

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 2025. 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 $54.9 million for Queensland businesses employing trainees and apprentices in 2024–25.

Changes to payroll tax regional discount eligibility

In the 2019–20 Budget, the government introduced a one per cent discount on the payroll tax rate for regional 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. In the 2023–24 Budget, the government extended this measure until 30 June 2030 (previous expiry date of 30 June 2023), to provide long term support for jobs and growth across regional Queensland.

From 2024–25, the regional discount eligibility criteria will exclude extremely large businesses who typically have substantially greater financial capacity to contribute to state revenues compared to smaller regional employers. As such, from 2024–25, businesses that pay Queensland taxable wages of more than $350 million on an annual basis will not be eligible for the discount.

It is estimated this measure will result in additional taxation revenue of approximately $5 million per annum across the forward estimates.

Motor vehicle registration fee reduction

The government has frozen the indexation of the registration fee and traffic improvement fee components of vehicle registration from 1 July 2024 at an estimated cost of $281.8 million over 4 years.

The government is also reducing the registration fee and traffic improvement fee components of motor vehicle registration for all light vehicles for 12 months by 20 per cent at an estimated cost of $435 million over 2 years.

Public transport fare freeze

The government has frozen the public transport fare increase in 2024 at an estimated cost of $62.3 million over 5 years.

The government is also implementing a temporary fare reduction across the state for 6 months from 5 August 2024 with a flat fare of 50 cents per trip at an estimated cost of $150 million in 2024–25. In addition to this initiative, the government is also providing half-price tickets on Airtrain services.

Queensland Revenue Office revenue and penalty debt administration and resourcing

The government is ensuring the Queensland Revenue Office's capacity to deliver effective and sustainable revenue and penalty debt administration.

Box 4.1 Revenue reforms providing ongoing benefits for Queenslanders and businesses

In addition to the new progressive coal royalty tiers introduced from 1 July 2022 and the substantial support provided to first home buyers in this Budget, a range of other key revenue reforms have been announced and implemented by the Queensland Government over recent years to help provide substantial additional support, services and infrastructure for the benefit of Queenslanders and Queensland businesses across the state.

This includes a range of targeted reforms to support and encourage business growth and employment, and to help ensure sustainable funding for mental health services and the racing industry.

Promoting business growth and employment

In 2019–20, the government introduced the Regional Payroll Tax Discount to support regional businesses and incentivise the hiring of local workers. To date this initiative has benefitted almost 6,000 businesses across regional Queensland, saving them a total of over $450 million.

In the 2023–24 Budget, the discount was extended over the long term to 30 June 2030 to provide ongoing certainty and support to Queensland's regional businesses.

Importantly, the vast majority of businesses benefiting from the discount (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 at a remarkably low 4 per cent over the 12 months to April 2024. In fact, many regional areas of the state have recently recorded their lowest unemployment rates on record since current detailed ABS regional Labour Force data commenced in 1998.

Apprenticeships and traineeships provide a great employment pathway, particularly for younger Queenslanders. This is why, since 2016–17, a 50 per cent payroll tax rebate has been offered on the wages paid to apprentices and trainees, on top of the normal payroll tax exemption for apprentice and trainee wages.

Over that time (to May 2024), the 50 per cent rebate has helped over 9,000 businesses take on more apprentices and trainees and grow their business, providing a total benefit to Queensland businesses of almost $250 million.

In recognition of the importance of small and medium businesses to the state's economy, key changes to the payroll tax threshold and deductions have been introduced that have helped Queensland businesses grow and employ.

The payroll exemption threshold was increased from $1.1 million to $1.3 million in 2019–20. Further, from 1 January 2023, changes to the payroll tax deduction framework increased the benefit to eligible businesses and expanded the number of businesses benefitting by extending the ceiling for deduction eligibility to $10.4 million in annual Australian taxable wages (up from $6.5 million). In the second half of 2022–23 alone, this change is estimated to have benefitted almost 15,000 Queensland businesses.

Support for essential services, including mental health

Other important new revenue measures have been implemented in recent years that are providing critical funding for essential services, including mental health services across the state.

In the 2022–23 Budget, the government committed to provide ongoing sustainable funding for mental health and other drug and suicide prevention services through the imposition of a mental health levy.

The mental health levy is enabling and supporting the investment of $1.645 billion over 5 years for improved mental health services, including hospital and health centre facilities, crisis support spaces, health services for young people and First Nations peoples, tenancy sustainment and employment opportunities.

Ongoing sustainable funding of the racing industry

On 6 June 2022, the government also announced a new funding model to ensure ongoing sustainable funding for Queensland's racing industry, to support 125 racing clubs across Queensland, particularly country racing clubs which play an important role in regional communities.

The new funding model and associated revenue reforms recognises the significant changes that have occurred in wagering markets through the growth in online betting and ensures all wagering operators are making an appropriate contribution to the future of the state's racing industry.

From December 2022, an additional 5 per cent racing levy was applied in addition to the 15 per cent betting tax rate, along with other changes to include the taxing of bonus or free bets for betting tax.

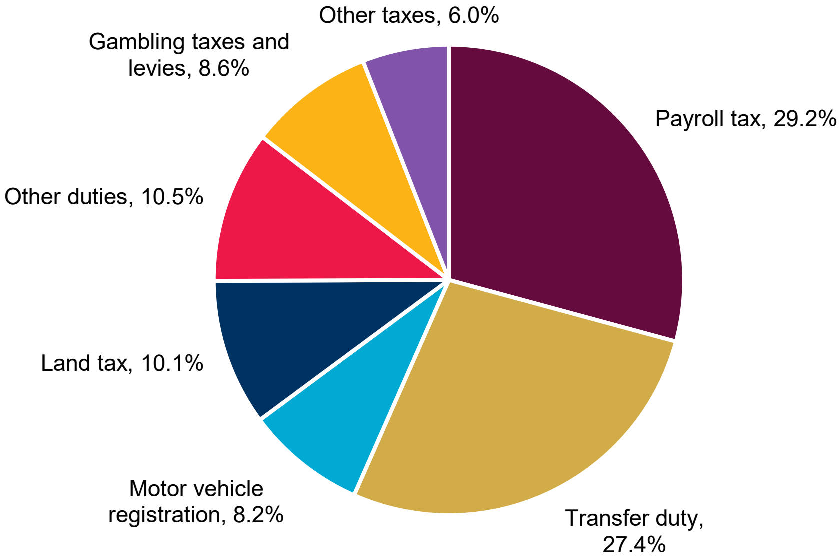
To leverage the benefits of the additional revenue raised through these measures, the new funding model includes 80 per cent of annual betting tax revenue being hypothecated to Racing Queensland to provide sustainable funding to Queensland's racing industry and the thousands of jobs it directly supports across the state, including in many regional areas.

4.4 Revenue by operating statement category

4.4.1 Taxation revenue

Chart 4.4 outlines the composition of estimated state taxation revenue for 2024–25, with the largest sources being payroll tax and transfer duty, together representing 56.6 per cent of the state's total taxation revenue.

Chart 4.3 State taxation by tax category, 2024–25[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]

	2022–23 Actual $ million	2023–24 Est. Act $ million	2024–25 Budget $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Payroll tax						
Payroll tax	5,669	6,221	6,713	7,113	7,485	7,824
Mental health levy	182	495	533	564	594	620
Total payroll tax	**5,850**	**6,715**	**7,245**	**7,678**	**8,079**	**8,444**
Duties						
Transfer	5,240	5,605	6,793	7,081	7,326	7,672
Vehicle registration	791	896	905	932	960	989
Insurance[2]	1,371	1,531	1,650	1,755	1,843	1,935
Other duties[3]	70	50	41	42	42	43
Total duties	**7,472**	**8,083**	**9,389**	**9,810**	**10,172**	**10,639**
Gambling taxes and levies						
Gaming machine tax	997	1,041	1,072	1,104	1,138	1,172
Health services levy	157	165	176	186	196	206
Lotteries taxes	375	415	436	457	480	504
Wagering taxes	229	286	293	301	309	318
Casino taxes and levies	127	114	136	142	147	153
Keno tax	27	28	28	29	30	31
Total gambling taxes and levies	**1,911**	**2,048**	**2,141**	**2,220**	**2,301**	**2,384**
Other taxes						
Land tax	1,732	2,032	2,499	2,832	3,120	3,300
Motor vehicle registration	2,226	2,352	2,046	2,470	2,593	2,687
Emergency management levy	625	656	666	694	722	751
Waste disposal levy	394	423	452	474	493	508
Guarantee fees	350	327	327	363	397	454
Other taxes[4]	40	34	33	33	34	34
Total taxation revenue	**20,601**	**22,670**	**24,799**	**26,573**	**27,910**	**29,202**

Notes:
1. Numbers may not add due to rounding.
2. Includes duty on accident insurance premiums.
3. Includes duty on life insurance premiums.
4. Includes the statutory insurance scheme levy and nominal defendant levy.

Payroll tax and mental health levy

Queensland's labour market remains exceptionally strong and tight by historical standards. Strong jobs growth so far in 2023–24 is expected to see employment grow by 2¾ per cent across the year, before growth slows in the outyears as labour market conditions normalise.

This strength in Queensland's labour market, with the unemployment rate remaining at very low levels, has also supported a strengthening in wages.

Annual growth in Queensland's Wage Price Index (WPI) accelerated to 4.8 per cent in December quarter 2023, the strongest growth on record. WPI growth is expected to slow across the forward estimates period but, given the easing of inflationary pressures, real wages growth is now expected in each year from 2024–25 to 2027–28.

Reflecting the strength of these key labour market outcomes across the state, payroll tax revenue is estimated to total $6.221 billion in 2023–24, $551.7 million (9.7 per cent) higher than in 2022–23.

In line with the outlook for ongoing strong labour market conditions, payroll tax is expected to grow by a further 7.9 per cent in 2024–25, with average annual growth of around 5.2 per cent forecast over the 3 years ending 2027–28.

Mental health levy

In the 2022–23 Queensland Budget, the Queensland Government announced the introduction of the mental health levy 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, 2023–24 revenue represents the first complete year of collections following its implementation. Mental health levy revenue in 2023–24 is estimated at $494.8 million, higher than expected at the 2023–24 Budget Update given the stronger than expected labour market performance.

Over the forward estimates, mental health levy revenue is expected to grow largely in line with broader payroll tax growth.

Duties

Transfer duty

Transfer duty is charged on 'dutiable transactions', including transfers of land and other dutiable property in Queensland.

Transfer duty revenue is estimated to be 7 per cent higher in 2023–24 than 2022–23, reflecting ongoing strength in the residential housing market, following a short period of falling prices in late

2022. Strong growth is forecast in 2024–25 as housing market activity continues to remain strong, and as interest rates and inflation stabilise, supporting broader market confidence.

In particular, residential dwelling prices are expected to be a key driver of growth in transfer duty over the forward estimates. After a period of heightened residential dwelling activity in early to mid-2022, followed by a decline in prices from mid-2022 to early 2023, residential prices have since rebounded.

In the 12-month period up to December 2023, the median dwelling price in Brisbane increased by 11 per cent. Residential dwelling prices are expected to grow more slowly from these elevated levels over the coming years, to be more in line with long-term historical trends.

Following a peak in 2021–22, property transaction volumes have remained relatively stable since late 2022. Volumes are expected to remain at a relatively steady level from 2023–24 onwards, but remain higher than pre-2020–21 levels, reflecting ongoing population growth.

The combination of these factors, along with ongoing recovery in the non-residential sector, is supporting an expected average annual growth of 4.1 per cent in transfer duty over the 3 years ending 2027–28.

Changes to the first home concession and first home vacant land concession commencing in 2024–25 will lower transfer duty revenue collections over the forward estimates, but this will be partially offset by the increase in AFAD rate.

Box 4.2 Substantial support for first home buyers

Housing affordability has become a challenge for many Queenslanders in recent years, particularly for first-time buyers aiming to enter the housing market.

Residential dwelling prices in Brisbane have grown by more than 60 per cent compared to pre-COVID-19 March 2020 levels, driven by a combination of factors including supply constraints and strong demand.

Queensland continues to have favourable transfer duty settings that result in homebuyers paying substantially less duty than if they had purchased in other states (see Box 4.3). Queensland homebuyers are supported by the transfer duty home concession, which provides tax relief of up to $7,175, and is available on all home purchases, which the buyer will occupy as their home, with no value cap. Importantly, Queensland remains one of the few jurisdictions across Australia to offer a concession for home buyers.

Given recent increases in prices, the Queensland Government will be providing substantial additional support to a wider range of Queenslanders purchasing their first home by increasing eligibility thresholds for 2 key transfer duty concessions – the first home concession and the first home vacant land concession.

- **First home concession** — eligibility will be extended to homes with a dutiable value up to $800,000, up from $550,000 currently. The changes mean that a first home buyer will pay no duty on homes valued up to $700,000 (up from $500,000 currently) and will receive a partial concession for homes valued between $700,000 and $800,000.
- **First home vacant land concession** — eligibility will be extended to vacant land with a dutiable value up to $500,000, up from $400,000 currently. The changes mean that a first home buyer will pay no duty on vacant land on which they will build their first home, if they occupy the home constructed on the vacant land within 2 years, valued up to $350,000 (up from $250,000 currently) and will receive a partial concession for vacant land valued between $350,000 and $500,000.

These changes will increase the maximum value of the first home concession by $8,600 (to a total of $17,350) and the maximum value of the first home vacant land concession by $3,500 (to a total of $10,675).

The changes to the first home concession will also extend the phasing out of the concession over a wider price range, delivering more relief for more first home buyers in Queensland.

It is estimated that increasing the first home buyer concession eligibility thresholds will deliver additional tax relief to Queensland first home buyers of $360 million over the 4 years ended 2027–28. This will benefit around 10,000 first home buyers across the state each year.

The transfer duty revenue foregone due to these revenue reforms will be offset by increases in surcharges applying to foreign buyers and owners of property in Queensland.

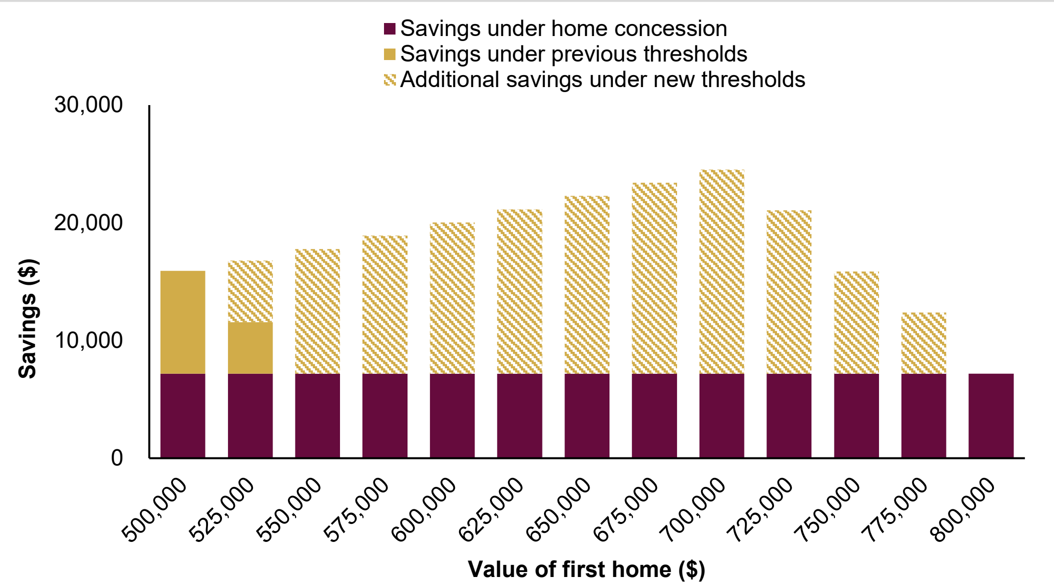
The measure also ensures Queensland's first home concession is generous compared with first home concessions in other states. For example, the new higher threshold in Queensland to receive a full relief from transfer duty of $700,000 is significantly above Brisbane's median unit price of around $600,000.

In comparison, the equivalent thresholds in New South Wales and Victoria are below their respective median capital city unit prices, meaning a first home buyer purchasing a median priced unit would still need to pay some transfer duty in those states.

As noted above, Queensland's home concession provides tax relief of up to $7,175 on all home transactions, uncapped by the value of a home. This means that even for home purchases above the new first home concession threshold, Queensland's generous home concession means that Queenslanders will pay much less in duty on their first home, relative to other states.

In combination with the home concession, an eligible first home purchase valued at $700,000 will now receive total savings in transfer duty of $24,525, which includes the maximum saving of $17,350 under the first home concession and the $7,175 saving from the home concession. Previously, the maximum saving for a first home purchase was $15,925 at a value of $500,000.

Chart 4.4 Transfer duty savings for a first home buyer



Sources: State revenue office websites (various), CoreLogic (May 2024).

This year's Budget also outlines significant funding for the previously announced doubling of the Queensland First Home Owner Grant (FHOG) to $30,000.

The FHOG provides support to eligible first home buyers purchasing or building a new home which they will live in. Queensland's $30,000 FHOG is now the equal highest in Australia (alongside Tasmania) and 3 times the grant available in New South Wales and Victoria. Further, Queensland's $750,000 threshold compares favourably to median house prices when compared to thresholds in other major states.

Importantly, targeting the FHOG towards new homes ensures it assists in adding to housing supply, which will in turn help improve overall housing affordability in the medium to long term.

The boosted grant will be available for eligible transactions entered into between 20 November 2023 and 30 June 2025. However, payments of the boosted grant will continue to flow to eligible first home buyers over the forward estimates period, given the time taken for the construction of many eligible new homes to the point when the grant becomes payable.

In total, the boosted FHOG is expected to support around 12,000 Queenslanders purchase their first new home sooner.

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 2023–24 is expected to be 13.2 per cent higher than in 2022–23, 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 2024–25, due to a recalibration of activity towards more sustainable long-term levels and on the back of the robust growth seen in 2023–24. Revenues are then forecast to grow by around 3 per cent per annum over the 3 years ending 2027–28.

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. Importantly, the landowner’s home and some other specified types of landholdings are exempt. Different rates apply to individuals, and companies, trusts, and absentees.

Reflecting the impact of strong land value growth across the state in recent years, land tax revenue is expected to grow by 23 per cent in 2024–25. However, the impact of recent value growth has also been tempered by the 3-year averaging of land values applied in determining land tax liabilities.

Therefore, recent land value growth will continue to flow through to support ongoing solid growth in land tax revenue in future years, but the rate of growth in land tax is expected to moderate across the forecast period as property prices stabilise.

Average annual growth of 9.7 per cent is forecast for land tax over the 3 years ending 2027–28, with the rate of growth slowing over the forward estimates.

Gambling taxes and levies

A range of gambling activities are subject to state taxes and levies, including gambling in casinos, racing and sports betting, and electronic gaming machines in clubs and hotels.

After growing strongly in 2022–23, total gambling tax and levy collections are expected to grow by a further 7.2 per cent in 2023–24. This growth reflects ongoing solid growth in various forms of gambling activity, including in the state's hotels and clubs, as well as partly reflecting the impact of the racing levy and changes to betting tax announced in the 2022–23 Budget.

Total gambling tax and levy collections are expected to grow by a further 4.5 per cent in 2024–25, with average annual growth of 3.6 per cent forecast over the 3 years ending 2027–28, with this period also 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.

Queensland's levy zone is divided into 2 areas – metropolitan and regional – with differential annual increases of levy rates. In 2023–24, the metropolitan levy rate increased by $10 to $105 per tonne and the regional levy rate increased by a government-approved indexation of 4.3 per cent to $91.

Revenue from the waste disposal levy is estimated to be $423 million in 2023–24, 7.2 per cent higher than in 2022–23, reflecting the annual increase in waste levy rates.

Revenue from the waste disposal levy is then forecast to grow by an average of 4.7 per cent per annum over the 4 years ending 2027–28. This is driven by continued planned increases in levy rates, which will be a combination of an annual fixed rate increase for the metro zone and the annually-indexed increase for the regional zone.

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

Queensland continues to provide a highly competitive tax system compared with other jurisdictions.

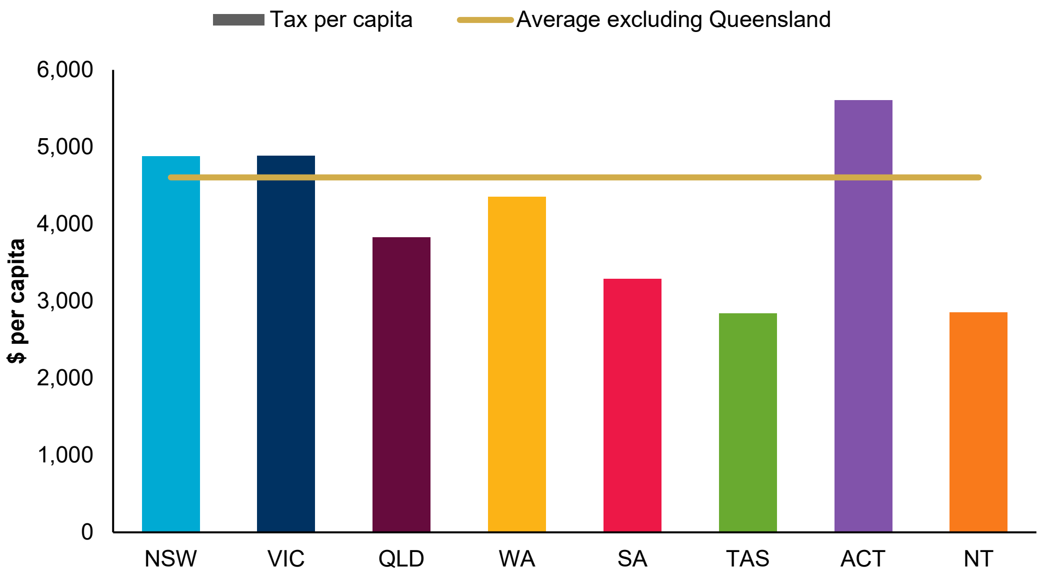
Maintaining the competitiveness of Queensland's tax system is critical to provide a competitive investment environment for business and to moderate the tax burden on citizens. As such, it is an important element of the Queensland Government's economic strategy and its commitment to creating more jobs in more industries.

Importantly, as Chart 4.5 shows, taxation per capita in Queensland was significantly lower in 2022–23 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 for states and territories published by the Australian Bureau of Statistics, Queensland's taxation per capita in 2022–23 was $780 lower than the average of other jurisdictions.

On average, Queenslanders paid $1,052 less tax than New South Wales residents and $1,061 less than Victorian residents.

Chart 4.5 Taxation per capita, 2022–23[1]



Note:

1. ACT figures include municipal rates and other local government-level taxes

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

Queensland's tax competitiveness is also highlighted through other key measures of tax competitiveness, including estimates by the Commonwealth Grants Commission (CGC) of Queensland's tax effort compared with other jurisdictions, and taxation revenue as a proportion of the respective size of each jurisdiction's 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 2024 Update Report assessed that Queensland's tax effort in 2022–23 (latest available CGC estimate, using total taxation revenue effort for CGC-assessed taxes) was 4.9 per cent below the national average.

An alternative 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, highlighting that the Queensland tax system is very competitive.

Table 4.3 Tax competitiveness, 2022–23

	NSW	VIC	QLD	WA	SA	TAS	ACT[4]	NT	Avg[5]
Taxation per capita[1] ($)	4,877	4,886	3,825	4,350	3,286	2,841	5,610	2,851	4,605
Taxation effort[2] (%)	97.1	108.0	95.1	98.6	96.0	84.2	135.3	82.0	100.0
Taxation % of GSP[3] (%)	5.2	5.8	4.1	2.8	4.2	4.0	5.1	2.2	4.7

Notes:

1. 2022–23 data (latest available actuals). Sources: *ABS Government Finance Statistics* and *ABS National, State and Territory Population*.
2. 2022–23 data (latest available). Source: CGC 2024 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. 2022–23 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).

Box 4.3 Queensland’s competitive tax system

The Queensland Government is committed to maintaining a competitive tax system that ensures Queensland remains an attractive destination for investment, maintains an economic environment conducive to growth and creating employment opportunities, while supporting prudent financial management.

Taxation is an important revenue source for the state and is critical to enable the provision of essential government services across the state, as well as to sustain the maintenance and delivery of public infrastructure. The funds collected through state taxes are integral to investing in critical areas such as health, education, law and order, transport and community services.

However, through an appropriately balanced approach, Queensland’s competitive tax settings promote the state’s competitiveness, while underpinning the government’s ability to deliver critical infrastructure and high-quality services to all Queenslanders.

Importantly, only a very small number of Queenslanders are liable to pay most state taxes.

In particular, transfer duty is limited to a small number of Queenslanders (aged 18 plus), generally around 5 per cent, who transfer property each year, while only around one per cent of Queenslanders pay land tax annually.

Payroll tax is only paid by businesses and the tax-free threshold of $1.3 million means 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. Royalties are only paid by entities involved in the extraction of Queensland's limited natural resources.

Transfer duty

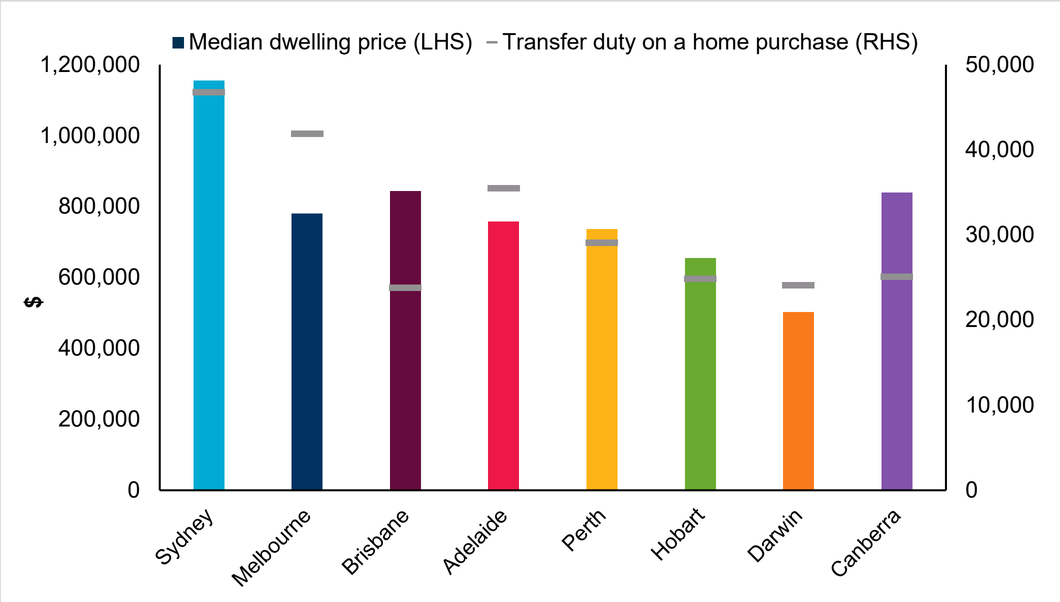
Queensland has favourable transfer duty settings compared to other jurisdictions, with home and first home buyers having access to concessions that reduce costs of buying a home.

In particular, Queensland is one of the only jurisdictions that has a home concession for transfer duty, and this concession is available for dwellings of any value. The home concession 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. This saves homebuyers up to $7,175 for any eligible principal place of residence.

The relative extent of the benefit provided to home buyers in Queensland is apparent when comparing transfer duty on a typical dwelling across state and territory capitals. For a home buyer purchasing a principal place of residence reflecting median capital city dwelling prices as of May 2024, they would pay around $23,000 less transfer duty in Queensland than if they purchased in New South Wales, and around $18,000 less transfer duty than if they purchased in Victoria.

For the purchase of a median priced home across all state and territory capitals, Queensland's transfer duty structure results in the lowest transfer duty amount being payable, as demonstrated in Chart 4.6, even allowing for the median dwelling price being lower in several other capitals.

Chart 4.6 Comparison of median dwelling prices and equivalent transfer duty on homes



Sources: State revenue office websites (various), CoreLogic (May 2024)

Further to Queensland's favourable transfer duty settings for home buyers generally, Queensland also offers generous concessions for the state's first home buyers.

As discussed in detail in Box 4.2, the substantially increased eligibility value thresholds for first home concessions announced in this Budget means that eligible first home buyers in Queensland will pay no duty on home purchases up to $700,000. For purchases between $700,000 and $800,000, they will pay only a concessional amount relative to other home buyers.

Queensland's new first home buyer concession thresholds are generous compared to other jurisdictions, particularly when compared with median dwelling prices in other major states. With the changes in this Budget, the home value threshold where full relief from transfer duty is provided for first home buyers (of $700,000) will be 83 per cent of the median capital city dwelling in Queensland. In comparison, in New South Wales the equivalent figure is 69 per cent, while in Victoria it is 77 per cent.

Payroll tax

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 and Victoria both currently have lower exemption thresholds and higher standard rates. New South Wales has an exemption threshold of $1.2 million and a standard rate of 5.45 per cent, while Victoria has an exemption threshold of $900,000 (from 1 July 2024) and a standard rate of 4.85 per cent.

Further, Queensland offers a one percentage point discount for eligible regional employers, which in the 2023–24 Queensland Budget was extended over the long term to 30 June 2030.

The competitiveness of Queensland's payroll tax regime is enhanced by the 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 significantly reduces the amount of tax payable between this wage range.

The deduction was extended materially, from the previous $6.5 million ceiling to the new $10.4 million ceiling, in the 2022–23 Queensland Budget, benefitting almost 15,000 Queensland businesses.

Land tax

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.

Further, the land tax thresholds and exemptions that apply in Queensland ensure that, despite recent increases in property values nationally, most Queensland landowners will not have a land tax liability, and those with small investment property holdings generally have only a minimal land tax liability.

For landholders that do own taxable land, 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 one of the highest in the country.

In comparison, from 1 January 2024 Victoria's general land tax threshold is just $50,000. Therefore, Queensland's individual threshold is now 12 times higher than Victoria's, despite many areas of Queensland generally having lower average land values.

In addition, land tax in Queensland is subject to a system of 3-year averaging of the land value, which helps further reduce the impacts of increasing land values on the tax payable by landholders.

Further, in applying the threshold, the value of each parcel of land is split between each individual owner by their proportional share. This means that joint owners (e.g. a couple who own a property together) each have to exceed the relevant threshold before being liable for land tax.

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 mechanisms, 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.

A 1.8 per cent increase in total grants revenue is forecast for 2024–25, primarily driven by an expected 7.9 per cent growth in Australian Government grants and partially offset by an expected 4.8 per cent decrease in GST revenue.

Table 4.4 Grants revenue[1,2]

	2022–23 Actual $ million	2023–24 Est. Act $ million	2024–25 Budget $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Current grants						
GST revenue grants[3]	18,306	19,459	18,525	18,610	20,647	23,906
Australian Government grants[4]	15,455	16,145	17,750	17,410	17,821	18,390
Other grants and contributions	440	333	367	312	303	343
Total current grants	**34,201**	**35,937**	**36,643**	**36,332**	**38,771**	**42,640**
Capital grants						
Australian Government capital grants	4,089	3,585	3,535	4,313	3,686	3,461
Other grants and contributions	44	28	100	42	5	0
Total capital grants	**4,133**	**3,612**	**3,635**	**4,354**	**3,691**	**3,461**
Total Australian Government payments	37,851	39,189	39,811	40,332	42,154	45,758
Total grants revenue	**38,335**	**39,550**	**40,278**	**40,686**	**42,462**	**46,101**

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

Queensland’s GST revenue in 2023–24 is expected to be $1.153 billion (6.3 per cent) higher than in 2022–23, reflecting a larger national GST pool due to growth in taxable transactions.

Consistent with expectations at the 2023–24 Budget Update, Queensland’s GST revenue is expected to decline by $934 million (4.8 per cent) in 2024–25, reflecting the CGC’s recommendation that Queensland receives a smaller share of the GST pool in 2024–25 compared with 2023–24.

GST revenue is expected to be flat in 2025–26. Following this, GST revenue is forecast to grow by 10.9 per cent in 2026–27 and then 15.8 per cent in 2027–28. These increases are driven by forecast growth in the GST pool and the expectation that the impacts of the higher coal royalties on Queensland’s share of GST will subside.

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

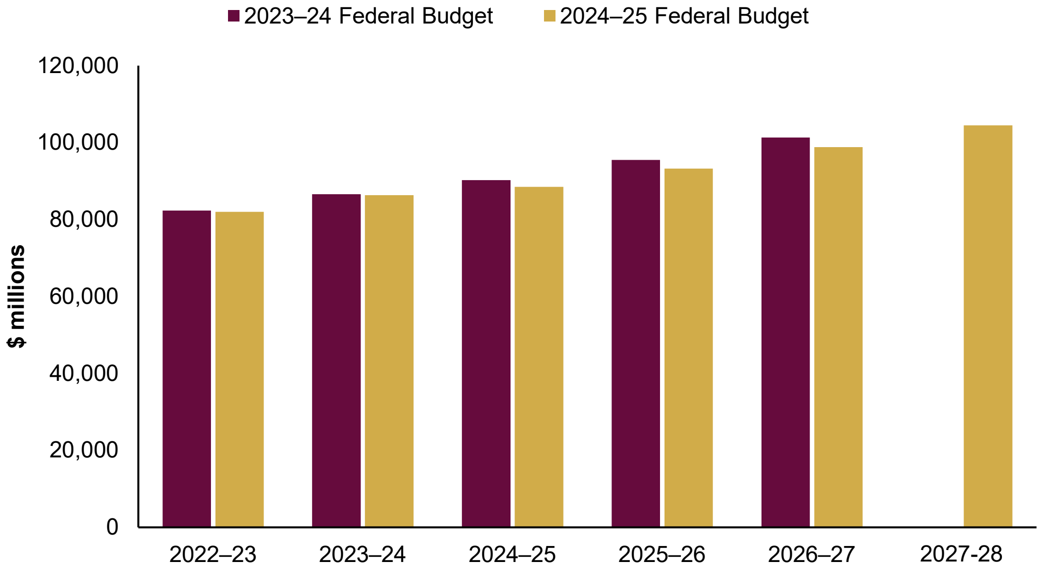
The Australian Government's national GST pool forecasts were downgraded substantially in the 2024–25 Federal Budget, to be $6.637 billion lower across the 4 years to 2026–27 compared with the 2023–24 Federal Budget estimates.

For 2023–24, the GST pool is expected to be around $0.3 billion (or 0.3 per cent) lower than forecast in the 2023–24 Federal Budget.

The 2024–25 Federal Budget stated that, from 2024–25, material downgrades in GST receipts are driven by the lower outlook for nominal consumption subject to GST, partially offset by higher nominal dwelling investment.

The Australian Government expects the GST pool to reach $104.5 billion by 2027–28.

Chart 4.7 Australian Government forecasts of national GST revenue pool[1]



Note:
1. The 2023–24 Federal Budget estimates are limited to the 2026–27 financial year.

Source: 2022–23 Final Budget Outcome, 2023–24 Federal Budget, and 2024–25 Federal Budget.

Box 4.4 2025 GST Methodology Review

GST is a critical revenue source for all states and territories. In 2023–24, GST is estimated to represent approximately 22 per cent of Queensland's total 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.

GST is distributed between states and territories under a methodology administered by the Commonwealth Grants Commission (CGC). This methodology involves considering and balancing the fiscal capacities of states so that 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 methodology is multifaceted to account for the range of differing needs and costs of providing services across jurisdictions and their different revenue raising capacities. The GST methodology is reviewed in detail every 5 years. Since the introduction of the GST in 2000–01, the methodology has been reviewed 4 times, with the most recent finalised in 2020.

The latest review of the GST methodology is due to be finalised in the first half of 2025, with the outcomes to apply to the GST distribution methods to apply from 2025–26 onwards.

The review includes consideration of potential methodology changes to the CGC's assessment of key service delivery expenses, such as transport and health, as well as each state's revenue raising capacity, including in relation to coal and gas royalties and key state taxes.

In particular, this includes consideration of a differential assessment of coal royalties based on prices. This would have a significant impact on Queensland's share of future GST if implemented due to Queensland's production of high-quality metallurgical coal and the implementation of progressive coal royalty tiers.

Terms of reference for the 2025 Review were issued by the Australian Treasurer to the CGC on 9 February 2023 and are available on the CGC's website.

2 formal rounds of consultation were undertaken with states and territories across 2023, facilitated through the issuance of detailed issues papers by the CGC on each of the assessments undertaken as part of the GST methodology.

Queensland Treasury also hosted a visit by the CGC in early 2024 as an important part of this consultation process, to highlight first hand to the CGC the substantial geographic, socio-demographic and climatic challenges faced in delivering essential services and infrastructure across a large, diverse state such as Queensland.

To ensure Queensland's position is clearly communicated and advocated for, this consultation has involved significant input from a range of key departments, 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, socio-demographic composition and service delivery challenges in a large, decentralised state.

This significant body of work will continue to be a focus for Queensland Treasury over the next year to make sure Queensland receives its fair share of GST revenue.

GST – Queensland's assessed fiscal capacity

In early 2024, the Australian Government accepted the CGC's recommendation that Queensland requires a lower share of GST revenue in 2024–25 compared with 2023–24, with the CGC estimating Queensland's share of the GST pool decreasing from 21.2 per cent in 2023–24 to 19.5 per cent in in 2024–25.

This was primarily driven by 2 factors:

- mining production — in the context of the increased value of coal production and higher coal prices, Queensland was determined to have a higher relative revenue raising capacity from mining-related activity, thereby reducing its assessed GST needs
- capital improvements — strong growth in national urban transport investment reduced the relative needs of other states assessed as having below-average needs for urban transport, including Queensland. Weak growth in national investment in rural roads, for which Queensland has above-average needs, also reduced its assessed GST needs.

The impact of these assessments on Queensland's assessed GST need was partially offset by the following factors:

- taxable land value — below-average growth in taxable land values in Queensland decreased Queensland's relative revenue raising capacity
- population — an above average increase in Queensland's population between 2019–20 and 2022–23 increased Queensland's share of investment needs relative to other states
- Census outcomes — new 2021 Census socio-demographic composition data showed Queensland's population to be relatively more dispersed and its non-Indigenous population relatively more disadvantaged than in the 2016 Census. These changes increased Queensland's assessed GST needs for a range of services and infrastructure, particularly in regard to health services and social housing.

Importantly, states and territories' shares of GST revenue fluctuate materially over time based on the CGC's assessment of their fiscal capacity and expenditure needs.

As such, given the complex nature of the methodology, some key drivers of changes to Queensland's and other states' shares of GST are factors that are not Queensland specific. This includes such things as changes in iron ore royalty revenue in Western Australia and changes in transfer duty collections in New South Wales, both of which can materially impact other states' (including Queensland's) GST revenues in any given year.

Australian Government payments

Australian Government payments to Queensland in 2024–25 are expected to total $39.811 billion, representing an increase of $622.3 million (1.6 per cent) compared to payments in 2023–24. This increase is attributable to a 7.9 per cent increase in Australian Government grants, partially offset by a 4.8 per cent decrease in GST revenue.

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 1.2 per cent in 2024–25).

4.4.3 Royalty revenue

Royalties ensure that an appropriate share of the proceeds from the extraction of the state's valuable and non-renewable resources are returned to the community.

The state earns royalties from the extraction of coal, base and precious metals, bauxite, petroleum and gas, mineral sands and other minerals. Land rents are also earned from pastoral holdings and mining and petroleum leases.

Royalty revenues are sensitive to movements in commodity prices traded on global markets, around which there is a high degree of uncertainty. Changes in commodity export volumes also have the potential to impact Queensland's royalty estimates, while changes to export volumes, in particular if driven by supply side constraints, may in turn also impact global prices.

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

Significantly elevated coal and oil prices across 2021–22 and 2022–23 provided a substantial but short-term boost to Queensland's royalty revenues. Global coal and oil prices have since moderated significantly with hard coking coal (HCC) spot prices falling from a peak of over US$670/t in early 2022 to around US$240/t in early 2024. This reflected a range of factors including a decline in steel demand in China and India and improving supply conditions.

Although trending down, the recent resilience in global coking coal prices has been largely driven by a range of short-term supply-side factors and disruptions. As such, prices are expected to unwind further and return to more sustainable levels across 2025–26, 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]

	2022–23 Actual $ million	2023–24 Est. Act $ million	2024–25 Budget $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Coal	15,360	10,541	6,233	4,810	4,595	4,512
Petroleum[2]	2,350	1,705	1,594	1,269	1,039	990
Other royalties[3]	504	526	579	499	442	427
Land rents	181	184	193	197	201	206
Total royalties and land rents	**18,395**	**12,955**	**8,599**	**6,774**	**6,278**	**6,136**

Notes:

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

Coal royalties

As outlined above in Table 4.5, a large proportion of Queensland's royalties comes from coal mining, particularly in recent years due to the period of high global coal prices that have delivered extraordinary and, in many cases, record returns and profits to the state's coal producers.

In 2023, HCC used primarily in global steel production, accounted for around 47 per cent of Queensland's total coal export tonnages, semi soft/ PCI coal accounted for around 20 per cent, and thermal coal accounted for around 33 per cent.

In terms of value of production, HCC accounted for around 59 per cent of the total in 2023, while semi-soft/ PCI coal accounted for around 21 per cent and thermal coal around 20 per cent.

Coal royalties are expected to total $10.541 billion in 2023–24, $4.819 billion (or 31.4 per cent) lower than collected in 2022–23 but $1.353 billion (14.7 per cent) higher than forecast at the 2023–24 Budget Update.

This uplift in royalties in 2023–24 compared with previous expectations at the time of the Budget Update in late 2023 has been primarily driven by coal prices being received by Queensland coal producers in late 2023 and early 2024 not falling as quickly as anticipated. However, it should be noted that the premium HCC spot price fell sharply in March 2024 due to a decline in steel demand in China and India and improving supply conditions.

Box 4.5 Progressive coal royalties continue to ensure a fair share for Queenslanders

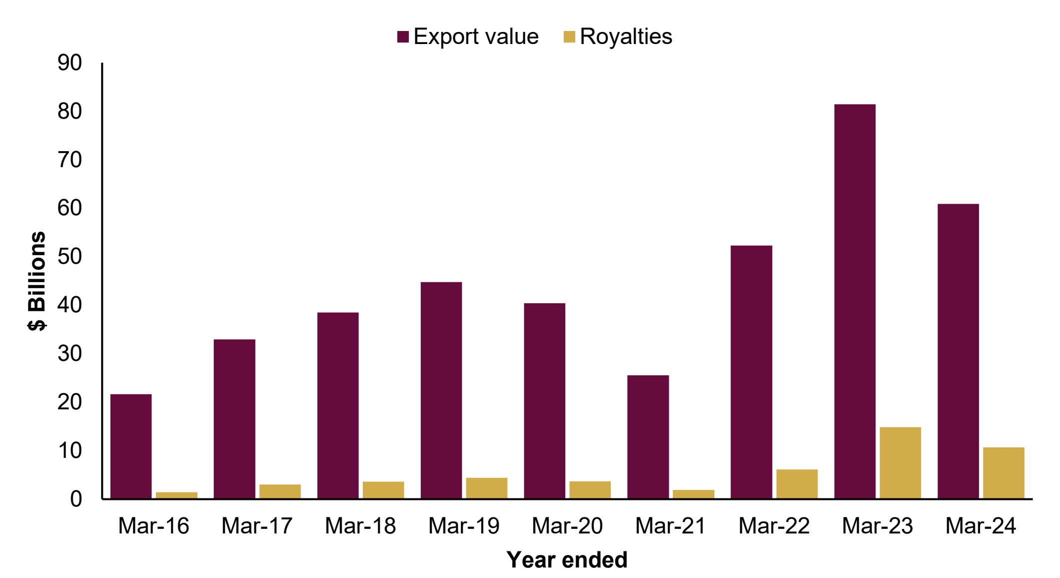
The new progressive coal royalty tiers announced in the 2022–23 Queensland Budget are ensuring that all Queenslanders are receiving a fair return on their valuable and non-renewable resources during the recent period of high global coal prices.

The high prices being received by producers since late 2021 have delivered significantly increased revenues to the state's coal companies.

ABS data show that over the period from July 2021 to March 2024, the value of Queensland coal exports totalled $188 billion. In comparison, over the previous corresponding period (i.e. July 2018 to March 2021) Queensland coal exports totalled $100 billion.

This means that the coal industry has earned an additional $88 billion over the recent period of elevated global prices, compared to what they earned just a few years ago. The significant growth in coal industry revenue over recent years, as well as how this compares with the royalties to Queenslanders, is demonstrated in Chart 4.8.

Chart 4.8 Value of Queensland coal exports and coal royalties – year ended March[1,2]



Notes:

1. Recent coal export data are subject to revision.
2. Royalty data relates to royalties payable on coal sold, disposed of, or used in the relevant period. Payments are made at a later date.

Source: Unpublished ABS trade data and Queensland Treasury

As outlined in the 2023–24 Budget Update, the new progressive royalty tiers delivered an additional $5.8 billion to Queenslanders in 2022–23. The new tiers are expected to deliver a further $3.6 billion in revenue in 2023–24, reflecting the ongoing strength in global prices across the second half of 2023 and early 2024.

Given the new tiers only take effect when prices are high, their impact is expected to decrease significantly over the forward estimates as coal prices normalise to around $1.3 billion in 2024–25, and an average of around $485 million per year over the 3 years ending 2027–28.

However, importantly, the new tiers will mean Queenslanders will also receive a fair share of the coal companies' extraordinary revenues during any future periods of unexpectedly high coal prices over the longer term.

The additional fiscal capacity provided by Queensland's progressive coal royalty tiers has previously enabled the government to invest more than $16 billion in infrastructure and essential services, as outlined in the 2023–24 Budget. These investments are benefitting all regions of Queensland, including key coal producing regions.

Building on this investment, the 2023–24 Budget Update also outlined a range of investments across regional Queensland that were supported by coal royalties, including:

- $210 million to temporarily double the First Home Owner Grant to $30,000 for eligible first home purchases until 30 June 2025
- $100 million to boost the 2024–27 Works for Queensland round for a total round of $300 million so regional councils can deliver more local infrastructure
- an additional $79.1 million for a new mental health facility in Rockhampton
- $70 million to increase the Queensland Critical Mineral and Battery Technology Fund to support the development of the critical mineral and battery technology industries
- an additional $30 million for the Backing Bush Communities Fund for workforce training and invasive species management and community projects
- up to $30 million to accelerate development of resource projects in the North West Minerals Province in the next 5 years
- up to $20 million for an economic structural adjustment package for Mount Isa and North West Queensland.

In this year's Budget, the ongoing strength in coal prices and resulting royalties, including from the new progressive royalty tiers, has enabled the government to deliver significant new and expanded measures in 2024–25 to support Queenslanders in tackling cost-of-living challenges. Some of the key measures include:

- Funding towards the $2.965 billion in additional electricity rebates to Queensland households and small businesses. All Queensland households will automatically receive $1,300 off their electricity bills in 2024–25, consisting of an upfront $1,000 Cost of Living Rebate from the Queensland Government and a $300 rebate paid in quarterly instalments from the Australian Government. Around 205,000 eligible small businesses will also receive $650 off electricity bills in 2024–25, co-funded by the Queensland and Australian Governments

- $435 million for a 20 per cent reduction in motor vehicle registration costs for all light vehicles for a 12-month period
- $150 million in 2024–25 from lowering public transport fares to a flat fare of 50 cents per trip across the state from 5 August 2024 for 6 months
- $33.5 million in new funding in 2024–25, bringing the total funding to $40 million in 2024–25, to increase the maximum value of the FairPlay voucher from $150 to $200, and to increase the number of vouchers available from 50,000 to up to 200,000
- $15 million in 2024–25 for the *School and Community Food Relief Program*. This initiative will assist children to access food relief from appropriate sources, ranging from subsidised lunches, breakfasts or tuckshop items
- $10.1 million over 4 years from 2024–25 for food, emergency and financial relief measures for vulnerable cohorts.

Queensland's progressive coal royalties are a critical part of the Queensland Government's general revenue base, and therefore, also help fund health, education, law and order, transport and other essential services for all Queenslanders.

Supported by funding from coal royalties since the 2022–23 Budget, publicly-owned entities continue to deliver productivity-enhancing infrastructure projects across the energy, water, and ports sectors. This includes CopperString 2032 to connect Queensland's North West Minerals Province to the National Electricity Market, and large-scale pumped hydro energy storage projects critical to the decarbonisation of the state's energy system.

As such, Queensland's progressive coal royalties are enabling the Queensland Government to undertake significant investments across regional Queensland, including in resource producing regions, to improve living standards and create new employment opportunities.

Coal prices

Coking coal prices

Global coal prices have fallen significantly from the unprecedented surge experienced in mid-2021 and early 2022. HCC spot prices reached over US$670 per tonne (/t) in early 2022 but they have since fallen substantially and are now expected to average around US$286/t in 2023–24.

The decline in prices in late 2023 was slower than previously anticipated, reflecting a range of short term supply constraints, including:

- cyclone Jasper causing the temporary closure of some Queensland coal ports
- lower production at BMA mines due to a significant a significant increase in planned maintenance
- a stoppage at Peak Downs and operational and geo-technical factors that affected operations at Broadmeadow
- rainfall in the Bowen Basin, temporarily impacting production at some mines.

However, the HCC spot price fell sharply in March 2024, from US$313.50/t at the end of February to US$243/t at the end of April, leading to an average US$308/t across the March quarter. This decline was driven by reduced supply constraints and weakening global steel demand, reflecting production controls in China.

HCC prices averaged around US$240/t in May 2024, with further falls in coal prices expected over the coming quarters.

As discussed in previous Budgets and Budget Updates, HCC prices are still expected to continue to moderate towards more sustainable levels over time. This expectation is consistent with the views of other key market analysts, for example:

- The Australian Government Department of Industry Science and Resources' Office of the Chief Economist (OCE) stated that:
  - *Prices are expected to broadly trend downwards in 2024, averaging US$277 a tonne for the year. Metallurgical coal prices are falling slowly as supply disruptions gradually diminish. Prices are expected to ease from US$277 a tonne in 2024 to US$185 a tonne (in real terms) by 2029*[1]*.*
- Wood Mackenzie[2] indicated that:
  - *The market balance will start to loosen, with improving supply from Australia and slowing Chinese demand. This will push prices down to US$265/t in 2024, down by US$30/tonne [year-on-year].*
  - *Prices will decline gradually to a low of US$185/t by 2032 as marginal costs ease, supply availability recovers, and demand growth flattens.*
- The 2024–25 Federal Budget[3] stated that:
  - *Iron ore and metallurgical coal prices have been elevated over the past 2 years due to strong demand from China and disruptions to supply both in Australia and globally. However, recent indications suggest that steel demand in China has likely peaked and a recovery in the supply of iron ore and metallurgical coal has put downward pressure on prices.*

In the medium term, prices are expected to return towards the marginal cost of production. However, the outlook for mining costs has increased over recent years. For example, according to the March 2024 ABS Producer Price Indexes, input costs to coal mines have risen by an average of 7.2 per cent per annum over the past 3 years.

In addition to this, the Australian Government's Safeguard Mechanism policy, which requires Australia's highest greenhouse gas emitting facilities to reduce their emissions in line with Australia's emission reduction targets of 43% below 2005 levels by 2030 and net zero by 2050, is expected to lead to additional costs for coal operations.

Further, strip ratios — the ratio of saleable coal to waste material — of Australian coal mines are also increasing over time and this trend is expected to continue.

---

[1] Department of Industry, Science and Resources, Commonwealth of Australia (2024*), Resources and Energy Quarterly March 2024*. https://www.industry.gov.au/publications/resources-and-energy-quarterly-march-2024 accessed 3 May 2024.

[2] Wood Mackenzie (2024). Global Metallurgical Coal Strategic Planning Outlook H1 2024.

[3] The Commonwealth of Australia (2024). *2024–25 Budget – Budget Strategy and Outlook* https://budget.gov.au/content/bp1/download/bp1_2024-25.pdf accessed 15 May 2024

Reflecting these factors, the HCC spot price is now expected to return to a medium-term price of US$185/t by December 2025. This is higher and later than the expectation at the time of the Budget Update, where it was assumed HCC prices would return to a medium-term level of US$175/t by December 2024.

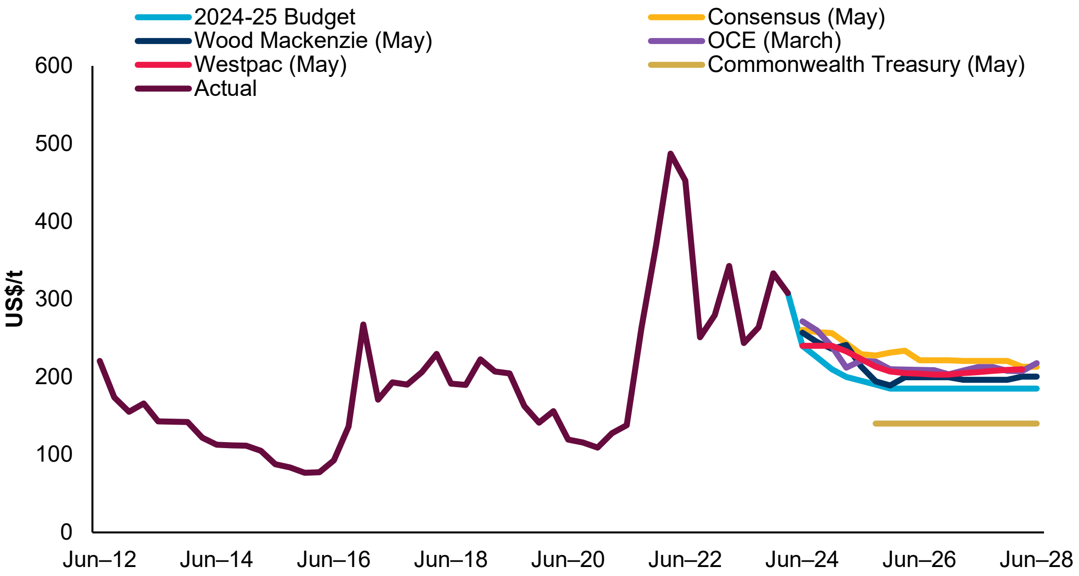
Chart 4.10 shows HCC price forecasts compared to the latest quarterly price forecasts from a range of other forecasters, including Consensus Economics, Wood Mackenzie, Westpac, OCE, and the Commonwealth Treasury.

This comparison shows that the expected sharp decline in coal prices from current levels is broadly consistent with the expectations of other major forecasters, with a clear consensus view that global coal prices will be substantially lower over coming quarters and years.

As illustrated in Chart 4.10, the latest forecasts from other major forecasters show a range of expectations in terms of where the medium-term price will settle, from US$140/t by the end of the March quarter of 2025 from Commonwealth Treasury ranging up to US$213/t across 2028 from Consensus Economics.

Queensland Treasury's medium-term price expectation of reaching US$185/t for HCC is largely similar to most other forecasters, although the pace of adjustment to reach medium-term prices varies across forecasters.

Chart 4.9 Coking coal price forecasts[1]



Notes:
1. Spot prices used where possible. Where spot prices are unavailable, contract prices have been used.

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

Thermal coal prices

Premium thermal coal prices have tracked broadly in line with 2023–24 Budget Update forecasts, while spot prices for lower quality thermal coal have been somewhat stronger than anticipated.

In the lead up to the 2023–24 Budget Update, premium quality thermal coal was trading at a very high level, with global demand for premium-quality thermal coal being primarily driven by demand from Europe following Russia's invasion of Ukraine and fears about electricity shortages.

Global trade flows have partially normalised, resulting in a softening in premium thermal prices. Reflecting this, the gap between premium thermal coal and lower quality thermal coal has narrowed, to be more in line with the historical average.

However, at the same time, thermal coal production costs have increased, driven by both input cost escalation and lower mine productivity, a trend which is expected to continue.

Reflecting these market dynamics and expectations of the ongoing return of thermal prices to more 'normal' levels, the medium-term assumption for spot prices of premium thermal coal remains unchanged at US$120/t by mid-2024, while the price outlook for lower quality thermal coal been upgraded marginally.

Coal export volumes

Chart 4.11 outlines the outlook for coal export tonnages[1], highlighting that total coal export tonnages over the 4 years ending 2026–27 have been revised downwards, compared with the 2023–24 Budget Update forecasts, by around one per cent.

Metallurgical coal volumes have been downgraded in the near term, reflecting ongoing supply constraints which are expected to take longer to resolve than previously anticipated. Over the medium term, these constraints are expected to ease, resulting in a solid recovery in export volumes.

The downgrade to metallurgical coal volumes have been partly offset by an expected increase in thermal coal volumes across the forecast period, reflecting the recent stronger than expected thermal coal exports to China, and the faster than anticipated ramp-up of production at the Carmichael coal mine.

However, consistent with global trends, over the longer term beyond 2027–28, thermal coal exports are expected to begin to decline, reflecting falling global demand and mine depletions. This is driving an expected fall in coal export volumes of around 2 per cent in 2027–28.

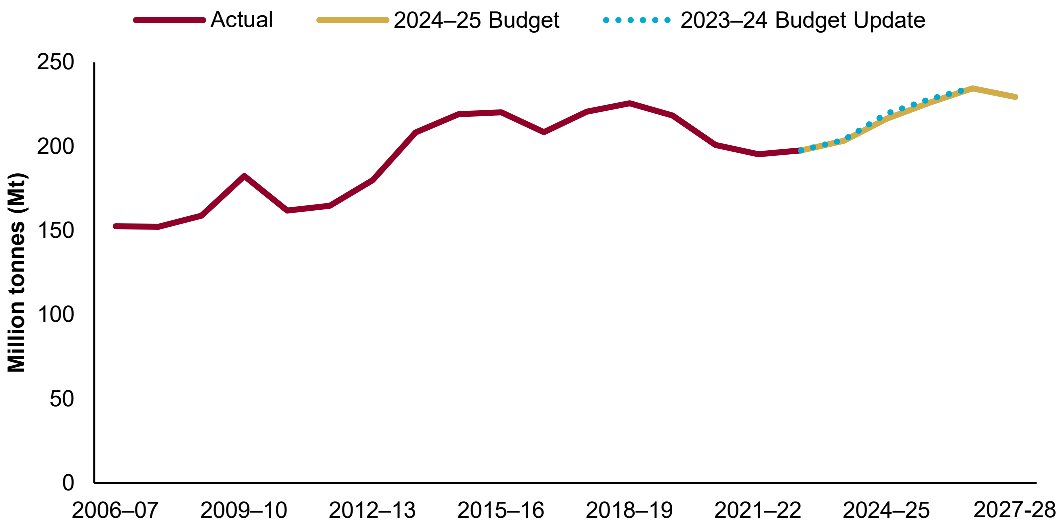
As highlighted previously, commitments in place by key trading partners to reduce emissions will continue to dampen long term demand for thermal coal. This includes commitments to achieve net zero emissions by 2050 in Japan and South Korea, and by 2060 in China. These commitments continue to be a downside risk in terms of Queensland's thermal coal exports.

As outlined in Appendix C, a one per cent variation in export coking and thermal coal volumes in 2024–25 would lead to a change in royalty revenue of approximately $61 million.

[1] All references to coal export volumes in this section relate to total export volumes and include 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.

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

Chart 4.10 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

Petroleum royalties

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

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

Revenue from petroleum royalties is estimated to total $1.705 billion in 2023–24, 27.5 per cent lower than 2022–23 but 3.3 per cent higher than forecast at the 2023–24 Budget Update.

The expected decline compared with 2022–23 revenues is in line with 2023–24 Budget Update expectations that oil prices, and therefore LNG prices, would unwind from recent highs. The upward revision compared with expectations in late 2023 is due to higher-than-expected LNG production, combined with a weaker than expected Australian dollar, leading to higher LNG prices in A$ terms.

OPEC+ production cuts and geopolitical tensions in Russia and the Middle East have seen global oil prices rebound so far in 2024. However, consistent with forecasts at the time of the 2023–24 Budget Update, oil prices are expected to unwind over the forward estimates due to increased global supply and reach US$75/barrel by September 2026.

Petroleum royalties are therefore expected to decline on average by around 12.7 per cent per annum over the 4 years ending 2027–28.

Other royalties

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

Revenue from other royalties is estimated to total $526 million in 2023–24, 4.2 per cent higher than in 2022–23. Other royalties are expected to grow by around 10.1 per cent in 2024–25, primarily driven by an expected increase in prices across metals.

Other royalties are then expected to decline by around 9.6 per cent per annum on average across the 3 years to 2027–28. The forecast decline is driven by an expected ongoing reduction in copper, lead, and zinc volumes due to depletion of ore reserves and scheduled mine closures over coming years. As final investment decisions for new mines or extensions are made this will flow through into the forecasts.

Land rents

Revenue from land rents, primarily related to mining and petroleum leases and pastoral holdings, is estimated to total $184 million in 2023–24. This is 1.7 per cent higher than in 2022–23 but 1.1 per cent lower than expected at the 2023–24 Budget Update.

The lower than previously expected revenue reflects an initiative implemented as part of the Queensland Critical Minerals Strategy, released in June 2023, which reduced rent to $0 for 5 years from 1 September 2023 for new and existing exploration permits for minerals other than coal.

Revenue from land rents is forecast to grow by 5 per cent in 2024–25 driven by higher rental valuations. Revenue from land rents is then expected to grow by 2.2 per cent per annum over the 3 years ending 2027–28.

4.4.4 Sale of goods and services

Sales of goods and services revenue comprises the cost recovery from the Queensland Government's provision of a range of goods or services. Revenue from sales of goods and services are expected to be flat over the 3 years ending 2027–28. 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]

	2022–23 Actual $ million	2023–24 Est. Act $ million	2024–25 Budget $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Fee for service activities	2,959	3,349	3,662	3,752	3,242	3,121
Public transport: South East Queensland	295	324	194	357	376	389
Rent revenue	593	599	609	672	750	775
Sale of land inventory	30	75	99	122	93	66
Hospital fees	932	904	912	927	941	954
Transport and traffic fees	561	564	529	591	619	643
Other sales of goods and services	1,113	1,132	1,328	1,242	1,304	1,366
Total	**6,483**	**6,946**	**7,333**	**7,663**	**7,325**	**7,314**

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, which highlights that in 2024–25, the government will be providing more than $11.218 billion in concessions, including substantial additional direct cost-of-living relief, to Queensland households and small businesses.

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 $3.532 billion in 2023–24, 10.2 per cent higher than expected at the 2023–24 Budget, and 9.5 per cent higher than received in 2022–23. The increase in interest income in 2023–24 largely driven by the establishment of significant investments in 2023–24 from royalty windfalls to support the funding requirements of future infrastructure projects in regional Queensland.

Interest income is expected to reduce across the forward estimates reflecting the allocation of investment funds to infrastructure projects and associated reduction in investment returns.

4.4.6 Dividend and income tax equivalent income

Revenue from dividend and income tax equivalent income is estimated to total $1.720 billion in 2023–24, which is $714 million (70.9 per cent) higher than in 2022–23, and $199 million (13.1 per cent) higher than expected at the time of the 2023–24 Queensland Budget.

Higher dividends and income tax equivalent income in 2023–24 compared to 2022–23 reflects earnings growth in the Public Non-financial Corporations sector, including the electricity generation sector.

Over the forward estimates, dividends and income tax equivalents are expected to moderate to $1.429 billion in 2027–28. This aligns with a reduction in expected earnings from the energy generation government-owned corporations due to higher costs associated with accelerating capital investment in new renewable energy and storage assets combined with reduced output from coal generation assets. Ports and water sector dividends and income tax equivalents are expected to rise steadily to 2027–28.

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 11.8 per cent of total General Government Sector revenue in 2024–25 (see Table 4.7).

Table 4.7 Other revenue[1]

	2022–23 Actual $ million	2023–24 Est. Act $ million	2024–25 Budget $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Royalties and land rents	18,395	12,955	8,599	6,774	6,278	6,136
Fines and forfeitures	815	741	794	912	913	913
Revenue not elsewhere classified	950	945	1,032	1,033	732	739
Total other revenue	**20,160**	**14,640**	**10,425**	**8,719**	**7,923**	**7,788**

Note:

1. Numbers may not add due to rounding.

Royalties and land rents account for 9.8 per cent of total revenue in 2024–25 and are discussed in more detail above in section 4.4.3.

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

Revenue from fines and forfeitures is expected to total $741 million in 2023–24, $74 million (9.1 per cent) lower than in 2022–23 and $73 million (8.9 per cent) lower than expected at the time of the 2023–24 Queensland Budget.

The forecast decline in 2023–24 compared with the previous year is partly driven by behavioural changes associated with the impact of mobile phone and seatbelt camera infringements. The forecast decline in 2023–24 compared with the forecast in the 2023–24 Budget is partly driven by lower-than-expected revenue from speed camera fines.

Revenue from fines and forfeitures is expected to grow by 7.2 per cent in 2024–25 and by a further 14.9 per cent in 2025–26, driven by the expansion of the Camera Detected Offence Program (CDOP).

This expansion is aligned to keeping Queenslanders safe as the CDOP is a proven road safety initiative that contributes to reducing road trauma for Queensland. The CDOP is an important component of Queensland's approach to manage and deter high risk behaviours on the road with the deployment of a range of cameras that focus on speed, red light, illegal use of mobile phones, the non-wearing of seatbelts and detecting unregistered, uninsured vehicles and vehicles transporting dangerous goods in tunnels.

All money collected for penalties imposed for camera-detected offences in excess of the administrative costs is required under legislation to be reinvested into road safety initiatives.

This focuses on keeping Queenslanders safe through road safety education and awareness programs; enabling practices and behaviours that improve road safety; road accident injury rehabilitation programs for people that have been injured in a crash; and infrastructure and related technologies to improve the safety of State-controlled roads.

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