

## 5 REVENUE

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### FEATURES

- Total General Government sector revenue is estimated to be \$36.582 billion in 2008-09. The increase of \$4.306 billion (or 13.3%) on 2007-08 estimated actual revenue primarily reflects increased coal royalty revenue, along with moderate growth in taxation revenue, relative to recent years.
- Mortgage duty will be abolished from 1 July 2008, providing \$190 million in tax relief in 2008-09, including \$100 million associated with bringing forward the abolition by six months.
- The first home buyer transfer duty exemption threshold and principal place of residence concessional rate threshold will both increase from \$320,000 to \$350,000 from 1 July 2008. The first home buyer exemption threshold will further increase to \$500,000 from 1 September 2008.
- The transfer duty rate schedule will be revised and simplified, reducing the number of rate bands from seven to five from 1 July 2008, with the highest marginal rate increasing from 4.5% to 5.25%.
- The combination of the new transfer duty rate schedule and increased thresholds for homebuyers will mean lower duty payable for homebuyers purchasing homes valued at between \$320,000 and \$1 million and those purchasing property, other than homes, valued at up to \$590,000.
- The land tax schedule will be revised and simplified from 1 July 2008, reducing the number of rate bands from five to three for resident individuals and from four to two for companies, trustees and absentees.
- The amount of tax payable at the land tax threshold will be reduced from \$1,200 to \$500 for resident individuals and reduced from \$2,250 to \$1,450 for companies, trustees and absentees.
- Employers with eligible wages between \$1 million and \$5 million will benefit from an extended payroll tax deduction, from 1 July 2008.
- Overall, the tax changes above will result in a net tax reduction of \$157.4 million in 2008-09.
- Queensland will retain its competitive tax status, with per capita state tax estimated at \$2,342 in 2008-09, compared to an average of \$2,616 for the other states and territories.
- A two tier royalty on coal will be introduced from 1 July 2008, with the current 7% rate to apply to coal revenue up to \$100 per tonne, with a higher 10% rate to apply to the portion of revenue above \$100 per tonne.
- Revised royalty rates for base and precious metals will be introduced from 1 January 2011, at the conclusion of the current five year nomination period.

## INTRODUCTION

This chapter provides an overview of General Government sector revenue for the 2007-08 estimated actual outcome, forecasts for the 2008-09 Budget year and projections for 2009-10 to 2011-12.

<b>Table 5.1 General Government revenue<sup>1</sup></b>						
	2007-08 Budget \$ million	2007-08 Est. Act. \$ million	2008-09 Budget \$ million	2009-10 Projected \$ million	2010-11 Projected \$ million	2011-12 Projected \$ million
<b>Revenue</b>						
Taxation revenue	9,272	9,552	10,106	10,843	11,753	12,612
<i>Grants revenue</i>						
Current grants	13,726	14,474	14,631	14,869	15,088	15,550
Capital grants <sup>2</sup>	1,441	1,018	1,056	1,180	1,172	1,152
Sales of goods and services	3,005	3,245	3,385	3,369	3,465	3,524
Interest income	2,190	841	2,199	2,253	2,335	2,421
<i>Dividend and income tax equivalent income</i>						
Dividends	915	970	841	1,039	1,160	1,571
Income tax equivalent income	201	247	210	453	539	632
<i>Other revenue</i>						
Royalties and land rents	1,436	1,449	3,644	2,860	2,746	2,542
Other	366	481	509	374	378	382
<b>Total Revenue</b>	<b>32,551</b>	<b>32,276</b>	<b>36,582</b>	<b>37,240</b>	<b>38,638</b>	<b>40,385</b>
Notes:						
1. Numbers may not add due to rounding.						
2. The variance between the 2007-08 Budget and Estimated Actual primarily relates to an Australian Government grant, expected to be expensed by the General Government sector to the Western Corridor Recycled Water Scheme, but was instead paid directly to Western Corridor Recycled Water Pty Ltd, a Public Non-financial Corporations sector entity.						

Forward estimates are based on the economic projections outlined in Chapter 2 and are formulated on a no policy change basis.

General Government revenue in 2007-08 is estimated to be \$32.276 billion, which is \$275 million (or 0.8%) less than the 2007-08 Budget estimate.

Significant variations include:

- lower interest income, reflecting the weakness in investment markets, which is expected to result in the return from the State's financial assets in 2007-08 being lower than the assumed long-term rate of return
- higher current grants revenue, primarily due to stronger than anticipated GST revenues, flowing from an increase in the GST pool against Queensland's declining share of GST, and increased specific purpose payments across a range of functions

- higher taxation revenue, primarily due to increased revenue from duty on property transfers as a result of stronger than anticipated market activity during the first half of 2007-08, overcoming softer results in the second half.

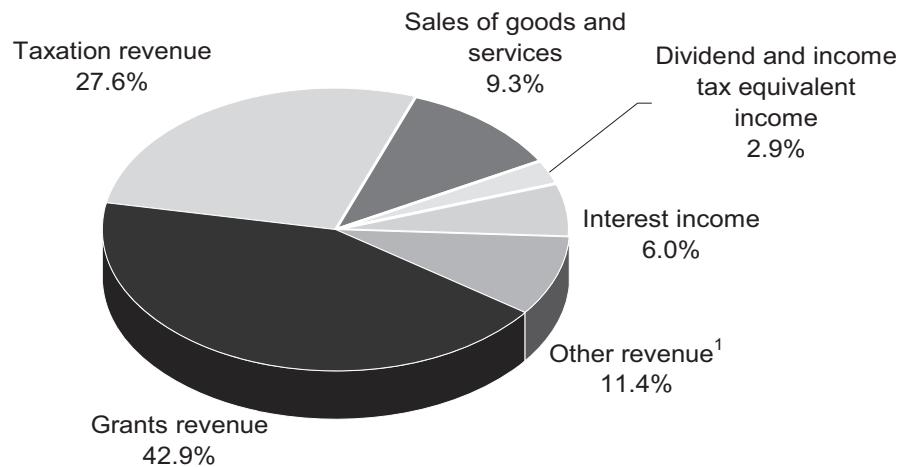
General Government revenue in 2008-09 is estimated to be \$36.582 billion, 13.3% higher than the 2007-08 estimated actual revenue of \$32.276 billion. This is largely due to:

- increased coal royalties, reflecting both an increase in the value of coal and changes to the royalty rate structure
- interest income returning to 7.5%, reflecting the interest earned on the QTC debt instrument, as discussed in Chapter 1.

## REVENUE BY OPERATING STATEMENT CATEGORY

Major sources of General Government revenue in 2008-09 are grants and subsidies (42.9% of revenue) and taxation revenue (27.6%). Chart 5.1 illustrates the composition of General Government revenue.

**Chart 5.1**  
**Revenue by operating statement category 2008-09**

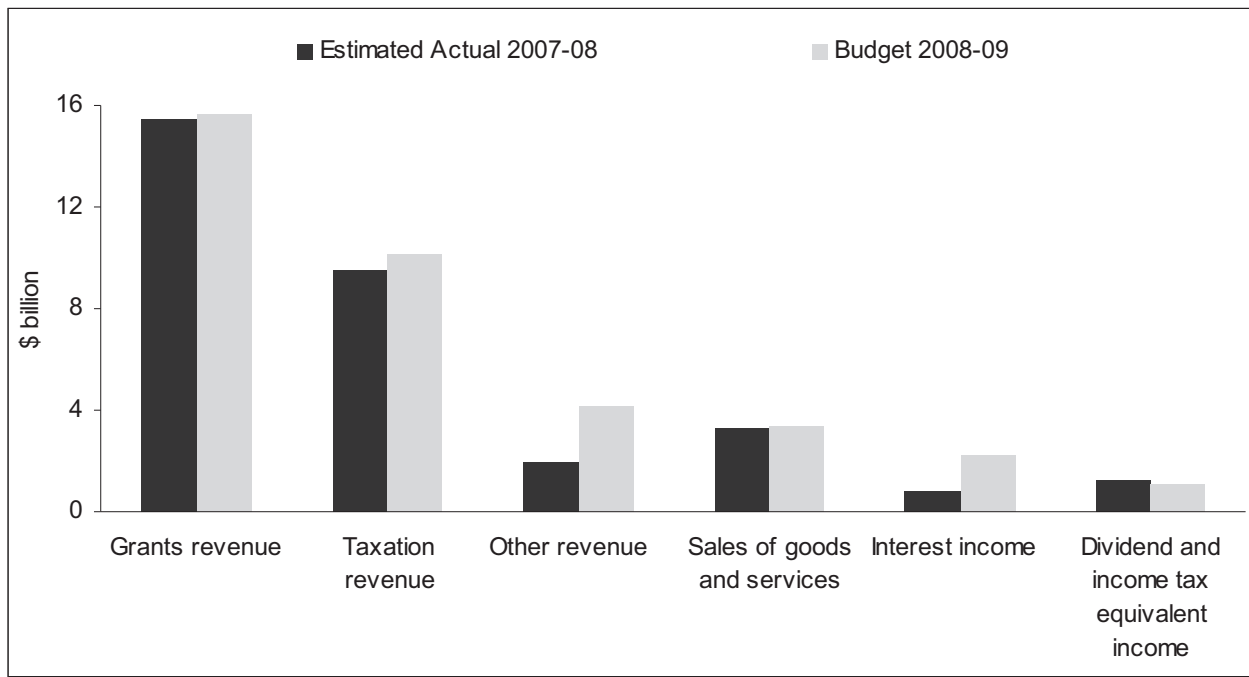


Note:

1. The major component of 'Other revenue' is royalties and land rents (10.0%).

Chart 5.2 compares 2008-09 estimates with 2007-08 estimated actuals. The overall result primarily reflects strong growth in royalties and interest income, supplemented by moderate growth in taxation revenue and grants revenue.

**Chart 5.2**  
**Revenue by operating statement category for 2007-08 and 2008-09**



## TAXATION REVENUE

One of the Queensland Government's key social and fiscal objectives is to maintain a competitive tax environment while raising sufficient revenue to meet the infrastructure and Government service delivery needs of the people of Queensland.

Total revenue from taxation is expected to increase by 5.8% in 2008-09. This reflects the expected impact of continued strength in employment and wage growth on payroll tax revenue and the impact of higher property values on land tax.

<b>Table 5.2</b>			
<b>Taxation revenue<sup>1</sup></b>			
	2006-07 Actual \$ million	2007-08 Est. Act. \$ million	2008-09 Budget \$ million
<b>Payroll tax</b>	<b>2,232</b>	<b>2,482</b>	<b>2,702</b>
<b>Duties</b>			
Transfer <sup>2</sup>	2,542	2,970	3,141
Vehicle registration	289	380	518
Insurance <sup>3</sup>	361	386	403
Mortgage	343	335	15
Other duties <sup>4</sup>	25	6	14
<b>Total duties</b>	<b>3,560</b>	<b>4,077</b>	<b>4,091</b>
<b>Gambling taxes and levies</b>			
Gaming machine tax	489	535	578
Health Services Levy	29	39	47
Lotteries taxes	201	202	210
Wagering taxes	36	37	38
Casino taxes and levies <sup>5</sup>	57	58	61
Keno tax	13	16	17
<b>Total gambling taxes and levies</b>	<b>825</b>	<b>886</b>	<b>950</b>
<b>Other taxes</b>			
Land tax	485	622	797
Motor vehicle registration	887	945	991
Fire levy	252	264	279
Community Ambulance Cover	115	128	133
Guarantee fees	67	84	98
Other taxes	60	64	65
<b>Total taxation revenue</b>	<b>8,484</b>	<b>9,552</b>	<b>10,106</b>
Notes:			
1. Numbers may not add due to rounding.			
2. Includes marketable securities duty in 2006-07.			
3. Includes duty on accident insurance premiums.			
4. Includes duty on rental arrangements in 2006-07 and life insurance premiums in all years.			
5. Includes community benefit levies.			

## Budget tax initiatives

### *Transfer duty*

#### *Increased concessions – first home buyers*

Queensland currently provides a transfer duty exemption for first home buyers purchasing a home valued at up to \$320,000. Based on the current duty rates, this represents a saving of up to \$9,675 compared to the duty payable by purchasers who do not receive a concession.

This Budget increases the first home buyer transfer duty exemption to \$350,000 from 1 July 2008, providing further savings of up to \$1,650 for those purchasing their first home.

In addition, from 1 September 2008 the first home buyer transfer duty exemption will be increased to \$500,000, providing savings of up to \$9,500 when compared with the current schedule. This will ensure that the duty payable on a first home is either nil or lower in Queensland than in any other jurisdiction for all first home buyers purchasing a home valued at up to approximately \$1.5 million.

This initiative will provide savings of \$54.1 million to first home buyers in 2008-09 and will result in first home buyers paying up to \$15,925 less than purchasers who do not receive a concession.

Table 5.3 provides an interstate comparison of the transfer duty payable on the purchase of a first home, from 1 September 2008.

<b>Table 5.3 Duty payable on first home purchases, from 1 September 2008</b>						
Dutiable Value \$	QLD \$	NSW \$	Vic \$	WA \$	SA \$	Tas \$
100,000	..	..	..	..	1,415	..
200,000	..	..	3,370	..	5,615	1,675
300,000	..	..	8,370	..	11,330	5,550
400,000	..	..	13,370	..	16,330	13,550
500,000	..	..	18,970	..	21,330	17,550
600,000	12,850	22,490	31,070	22,515	26,830	21,550
700,000	17,350	26,990	37,070	27,265	32,330	25,550
800,000	21,850	31,490	43,070	32,316	37,830	29,550
900,000	26,350	35,990	49,070	37,466	43,330	33,550
1,000,000	31,000	40,490	55,000	42,616	48,830	37,550
1,500,000	57,250	66,740	82,500	72,200	76,330	57,550

### *Increased concessions – homebuyers*

Queensland also currently provides a principal place of residence concession, by applying a 1% rate to the first \$320,000 of the value of the home. Based on the current duty rates, this represents a saving of up to \$6,475 for those purchasing their own home, other than their first.

This Budget increases the principal place of residence concession to the first \$350,000 of the value of the home from 1 July 2008, providing further savings of up to \$750 for those purchasing their own home, other than their first.

Queensland's transfer duty concessions for homebuyers are already significant, particularly when considered in the context of concessions available in other states. The increased concession will ensure that less duty is payable in Queensland than in any other state on the purchase of a home valued at up to approximately \$1.5 million.

This initiative will provide savings of \$16.9 million to homebuyers in 2008-09 and will result in homebuyers paying up to \$7,175 less than purchasers who do not receive a concession.

Table 5.4 provides an interstate comparison of the transfer duty payable on the purchase of a home, other than a first home, from 1 July 2008.

<b>Table 5.4 Duty payable on home purchases, from 1 July 2008</b>						
<b>Dutiable Value \$</b>	<b>QLD \$</b>	<b>NSW \$</b>	<b>Vic \$</b>	<b>WA \$</b>	<b>SA \$</b>	<b>Tas \$</b>
100,000	1,000	1,990	2,150	1,500	2,830	2,425
200,000	2,000	5,490	6,370	5,035	6,830	5,675
300,000	3,000	8,990	11,370	8,835	11,330	9,550
400,000	5,250	13,490	16,370	13,015	16,330	13,550
500,000	8,750	17,990	21,970	17,765	21,330	17,550
600,000	12,850	22,490	31,070	22,515	26,830	21,550
700,000	17,350	26,990	37,070	27,265	32,330	25,550
800,000	21,850	31,490	43,070	32,316	37,830	29,550
900,000	26,350	35,990	49,070	37,466	43,330	33,550
1,000,000	31,000	40,490	55,000	42,616	48,830	37,550
1,500,000	57,250	66,740	82,500	72,200	76,330	57,550

## Revised transfer duty rate structure

In addition to the increased exemptions for first home buyers and concessions for other home buyers, this Budget revises and simplifies the transfer duty rate structure and generally improves competitiveness with other states. The new transfer duty rate structure is presented in Table 5.5.

**Table 5.5**  
**Transfer duty rates from 1 July 2008 – standard rates<sup>1</sup>**

Dutiable value	Current	Dutiable value	New
up to \$20,000	1.50%	up to \$5,000	Nil
\$20,001 - \$50,000	\$300 + 2.25%	\$5,001 - \$75,000	1.50%
\$50,001 - \$100,000	\$975 + 2.75%		
\$100,001 - \$250,000	\$2,350 + 3.25%	\$75,001 - \$540,000	\$1,050 + 3.50%
\$250,001 - \$500,000	\$7,225 + 3.50%		
\$500,001 - \$700,000	\$15,975 + 4.00%	\$540,001 - \$980,000	\$17,325 + 4.50%
above \$700,000	\$23,975 + 4.50%	above \$980,000	\$37,125 + 5.25%

Note:  
1. Rates are marginal rates unless otherwise specified.

When combined with the increase in concessions and exemptions for homebuyers and first home buyers, the revised transfer duty schedule will mean a reduction in duty payable on all homes valued at between \$320,000 and \$1 million.

The revised structure will also result in a reduction in duty payable on the purchase of all other property, other than homes, valued up to \$590,000.

It is expected that the changes to transfer duty will result in a lower amount of duty being payable for a substantial majority of transactions. Approximately 75% of transactions that occurred during 2007 would have been subject to a lower rate of duty, while there would have been no change for a further 15% of transactions.

Table 5.6 details the changes to duty payable at standard rates and for those receiving a homebuyer concession or first home buyer exemption, across a range of values. Table 5.6 also identifies the standard amount of duty payable in selected states.

The changes to transfer duty rates will take effect from 1 July 2008. When combined with the increased first home buyer exemption and homebuyer concession thresholds, the changes are expected to provide an additional \$74.6 million of revenue<sup>1</sup> in 2008-09, due to the application of higher duty rates to properties with relatively high values.

**Table 5.6**  
**Changes to transfer duty payable and interstate comparison, 1 September 2008**

Dutiable value	First home buyers duty payable		Homebuyers (not first) duty payable		Standard rates duty payable		Interstate comparison – duty payable at standard rates		
	New	Saving	New	Saving	New	Saving	NSW	VIC	WA
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
100,000	..	..	1,000	..	1,925	425	1,990	2,150	2,090
200,000	..	..	2,000	..	5,425	175	5,490	7,070	5,890
300,000	..	..	3,000	..	8,925	50	8,990	13,070	10,165
350,000	..	1,650	3,500	750	10,675	50	11,240	16,070	12,540
400,000	..	4,400	5,250	750	12,425	50	13,490	19,070	14,915
500,000	..	9,500	8,750	750	15,925	50	17,990	25,070	19,665
750,000	19,600	150	19,600	150	26,225	-550	29,240	40,070	32,540
1,000,000	31,000	..	31,000	..	37,475	-700	40,490	55,000	45,415
2,000,000	83,500	-7,500	83,500	-7,500	90,675	-8,200	95,490	110,000	96,915

### ***Abolition of mortgage duty***

In the 2005-06 Budget, the Queensland Government announced a tax abolition schedule as part of the *Intergovernmental Agreement on the Reform of Commonwealth–State Financial Relations* (IGA), which included a halving of the rate of mortgage duty from 1 January 2008, with abolition of mortgage duty from 1 January 2009.

This Budget brings forward the abolition of mortgage duty to 1 July 2008, providing benefits for Queensland homebuyers, investors and businesses taking out a mortgage.

The abolition of mortgage duty will provide total savings of approximately \$190 million to taxpayers in 2008-09. This includes a \$90 million saving from the previous commitment to abolish mortgage duty from 1 January 2009 and a further \$100 million saving due to bringing forward the abolition to 1 July 2008.

### ***Concessions to assist older persons***

The Queensland Government recognises that as a person ages they are often required to make changes to their living arrangements, which may result in transitional costs, including taxes.

This Budget, therefore, introduces a package of concessions to assist older persons. These concessions include:

- extending the transfer duty home concession to retirement village residents who adopt lease and sub-lease occupancy arrangements
- providing a land tax exemption for aged care facilities, which will complement the existing exemption for retirement villages
- reducing the application of the provision that provides for retrospective assessment of land tax on the subdivision of a principal place of residence.

### **Land tax relief package**

Queensland has experienced strong growth in land values for a number of years. Although the taxation consequences have been mitigated by the application of three-year averaging and 50% capping of land valuation increases for assessments, the Government has also taken substantial steps to moderate the increase in the numbers of landowners liable for land tax and growth in land tax liabilities for landowners already in the system.

If the land tax schedule in place during 2002-03 had been retained, it is estimated that the Government would be receiving an additional \$450 million in land tax revenue in 2008-09.

This Budget continues the Government's program of land tax relief and simplification through the revision of the land tax schedules.

The new land tax schedule for resident individuals is presented in Table 5.7.

Unimproved Land Value	Current	Unimproved Land Value	New
\$600,000 - \$749,999	\$1,200 + rate of 0.70%	\$600,000 - \$999,999	\$500 + rate of 1.00%
\$750,000 - \$1,249,999	\$2,250 + rate of 1.45%		
\$1,250,000 - \$1,999,999	\$9,500 + rate of 1.50%	\$1,000,000 - \$2,999,999	\$4,500 + rate of 1.65%
\$2,000,000 - \$2,999,999	\$20,750 + rate 1.675%		
\$3,000,000 and above	1.25% on full value	\$3,000,000 and above	1.25% on full value
Note: 1. Rates are marginal rates unless otherwise specified.			

The current \$600,000 threshold, the highest of any state, will be maintained, with the tax payable at the threshold to be reduced from \$1,200 to \$500. Table 5.8 provides an interstate comparison of land tax thresholds and maximum land tax rates applicable in 2008-09.

	<b>QLD</b>	<b>NSW</b>	<b>VIC</b>	<b>WA</b>	<b>SA</b>	<b>TAS</b>
Threshold	\$600,000	\$359,000	\$225,000	\$300,000	\$110,000	\$25,000
Maximum rate <sup>1</sup>	1.25%	1.6%	2.5%	2.3%	3.7%	2.5%
Note:						
1. The maximum rate is the rate applying to the highest value landholding band.						

Approximately 88% of resident individual land tax payers, representing approximately 15,000 taxpayers with taxable land holdings valued at up to \$1.8 million (after averaging and capping), will benefit as a result of the change, compared with the current schedules.

This Budget also provides land tax relief for companies, trustees and absentees through simplification and revision of the rate structure. The new land tax schedule for companies, trustees and absentees is presented in Table 5.9.

This will result in approximately 17,500 companies, trustees and absentees with taxable land holdings valued at up to \$750,000 (after averaging and capping) being better off as a result of the change. The current \$350,000 threshold, which is already competitive, will be maintained, with the tax payable at the threshold reduced from \$2,250 to \$1,450.

Unimproved Land Value	<b>Current</b>	Unimproved Land Value	<b>New</b>
\$350,000 - \$749,999	\$2,250 + rate of 1.50%	\$350,000 - \$2,249,999	\$1,450 + rate of 1.70%
\$750,000 - \$1,249,999	\$8,250 + rate of 1.65%		
\$1,250,000 - \$1,999,999	\$16,500 + rate 1.80%		
\$2,000,000 and above	1.50% on full value	\$2,250,000 and above	1.50% on full value
Note:			
1. Rates are marginal rates unless otherwise specified.			

The revisions to the land tax rate structures will take effect from 1 July 2008 and are estimated to provide \$17 million in land tax relief in 2008-09.

This package continues the land tax reforms introduced by the Queensland Government in the past four Budgets, which included threshold increases, rate reductions and the introduction of a 50% cap on taxable values. In addition, it is estimated that the revenue foregone as a result of three-year averaging is approximately \$304 million in 2008-09.

### ***Payroll tax deduction extension***

Queensland currently has a competitive payroll tax threshold of \$1 million and a highly competitive payroll tax rate of 4.75%. However, the Queensland Government recognises the effective marginal payroll tax rate immediately above the exemption threshold has a particular impact on the tax payable by medium sized businesses.

This Budget further improves the competitiveness of Queensland's payroll tax regime by extending the \$1 million deduction such that it phases out at a rate of \$1 in every \$4 of taxable wages above the threshold, rather than \$1 in every \$3. This will provide a benefit to all businesses with taxable wages between \$1 million and \$5 million.

The extension of the payroll tax deduction is estimated to provide \$20 million in payroll tax relief in 2008-09.

The Queensland Government has also announced a policy decision to review the rate at which the deduction phases out in subsequent Budgets.

### ***Abolition of state taxes***

The IGA, agreed to by the Australian Government and all state and territory governments in 1999, required the abolition and review of a number of state taxes.

In accordance with the requirements of the IGA, transfer duty on quoted marketable securities and debits tax were abolished in 2001 and 2005 respectively. In 2005, Queensland participated in a multijurisdictional review into the need to retain a number of state duties, as required by the IGA. By abolishing these two duties and participating in the review of other listed duties, the Government met its IGA obligations for tax abolitions in full as of 1 July 2005.

Following the review of duties listed in the IGA, a timetable for the abolition of the majority of these duties was announced in the 2005-06 Budget and agreed to by the Australian Government in the Ministerial Council Meeting of March 2006.

The timing of the duty abolitions balances a range of community priorities, including the maintenance of the State's tax competitiveness while funding the delivery of essential community services and the provision of critical new infrastructure.

The Government has completed a number of duty abolitions announced in the 2005-06 Budget, with the removal of credit business and lease duties from 1 January 2006, hire duty and marketable securities duty (unquoted) from 1 January 2007 and the halving of the rate of mortgage duty from 1 January 2008.

The 2008-09 Budget includes the abolition of mortgage duty from 1 July 2008, six months earlier than scheduled.

Following the abolition of mortgage duty, the only duty remaining on the schedule is duty on the transfer of core business assets, which is to be abolished by 2011.

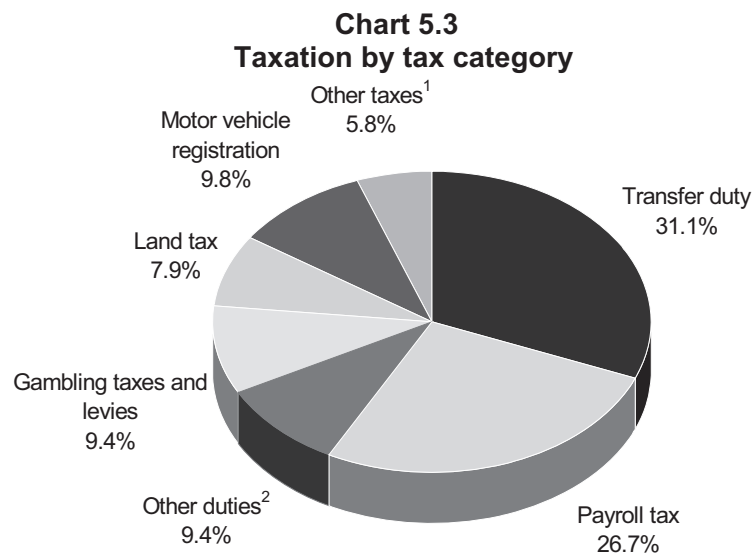
The savings to Queenslanders from the abolition of these nine taxes has already risen from \$290 million in 2005-06 to \$840 million in 2008-09 and will rise to over \$1.3 billion per year by 2011-12. The cost to revenue from the abolition of these taxes will exceed \$5.4 billion over this seven year period.

Table 5.10 presents the full schedule of tax abolitions under the IGA.

<b>Table 5.10 Abolition of state taxes under the IGA</b>			
<b>Tax</b>	<b>Description</b>	<b>Abolition</b>	<b>Full year cost<sup>1</sup> \$ million</b>
Marketable securities duty (quoted)	Payable on the transfer of marketable securities listed on the Australian Stock Exchange or another recognised stock exchange.	✓ July 2001	35
Credit card duty <sup>2</sup>	Payable on credit card transactions.	✓ August 2004	20
Debits tax	Payable on debits to accounts with cheque drawing facility.	✓ July 2005	190
Lease duty	Payable on the lease of land or premises in Queensland. Residential leases exempted.	✓ January 2006	27
Credit business duty	Payable on the amount of credit provided under a loan, a discount transaction or a credit arrangement.	✓ January 2006	19
Hire duty	Payable on the hiring charges of the hire of goods.	✓ January 2007	19
Marketable securities duty (unquoted)	Payable on the transfer of marketable securities not listed on the Australian Stock Exchange or another recognised stock exchange.	✓ January 2007	17
<b>Mortgage duty</b>	<b>Payable on entering into a mortgage over property in Queensland.</b>	✓ <b>July 2008 six months ahead of schedule</b>	<b>439</b>
Duty on transfer of core business assets	Payable on the transfer of non-realty business assets.	50% 1 Jan 2010 100% 1 Jan 2011	326
Notes:			
1. Estimated revenue foregone in financial year following full abolition.			
2. Credit card duty was abolished prior to its review under the IGA.			

## Estimates of state taxation revenue

Chart 5.3 indicates the composition of estimated state taxation revenue for 2008-09.



Note:

1. 'Other taxes' includes the fire levy, community ambulance cover, guarantee fees and other minor taxes.
2. 'Other duties' includes vehicle registration duty, insurance duty and other minor duties.

The largest sources of taxation revenue are payroll tax and transfer duty, which together represent 57.8% of the State's total taxation revenue in 2008-09.

Payroll tax (26.7% of total tax revenue in 2008-09) has a solid base with relatively stable growth driven by the underlying strength in the state economy. In contrast, revenue growth from transfer duty (representing 31.1% of tax revenue) can vary significantly from year to year with its base being subject to the volatile movements of the property market.

Other duties, including vehicle registration duty, insurance duty and other smaller duties, represent 9.4% of total tax revenue.

Gambling taxes and levies also represent 9.4% of tax revenues in 2008-09. Motor vehicle registration, which is classified as a tax for budget purposes, represents 9.8% of total tax revenue.

Land tax represents 7.9% of total revenue in 2008-09. While also subject to the volatility of price movements in the property market, this impact is moderated by a relatively stable base and the effect of three-year averaging of land values for assessments.

### **Payroll tax**

Payroll tax is chargeable at a rate of 4.75% when the total yearly Australian taxable wages of an employer, or those of a group of related employers, exceed the exemption threshold of \$1 million.

Payroll tax collections are estimated to increase by 8.9% in 2008-09, reflecting general growth in employment and wages, with particular strength in key industries, such as construction, mining and property and business services.

The payroll tax rate has been reduced in recent years from 5% to its current level of 4.75%, making Queensland's payroll tax rate overall the lowest of any state. Further, an employer paying annual taxable wages of less than \$1 million from 2007-08 is not liable for payroll tax – this is amongst the highest thresholds in Australia.

As mentioned above, the competitiveness of Queensland's payroll tax regime will be enhanced via an extension of the \$1 million deduction.

## **Duties**

Duties are levied on a range of financial and property transactions. Overall, revenue from duties is forecast to increase by 0.3% in 2008-09. This moderate growth is driven by the abolition of mortgage duty almost entirely offsetting growth in the other major duties.

The major duties include transfer, vehicle registration and insurance duties.

- Transfer duty is charged at various rates on the transfer of real and business property. The Queensland Government offers extensive concessions for the transfer of land where the property is purchased as a first or subsequent home.

Revenue from transfer duty is expected to increase by 5.8% in 2008-09 as a result of moderate growth in the Queensland property market and revisions to the rate structure being partly offset by increased concessions for homebuyers.

- Vehicle registration duty is charged at rates of between 2% and 4% of the dutiable value of a motor vehicle on the transfer or initial registration of the motor vehicle, with the rate depending on the number of cylinders of the vehicle.

Revenue from vehicle registration duty is expected to experience underlying growth of 5% in 2008-09. Combined with the effect of new rate regime announced in the 2007-08 Budget, which commenced on 1 January 2008, total growth is expected to be 36.4%.

- Insurance duty is charged on contracts of general insurance, life insurance and accident insurance. The base rate for most general insurance products is 7.5%, with certain general insurance products, life insurance and accident insurance charged at the rate of 5%.

Revenue from insurance duty is expected to grow by 4.3% in 2008-09, reflecting moderate growth in the number of insurance policies and the value of insured items.

## ***Gambling taxes and levies***

A range of gambling activities are subject to State taxes and levies. Total gambling tax and levy collections are estimated to increase by 7.2% in 2008-09, a slightly slower rate than is estimated for 2007-08, partly associated with the Government's gambling reforms that will take effect from 1 January 2009. Gaming machine taxes are estimated to increase by 8%, the Health Services Levy by 20%, lotteries taxes by 4%, and other gambling taxes by 5%.

## ***Land tax***

Land tax is levied on the unimproved value of the landowner's aggregated holdings of freehold land owned in Queensland as at midnight on 30 June each year. The principal place of residence is deducted from this value. A 50% cap on the annual increase in land values used for the purposes of calculating land tax liabilities commenced from 1 July 2007 and will continue until 2009-10.

Resident individuals are generally liable for land tax if the total unimproved value of the freehold land owned by that person as at 30 June is equal to or greater than \$600,000. Companies, trustees and absentees are generally liable for land tax if the total unimproved value of the freehold land owned as at 30 June is equal to or greater than \$350,000.

Land tax is estimated to grow by 28.1% in 2008-09, with strong underlying growth associated with recent increases in land values being partially offset by the revisions to the rate structure outlined above.

The application of three-year averaging for assessments, whereby the land value is determined by averaging the unimproved property values for the current and preceding two years rather than simply using the current year valuation, moderates and delays the impact of valuation increases. It is estimated that the revenue foregone as a result of three-year averaging will be approximately \$304 million in 2008-09. Queensland was the first state to apply three-year averaging to land tax, with New South Wales also introducing averaging recently.

## ***Motor vehicle registration fees***

Motor vehicle registration fees are expected to grow by 4.8% in 2008-09, primarily reflecting fee adjustments related to the consumer price index (CPI).

## ***Fire levy***

Fire levy revenue, which is used to fund the Queensland Fire and Rescue Authority, is expected to increase in line with the growth of the number of contributors and CPI.

## ***Community Ambulance Cover***

The Community Ambulance Cover Scheme was introduced in 2003-04 to replace the Ambulance Subscription Scheme and to provide a sustainable funding base for the Queensland Ambulance Service. It is collected through a payment on non-exempt electricity accounts. Growth in 2008-09 reflects CPI adjustment and growth in the number of non-exempt electricity accounts.

## ***Guarantee fees***

Guarantee fees are revenues collected by Queensland Treasury Corporation (QTC) on behalf of the State and comprise performance dividends, competitive neutrality fees and credit margin fees. These fees promote competitive neutrality between public sector agencies and those in the private sector and ensure that the benefits accruing from the financial backing and superior borrowing performance of the State (through QTC) are shared between the borrower and the State.

## ***Other taxes***

Other taxes represent revenue from taxes such as the Statutory Insurance Scheme Levy, the Nominal Defendant Levy and other sundry taxes.

## ***Tax expenditures***

Tax expenditures are reductions in tax 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 A provides details of tax expenditure arrangements set in place by the Queensland Government.

## QUEENSLAND'S COMPETITIVE TAX STATUS

Taxation can impact on business decisions regarding investment and employment and also household investment and home ownership. Maintaining the competitiveness of Queensland's tax system provides a competitive advantage to business and moderates the tax burden for its citizens and is therefore fundamental to the Government's commitment to job creation and sustainable development.

Recent tax changes have sought to improve the efficiency and equity of the State's tax system, increase consistency with other jurisdictions, strengthen the funding base of essential services and reduce or eliminate taxes to the benefit of taxpayers.

In pursuit of these objectives over recent years, the Government has:

- rationalised the payroll tax system by reducing the rate from 5% to 4.75%, offset by a broadening of the tax base
- increased the payroll tax threshold from \$850,000 to \$1,000,000
- introduced legislation to harmonise Queensland's payroll tax system with that in New South Wales and Victoria from 1 July 2008, reducing compliance costs for businesses operating across jurisdictions
- increased the land tax threshold for resident individuals to \$600,000 and the threshold for companies, trustees and absentees to \$350,000
- provided land tax exemptions to moveable dwelling parks and expanded the principal place of residence exemption
- applied a 50% cap on the annual increase in the value of land for the purposes of calculating land tax liability
- introduced the Community Ambulance Cover to secure the funding base for the Queensland Ambulance Service, while minimising the impact through a range of exemptions
- extended the transfer duty concession for purchases of first homes from \$80,000 to \$320,000 (with the concession phasing out at \$500,000)
- provided a transfer duty concession for first home buyers purchasing vacant land valued at up to \$150,000 (with the concession phasing out at \$300,000) on which to build their first home
- increased some transfer duty rates to assist the funding of the *Health Action Plan*
- extended the mortgage duty exemption threshold for first home buyers from \$100,000 to \$250,000
- halved the rate of mortgage duty
- reduced the base insurance duty rate from 8.5% to 7.5%

- revised the structure of vehicle registration duty rates
- abolished transfer duty on quoted marketable securities, credit card duty, debits tax, lease duty, credit business duty, hire duty and unquoted marketable securities duty.

Consistent with this commitment to ongoing tax reform, the Government has announced in this Budget:

- the abolition of mortgage duty from 1 July 2008, providing \$190 million of tax relief in 2008-09, in addition to savings associated with the halving of mortgage duty rates from 1 January 2008
- an increase in the transfer duty exemption for first home buyers from 1 July 2008, such that there is no duty payable on the purchase of a first home valued at up to \$350,000 (previously \$320,000), with a further increase in the exemption to \$500,000 from 1 September 2008
- an increase in the principal place of residence concession available to other homebuyers from \$320,000 to \$350,000 from 1 July 2008
- a simplification of the transfer duty rate structure from 1 July 2008, with an increase in the highest marginal rate, to provide additional revenue for service delivery and infrastructure provision
- the net impact of the transfer duty changes is a reduction in the amount of duty payable on the purchase of all homes valued at between \$320,000 and \$1 million and all other properties valued at up to \$590,000, offset by increases in rates applied to properties at higher values
- a package of concessions to assist older persons
- a simplification of the land tax rate structure from 1 July 2008, including a reduction in the initial tax payable once the threshold has been reached, for both resident individuals and companies, trustees and absentees
- an extension to the payroll tax deduction, such that taxpayers with eligible wages of up to \$5 million (previously \$4 million) will benefit from the deduction, from 1 July 2008.

The *Charter of Social and Fiscal Responsibility* commits the Government to maintaining competitive tax levels in relation to other states. Table 5.11 demonstrates that this commitment is being met, with various measures of tax competitiveness all indicating the Queensland state tax system remains amongst the most competitive in Australia.

**Table 5.11  
Queensland's tax competitiveness**

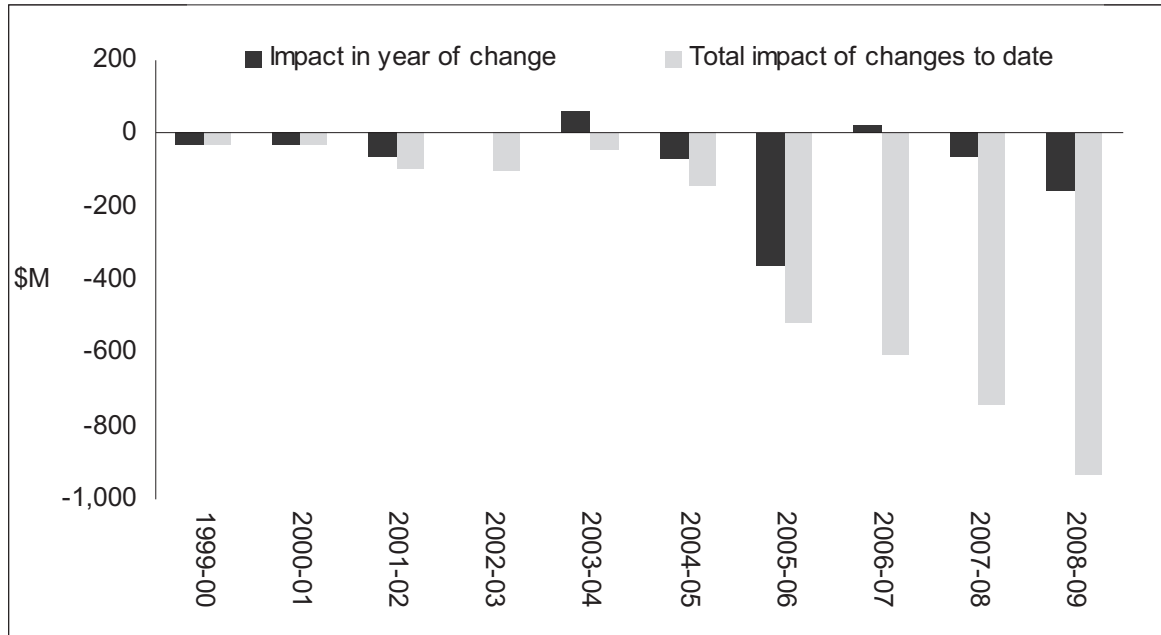
	QLD	NSW	VIC	WA	SA	TAS <sup>4</sup>	ACT	NT <sup>4</sup>	Avg <sup>5</sup>
Taxation per capita <sup>1</sup> (\$)	<b>2,342</b>	2,747	2,512	3,016	2,157	1,706	3,016	1,809	2,616
Taxation effort <sup>2</sup> (%)	<b>84.6</b>	104.0	103.0	102.7	112.6	95.5	105.9	101.6	100.0
Taxation % of GSP <sup>3</sup> (%)	<b>4.34</b>	5.29	4.73	4.04	4.67	3.55	4.30	2.54	4.75
Notes: 1. 2008-09 data. Sources: <i>QLD, VIC, WA, ACT, NT State Budgets, NSW, SA, TAS, Mid Year Reviews</i> . 2. 2006-07 data. Source: <i>Commonwealth Grants Commission: 2008 Update</i> . Revenue raising effort ratios, assessed by the Commonwealth Grants Commission, isolate policy impacts from revenue capacity impacts and are an indicator of the extent to which the governments burden their revenue bases. Queensland's tax revenue raising effort is well below the Australian policy standard (equal to 100%). 3. 2006-07 data. Sources: <i>ABS 5506.0 and ABS 5220.0</i> . 4. Low taxation per capita primarily reflects the lower revenue raising capacity of those jurisdictions. 5. Weighted average of states and territories, excluding Queensland.									

As Table 5.11 shows, taxation per capita in Queensland is lower than the average taxation per capita in the other states. However, the gap has narrowed in recent years as strong economic growth in Queensland has resulted in significant increases in employment, leading to growth in payroll tax, and property values and volumes, leading to growth in transfer duty and land tax.

Other measures of competitiveness, such as taxation effort and taxation as a share of gross state product (GSP), provide a clearer view of the level of taxation imposed on the Queensland economy and confirm that Queensland's taxes are competitive with other states.

Chart 5.4 provides further evidence that increases in taxation per capita are primarily the result of strong economic growth, rather than changes to taxation policy. The chart shows that, since 1999-2000, there have been seven years in which taxes were cut, with the most significant of these being the land tax reforms of 2005-06. There were two years in which taxes were increased (the Community Ambulance Cover levy was introduced in 2003-04 and transfer duty rates were increased in 2006-07 to help fund the *Health Action Plan*) and a year in which there was no net change to taxes.

**Chart 5.4**  
**Revenue impact of recent tax initiatives**



The net impact of these changes is that the level of taxation in 2008-09 is \$934 million, or \$216 per capita, lower than it would have otherwise been.

## GRANTS REVENUE

Grants revenue is comprised of Australian Government grants, grants from the community and industry and other miscellaneous grants. Growth of \$195 million (or 1.3%) in 2008-09 is primarily due to increases in GST revenue and health funding from the Australian Government.

**Table 5.12**  
**Grants revenue<sup>1</sup>**

	2006-07 Actual \$ million	2007-08 Est. Act. \$ million	2008-09 Budget \$ million
<b>Current grants</b>			
Australian Government grants	13,081	13,983	14,119
Other grants and contributions	408	491	512
<b>Total current grants</b>	<b>13,489</b>	<b>14,474</b>	<b>14,631</b>
<b>Capital grants</b>			
Australian Government grants	819	1,012	1,054
Other grants and contributions	18	6	3
<b>Total capital grants</b>	<b>837</b>	<b>1,018</b>	<b>1,056</b>
<b>Total grants revenue</b>	<b>14,326</b>	<b>15,492</b>	<b>15,687</b>
Note:			
1. Numbers may not add due to rounding.			

## Australian Government payments

Australian Government payments to Queensland comprise:

- general purpose payments, comprised of GST revenue grants and associated payments. General purpose payments are ‘untied’ and are used for both recurrent and capital purposes
- specific purpose payments (SPPs), including grants for health, education and roads, which are used to meet Australian Government and shared policy objectives.

Australian Government payments to Queensland in 2008-09 are expected to total \$15.172 billion, an increase of \$177 million (or 1.2%) over payments in 2007-08.

Chapter 8 provides detailed background on Commonwealth-state financial arrangements, including an overview of the reforms the Council of Australian Governments has embarked on in relation to SPPs and National Partnership Payments.

**Table 5.13  
Australian Government payments<sup>1</sup>**

	2006-07 Actual \$ million	2007-08 Est. Act. \$ million	2008-09 Budget \$ million
<b>General purpose payments</b>			
GST revenue grants and associated payments <sup>2</sup>	8,092	8,596	8,686
<b>Specific Purpose Payments<sup>3,4</sup></b>			
Queensland Health	2,008	2,248	2,429
Education, Training and the Arts	2,025	2,075	2,133
Main Roads	448	703	718
Local Government, Sport and Recreation	329	367	381
Disability Services Queensland	323	351	377
Housing	193	203	197
Other	481	451	251
<b>Total Specific Purpose Payments</b>	<b>5,808</b>	<b>6,399</b>	<b>6,486</b>
<b>Total Australian Government payments</b>	<b>13,900</b>	<b>14,995</b>	<b>15,172</b>
Notes:			
1. Numbers may not add due to rounding.			
2. Includes compensation for GST deferral relating to the Australian Government's small business measures in 2006-07 and partial repayment of this compensation in 2007-08.			
3. SPPs are shown by relevant Queensland Government department. 2006-07 data has been backcast to reflect current departmental responsibilities.			
4. Differences between SPPs in this chapter and Australian Government Budget estimates can arise and generally reflect the outcome of agency-to-agency discussions or the absence of state level information.			

## **General purpose payments**

### *GST revenue grants*

GST revenue grants and associated payments to Queensland in 2008-09 are expected to be \$8.686 billion, which represents an increase of \$90 million on 2007-08. This reflects expected growth of \$148 million (or 1.7%) in GST revenue being partly offset by reductions associated with other Australian Government decisions.

GST revenue projections are based on expected growth in economic parameters, such as household consumption and dwelling investment, which have a strong link to the GST base. The distribution of GST revenues is based on the recommendations of the Commonwealth Grants Commission in accordance with the application of horizontal fiscal equalisation principles.

The 1.7% growth in GST payments to Queensland in 2008-09 compares with 7.4% average growth in GST payments to the other states and territories. The below-average growth in GST funding to Queensland takes into account the above-average growth in Queensland's economy and the associated growth in own-source revenue, with 2008-09 being the first year in which Queensland's share of GST funding is below a per capita share. Further declines in Queensland's share of GST are expected, particularly as a result of strong growth in royalty revenue.

## ***Specific purpose payments***

SPPs for Queensland in 2008-09 are estimated at \$6.486 billion, an increase of 1.4% from 2007-08.

### ***Queensland Health***

Queensland receives funding for public hospital services from the Australian Government under the Australian Health Care Agreement (AHCA). The AHCA provides the majority of Queensland Health's Australian Government funding and is adjusted annually for population growth and increases in costs and utilisation. Queensland expects to receive almost \$2 billion in Health Care Grants in 2008-09. The current AHCA was due to expire on 30 June 2008 but has been extended to 30 June 2009 while a new broader National Health Agreement is negotiated.

Queensland Health will also receive tied funding of \$276 million in 2008-09 for a range of programs including Highly Specialised Drugs, Essential Vaccines and National Public Health. Queensland will also receive \$60 million for nursing home benefits.

### ***Department of Education, Training and the Arts***

SPPs for education purposes comprise recurrent and capital grants for distribution to state and non-state schools and other organisations. The moderate increase in Australian Government grants in 2008-09 primarily reflects increased recurrent grants, which recognise cost indexation and enrolment growth.

The Australian Government also provides funding for a range of specific vocational education and training programs. In 2008-09, the department expects to receive around \$236 million in vocational education and training funding.

### ***Department of Main Roads***

Funding is received from the Australian Government for infrastructure and maintenance works on the AusLink Network and for Black Spot Road Safety projects. The 2008-09 allocation reflects funding available under the Australian Government's AusLink program.

### ***Department of Local Government, Sport and Recreation***

SPPs to the Department of Local Government, Sport and Recreation primarily relate to Financial Assistance Grants provided to local government in Queensland.

### ***Disability Services Queensland***

The current Commonwealth-State and Territory Disability Agreement is set to expire on 30 June 2008 and is proposed to be extended to December 2008. A new national disability services agreement is in the process of being negotiated between the Australian and state and territory governments.

Disability Services Queensland will also receive funding from the Australian Government for the Home and Community Care (HACC) program, with the Queensland Government accepting a new agreement that commenced on 1 July 2007. The HACC Review Agreement, coupled with projected growth funding, ensures the program is a key part of the community care system and will continue to assist frail older people and those with disabilities to live as independently as possible in their own homes.

### *Department of Housing*

In 2008-09, the Department of Housing expects to receive \$197 million in SPP funding, including funding under the Commonwealth-State Housing Agreement, which is due to expire on 31 December 2008, and the anticipated National Affordable Housing Agreement from 1 January 2009. This funding will be used for the continued development of a core social housing sector to assist people unable to access alternative suitable housing options, through the delivery of affordable, appropriate, flexible and diverse housing assistance responses that provide people with choice and are tailored to their needs, local conditions and opportunities.

### *Other*

Other SPPs include funding for a range of programs including exceptional circumstances assistance and natural disaster relief.

### **Other grants and contributions**

Other grants and contributions are funds received from other state and local government agencies, other bodies and individuals where there is no direct benefit to the provider. Contributions exclude Australian Government grants and user charges. The main sources of contributions are:

- those received from private enterprise and community groups to fund research projects and community services, including the contributions of parents and citizens associations to state schools
- contributed assets and goods and services received for a nominal amount.

<b>Table 5.14 Other grants and contributions</b>			
	2006-07 Actual \$ million	2007-08 Est. Act. \$ million	2008-09 Budget \$ million
Other grants and contributions	426	497	515

Revenues will vary from year to year based on the number and size of research projects, assets transferred between the Government and the private sector and contributed assets and services.

## SALES OF GOODS AND SERVICES

Sales of goods and services revenue comprises cost recoveries from the provision of goods or services. Revenue from this source is expected to increase by 4.3% in 2008-09.

**Table 5.15**  
**Sales of goods and services<sup>1</sup>**

	2006-07 Actual \$ million	2007-08 Est. Act. \$ million	2008-09 Budget \$ million
Fee for service activities	1,065	1,302	1,294
TransLink	224	239	251
Rent revenue	320	412	465
Sale of land inventory	76	100	112
Hospital fees	277	288	274
Transport and traffic fees	226	230	241
Other sales of goods and services	699	672	746
<b>Total sales of goods and services</b>	<b>2,889</b>	<b>3,245</b>	<b>3,385</b>

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

### Fee for service activities

Major items of fee for service activities across the General Government sector include:

- recoverable works carried out by both the Department of Main Roads and the commercialised arm of the department
- fees charged by Technical and Further Education (TAFE) colleges
- fees charged by CITEC for information and telecommunications services to the private sector.

The Government provides 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 B provides details of the concession arrangements established by the Queensland Government.

## **TransLink**

Revenues arise from the arrangements associated with TransLink integrated ticketing and public transport arrangements, which commenced in July 2004. Instead of subsidising public transport operators for the gap between operating costs and revenues, the TransLink entity collects revenues from the operation of public transport services in South East Queensland to fund public transport services in the region. These revenues are estimated at \$251 million in 2008-09.

## **Rent revenue**

Rent revenue is earned on the rent or lease of Government buildings, housing, plant and equipment, motor vehicles and car parks. Major items under this category include public housing rentals and rents charged for Government buildings.

## **Sale of land inventory**

Sale of land inventory comprises land sales undertaken by agencies, where the buying and selling of land is a core business activity of the agency, such as the Property Services Group under the Department of Infrastructure and Planning. As such, it is distinct from property disposals undertaken by most Government agencies.

## **Hospital fees**

Hospital fees are collected by public hospitals for a range of hospital services. Fees include those received from private patients and other third party payers, as well as payments received from the Australian Government Department of Veterans' Affairs for the treatment of veterans.

## **Transport and traffic fees**

This category comprises state transport fees, the Traffic Improvement Fee, drivers' licence fees and various marine licence and registration fees.

## **Other sales of goods and services**

Other sales of goods and services includes items such as Title Registration Fees, recreational ship registrations and other licences and permits.

## INTEREST INCOME

Interest income primarily comprises interest earned on the Treasurer's Cash Balances, Queensland Future Growth Fund balances and investments held to finance future employee entitlements, for example superannuation and long service leave.

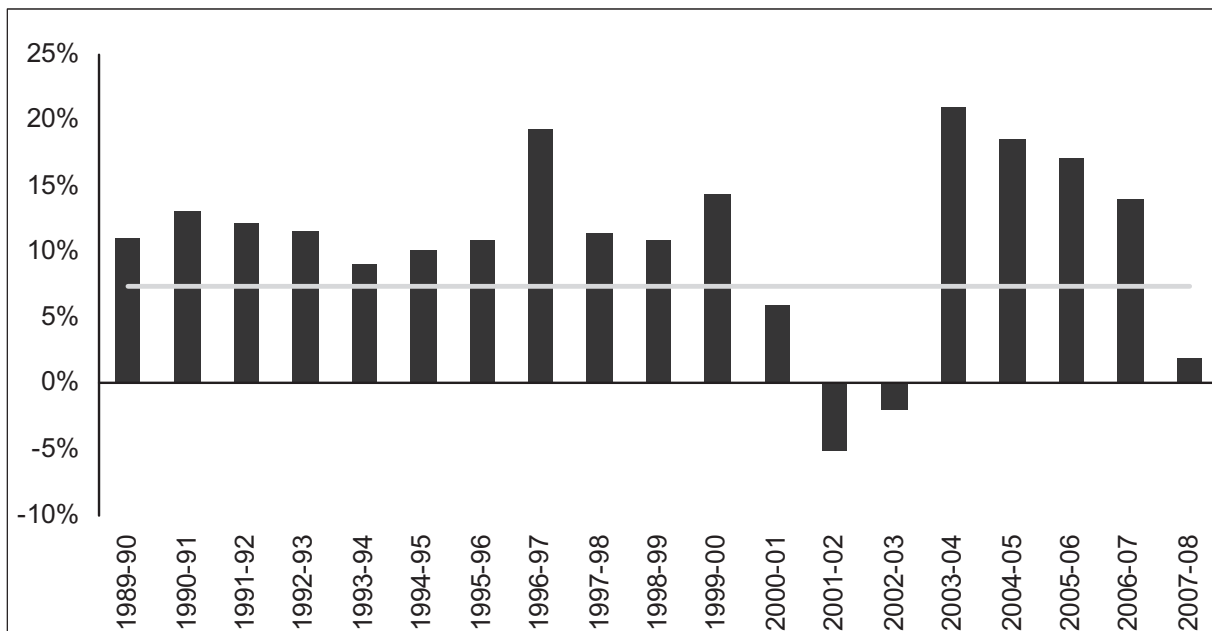
<b>Table 5.16 Interest income</b>			
	2006-07 Actual \$ million	2007-08 Est. Act. \$ million	2008-09 Budget \$ million
Interest income	3,348	841	2,199

QTC manages the State's short-term investments, such as the Treasurer's Cash Balances, while the Queensland Investment Corporation manages the State's long-term investments, primarily employee entitlement provisions (including assets held to meet employer superannuation liabilities). The State's investment portfolio includes a diversified holding of equities, property, fixed interest and other diversified assets.

Entities such as the Public Trust Office, Nominal Defendant and Residential Tenancies Authority also have substantial investments held to meet future liabilities.

Chart 5.5 shows investment return rates achieved over time.

**Chart 5.5  
Investment returns (% per annum)<sup>1,2</sup>**



Notes:

1. Line represents actuarial assumed long term average.
2. 2007-08 is an estimate.

Source: 1989-90 to 2007-08: Queensland Investment Corporation

The weak performance of domestic and international equity markets negatively impacted interest income in 2007-08, with an estimated rate of return of 2%. This estimate is based on actual year-to-date investment returns at the time of the finalisation of the Budget estimates.

As discussed in Chapter 1, the Government has decided to transfer the assets it holds in the Consolidated Fund to meet future employee and other obligations to QTC in exchange for a debt instrument that earns the General Government sector 7.5% per annum. This transfer will allow the State to reduce the volatility in interest income and hence the General Government net operating balance.

## DIVIDEND AND INCOME TAX EQUIVALENT INCOME

### Dividends

Dividends are received from the State's equity in Public Non-financial Corporations and Public Financial Corporations, for example, the Queensland electricity supply industry, Queensland Investment Corporation, port authorities and Queensland Rail.

Dividends are expected to decline by 13.3% in 2008-09, reflecting a reduction in dividends from the energy sector and the one-off dividend received from the Queensland Lotteries Corporation in 2007-08, following the Golden Casket transaction.

<b>Table 5.17 Dividends<sup>1</sup></b>			
	2006-07 Actual \$ million	2007-08 Est. Act. \$ million	2008-09 Budget \$ million
Energy sector	372	556	429
Transport sector (rail and ports)	227	289	376
Other <sup>2</sup>	23	124	36
<b>Total dividends</b>	<b>622</b>	<b>970</b>	<b>841</b>
Notes:			
1. Numbers may not add due to rounding.			
2. Includes dividends from Forestry Plantations Queensland, Queensland Investment Corporation, Queensland Lotteries Corporation and SunWater.			

In total, dividends account for 2.3% of total General Government revenue in 2008-09. Further detail on Public Non-financial Corporations is provided in Chapter 4 and Chapter 9.

## Income tax equivalent income

Income tax equivalent income comprises payments by Government-owned corporations in lieu of state and Australian Government taxes and levies from which they are exempt. These payments arise from an agreement reached between the Australian Government and state governments in 1994 to establish a process for achieving tax uniformity and competitive neutrality between public sector and private sector trading activities.

<b>Table 5.18</b>			
<b>Income tax equivalent income<sup>1</sup></b>			
	2006-07 Actual \$ million	2007-08 Est. Act. \$ million	2008-09 Budget \$ million
Energy sector	102	175	144
Transport sector (rail and ports)	47	40	36
Other	93	32	30
<b>Total income tax equivalent income</b>	<b>241</b>	<b>247</b>	<b>210</b>
Note: 1. Numbers may not add due to rounding.			

## OTHER REVENUE

<b>Table 5.19</b>			
<b>Other revenue<sup>1</sup></b>			
	2006-07 Actual \$ million	2007-08 Est. Act. \$ million	2008-09 Budget \$ million
Royalties and land rents	1,430	1,449	3,644
Fines and forfeitures	209	211	241
Revenue nec	385	270	268
<b>Total Other Revenue</b>	<b>2,024</b>	<b>1,930</b>	<b>4,154</b>
Note: 1. Numbers may not add due to rounding.			

## Royalties and land rents

### *Budget royalty initiatives*

The Queensland Government is charged with the responsibility of ensuring that the people of Queensland receive a fair and appropriate return on the non-renewable mineral and petroleum resources that they own.

The opportunity has been taken to review the full spectrum of Queensland royalties with a view to ensuring the maintenance of an appropriate return to the community. This review also provides an opportunity to streamline administrative arrangements and ensure Queensland's royalty regime keeps pace with significant changes in Queensland's mineral industry. The last time a comprehensive review of the total royalty system was undertaken was in 1974.

Substantial increases in coal contract prices and continued strong market conditions for most other commodities prices translate to increases in the value held by those who retain the right to extract resources in Queensland. While there have also been substantial increases in production costs in recent years, the increase in the value of these resources is considered to substantially outweigh the additional costs faced in extracting them.

### *Coal*

The recent surge in contract prices for export coal has increased the value of Queensland's coal resources. In this context, the 2008-09 Budget introduces a two tier royalty rate structure with effect from 1 July 2008 that is designed to increase the return to the Queensland community when the value of this non-renewable resource increases.

When the Australian dollar value of coal produced by a mine exceeds \$100 per tonne, on average across all coal types, a higher royalty rate of 10% will effectively be applied to the value of coal above \$100.

For example, if the average value of coal is \$150 in a particular quarter, the royalty rate applied will equate to 7% on the first \$100 and 10% on the remaining \$50, resulting in an effective royalty rate of 8%.

Where the average value of coal is less than \$100 per tonne, the current royalty rate of 7% will continue to apply.

In acknowledgement of the strong industry support for the Australian Coal Association Low Emissions Technologies levy, it has been decided to extend allowable deductions by including this levy in the determination of the value of coal. The deduction will be backdated to the inception of the levy.

### *Base and precious metals*

The value of most base and precious metals has also risen in recent years. To ensure the Queensland community receives an appropriate return from the value of these resources, the 2008-09 Budget announces a revision to royalty rates, including the elimination of the fixed rate, from 1 January 2011, at the expiration of the current five-year period, in which companies were able to nominate either fixed or variable royalty rates.

## *Other initiatives*

Other initiatives included in the 2008-09 Budget for commencement from 1 July 2008 are:

- changes to bauxite royalty arrangements, with the royalty rate for domestic bauxite increasing from 50% to 75% of the calculated export rate – the resultant 25% processing discount is now more closely aligned with that applying to other metals, which range from 20% to 35%
- changes to royalty thresholds
- changes to royalty rates for industrial and sundry minerals
- a royalty rate reduction for gemstones
- provision for royalties on high value minerals, such as iron ore, molybdenum and tungsten
- expansion of section 42 of the *Mineral Resources Regulation 2003* to accommodate the increasing trend of vertically integrated operations
- reduced frequency of lodgement of petroleum royalty returns
- common due date for payment of petroleum tenure rentals.

The Budget also announces a review of payable metal deductions for base and precious metals.

Further detail on these initiatives is available from the Department of Mines and Energy website – [www.dme.qld.gov.au](http://www.dme.qld.gov.au)

The Government is investing the proceeds of the royalty changes into the community, including key mineral provinces, in the form of improved services and infrastructure. Other Budget Documents, such as Budget Paper 3 – Capital Statement, Budget Paper 4 – Budget Measures and the Regional Budget Statements provide further detail.

## **Royalty estimates**

The State earns royalties from the extraction of coal, base and precious metals, bauxite, petroleum, mineral sands and other minerals and land rents from pastoral holdings, mining and petroleum tenures. Royalties return some of the proceeds of the extraction of non-renewable resources to the community.

Coal royalties make up the bulk of royalty and land rent revenue, having risen in recent years as a result of increases in the value of coal produced in Queensland. Royalties from base and precious metals have also risen, with global demand for commodities also causing increases in the value of base and precious metals.

Royalty and land rent revenue in 2007-08 is estimated to be \$1.449 billion, representing a 1.3% increase from 2006-07.

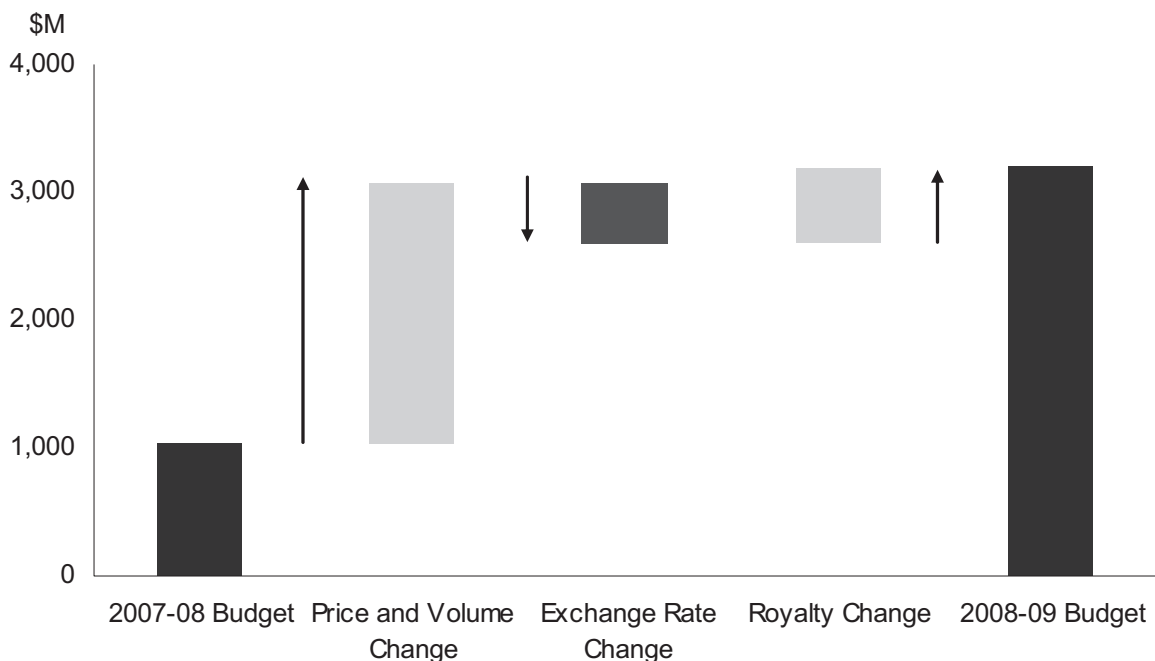
Royalty and land rent revenue is expected to increase by \$2.196 billion (or 152%) in 2008-09 due to a reported trebling and doubling, respectively, in contract prices for coking and thermal coal, along with the implementation of the two tier royalty system.

<b>Table 5.20 Royalties and land rents<sup>1</sup></b>				
	2006-07 Actual \$ million	2007-08 Budget \$ million	2007-08 Est. Act. \$ million	2008-09 Budget \$ million
Coal	1,019	1,020	1,027	3,213
Other royalties <sup>2</sup>	341	368	374	383
Land rents	70	48	48	49
<b>Total royalties and land rents</b>	<b>1,430</b>	<b>1,436</b>	<b>1,449</b>	<b>3,644</b>

Notes:  
1. Numbers may not add due to rounding.  
2. Includes base and precious metal, petroleum and other minerals royalties.

The 2008-09 coal royalty estimate is \$2.193 billion higher than the 2007-08 Budget estimate. This increase is primarily associated with the substantial increase in export coal prices, supported by an increase in export volumes. These parameter changes are partly offset by the increased strength of the Australian dollar. The royalty changes announced in this Budget are expected to provide an additional \$578 million in 2008-09. An indicative breakdown of the increase between the 2007-08 Budget estimate and the 2008-09 Budget estimate is provided in Chart 5.6.

**Chart 5.6  
Breakdown of increase in coal royalty estimate  
2007-08 Budget to 2008-09 Budget**



Estimates of mining royalties are based predominantly on forecasts of production compiled by the Department of Mines and Energy, using information provided by mining companies. Price estimates are broadly consistent with those published by the Australian Bureau of Agricultural and Resource Economics and Consensus Economics.

There is a significant degree of uncertainty associated with estimates of commodity prices and Australian dollar-US dollar exchange rates, both of which have significant impacts on royalty revenue. Further discussion of the risks associated with the royalty estimates, including a sensitivity analysis, is provided in Appendix C.

### **Fines and forfeitures**

The major fines included in this category are traffic and court fines. There is an expected increase of 14.1% in collections of fines and forfeitures in 2008-09.

### **Revenue nec**

Revenue nec includes other revenues not elsewhere classified. The moderate decrease in 2008-09 primarily reflects an expected decline in asset transfers from non-Queensland Government entities.