

6 REVENUE

FEATURES

- Total General Government sector revenue is estimated to be \$37.192 billion in 2009-10. The increase of \$1.318 billion (or 3.7%) on 2008-09 estimated actual revenue primarily reflects increased Australian Government funding for specific purposes.
- Since the 2008-09 Budget, underlying estimates for taxation, royalties and Goods and Services Tax revenue have been revised down by \$15 billion across the period 2008-09 to 2011-12.
- While a number of taxation measures announced in the Mid Year Fiscal and Economic Review will commence from 1 July 2009, there are no taxation or royalty increases in this Budget.
- Employers will benefit from a 25% payroll tax rebate on the eligible wages of apprentices and trainees in 2009-10, in addition to these wages being exempt from payroll tax.
- The transfer duty exemption threshold for first home buyers purchasing vacant land will increase from \$150,000 to \$250,000, with a partial concession available for first home buyers purchasing vacant land valued at up to \$400,000.
- An instalment payment option for land tax liabilities will be introduced in 2010-11 to assist businesses and investors by spreading the tax liability over a longer period. In 2009-10, as an interim measure, the payment period for land tax assessments is increased from 30 days to 90 days, at an estimated cost to Government of \$8 million.
- Queensland will retain its competitive tax status, with per capita state tax estimated at \$2,087 in 2009-10, compared to an average of \$2,487 for the other states and territories.
- The abolition of duty on the transfer of core business assets will be delayed until 1 July 2013, in accordance with the timeframe included in the new *Intergovernmental Agreement on Federal Financial Relations*.

INTRODUCTION

This chapter provides an overview of General Government sector revenue for the 2008-09 estimated actual outcome, forecasts for the 2009-10 Budget year and projections for 2010-11 to 2012-13.

Table 6.1
General Government revenue¹

	2008-09 Budget \$ million	2008-09 Est. Act. \$ million	2009-10 Budget \$ million	2010-11 Projection \$ million	2011-12 Projection \$ million	2012-13 Projection \$ million
Revenue						
Taxation revenue	10,106	8,759	9,287	9,991	10,740	11,547
<i>Grants revenue</i>						
Current grants	14,631	14,931	15,025	15,038	15,732	16,733
Capital grants	1,056	2,340	3,710	2,350	1,358	991
Sales of goods and services	3,385	3,466	3,650	3,704	3,836	3,899
Interest income	2,199	1,261	2,017	2,115	2,218	2,282
<i>Dividend and income tax equivalent income</i>						
Dividends	841	853	884	990	1,121	1,481
Income tax equivalent income	210	245	266	472	530	789
<i>Other revenue</i>						
Royalties and land rents	3,644	3,396	1,806	1,856	2,058	2,198
Other	509	621	548	511	506	510
Total Revenue	36,582	35,874	37,192	37,029	38,100	40,431
Notes:						
1. Numbers may not add due to rounding.						

The 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 2008-09 is estimated to be \$35.874 billion, which is \$708 million (or 1.9%) less than the 2008-09 Budget estimate.

Significant variations include:

- a \$1.347 billion reduction in taxation revenue, largely due to a sharp decline in transfer duty as a result of weakness in the property market reflecting a combination of tight credit conditions and the impact of the global downturn on the state economy
- a \$938 million reduction in interest income associated with lower than expected returns on investments held on behalf of former defined benefit members and statutory bodies
- a \$771 million reduction in GST receipts due to a decline in the national GST pool
- partly offset by a \$2.338 billion increase in Australian Government grants for specific purposes, which will be directed to increases in services and capital expenditure.

General Government revenue in 2009-10 is estimated to be \$37.192 billion, 3.7% higher than the 2008-09 estimated actual revenue of \$35.874 billion. This is largely due to:

- a further \$1.362 billion increase in Australian Government funding for capital expenditure
- interest income returning to an assumed long run rate of return
- modest growth of \$528 million (6%) in taxation revenue, primarily resulting from the measures announced in the Mid Year Fiscal and Economic Review.

Partially offsetting this increase is a \$1.59 billion reduction in royalty revenue, primarily due to sharp reductions in contract coal prices.

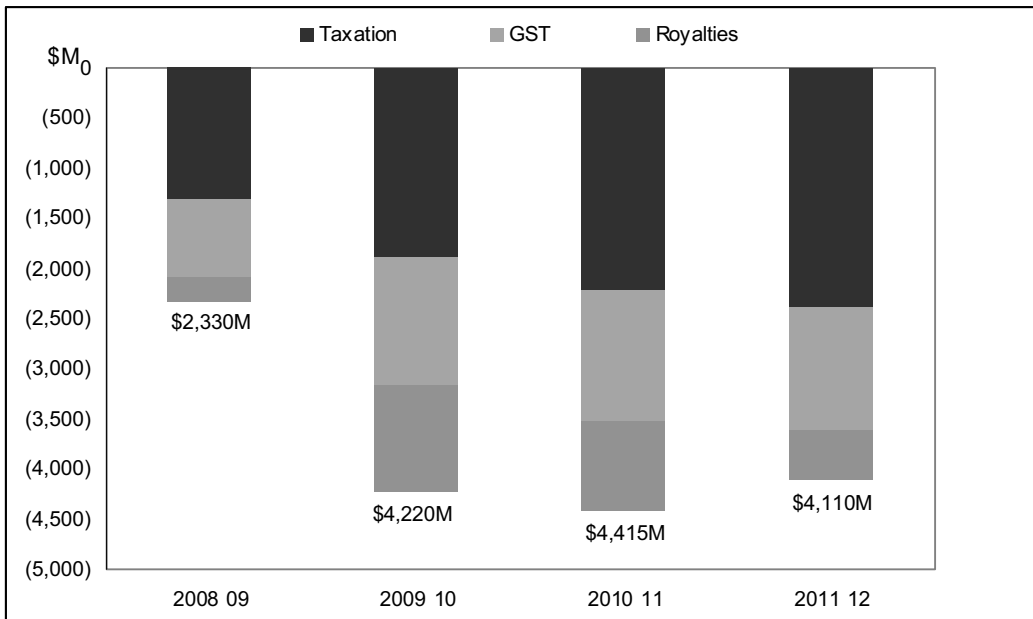
REDUCTIONS IN REVENUE SINCE THE 2008-09 BUDGET

Since the release of the 2008-09 Budget, there has been a deterioration in Queensland's economic outlook, along with, and related to, a deterioration in the economic outlook nationally and globally.

This has resulted in significant revisions to the key discretionary revenues available to the state – taxation, GST revenue and royalties. The combined impact of these revisions is estimated at \$15 billion over the period 2008-09 to 2011-12 in underlying terms, that is, excluding revenue measures such as those announced in the Mid Year Fiscal and Economic Review.

Chart 6.1 identifies the reduction since the 2008-09 Budget in the estimates for each of these key revenue lines in each year.

Chart 6.1
Reductions in key revenues since 2008-09 Budget



Reductions in taxation estimates

Table 6.2 identifies the 2009-10 taxation revenue estimates that were prepared for the 2008-09 Budget and those prepared for the 2009-10 Budget. Despite the measures announced in the Mid Year Fiscal and Economic Review, taxation revenue estimates for 2009-10 are \$1.556 billion lower than at the time of the 2008-09 Budget.

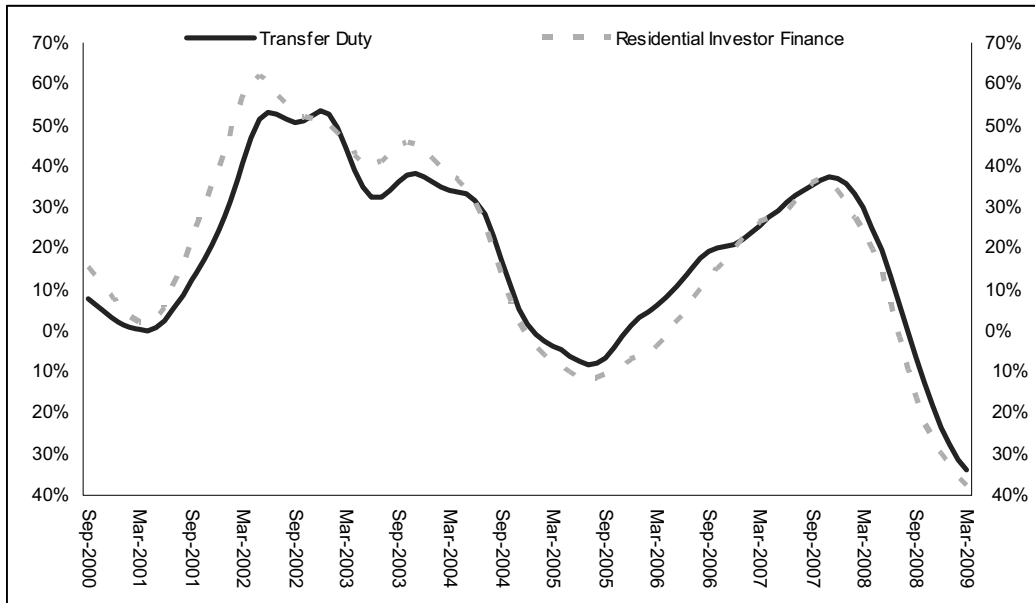
	2008-09 Budget \$ million	2009-10 Budget \$ million	Difference
Payroll tax	2,955	2,736	(219)
Duties			
Transfer	3,388	1,704	(1,684)
Vehicle registration	544	410	(134)
Insurance and other duties	434	463	29
Total duties	4,366	2,577	(1,789)
Gambling taxes and levies	1,018	1,006	(12)
Other taxes			
Land tax	862	1,047	185
Motor vehicle registration	1,031	1,237	206
Other taxes	611	683	72
Total taxation revenue	10,843	9,287	(1,556)
Notes:			
1. Numbers may not add due to rounding.			

The largest impact is on transfer duty, with a \$1.684 billion reduction as a result of a sharp decline in the number of property transactions anticipated in 2009-10. This reduction is illustrated in Chart 6.2, which shows trend growth in transfer duty alongside trend growth in residential investor finance.

There is also a notable decline in payroll tax and vehicle registration duty, along with a modest decline in gambling taxes.

Over the four year period, the underlying decline in taxation revenue estimates is approximately \$7.8 billion. This does not include the decline in royalty revenue, which is not defined as taxation.

Chart 6.2
Growth in transfer duty and investor finance, 12-month rolling averages, trend



Source: derived from Australian Bureau of Statistics (5671.0)

Reductions in GST revenue estimates

In its 2009-10 Budget, the Australian Government revised down estimates of national GST collections since its 2008-09 Budget by \$25.5 billion across the forward estimates.

Based on this revision, Queensland Treasury has estimated Queensland’s share of GST for all years across the forward estimates. These estimates indicate that, since the 2008-09 Australian Government Budget, there has been a \$2 billion reduction in Queensland’s GST share in 2008-09 and 2009-10 combined, and a decrease of a further \$3.6 billion over the period from 2010-11 to 2012-13.

Further analysis of Queensland’s share of GST revenue is provided in Chapter 9.

Reductions in royalty estimates

Royalty estimates prepared for the 2008-09 Budget were based on a number of assumptions in relation to export coal volumes and commodity prices. While these estimates were considered to be conservative at the time, relative to market expectations, the rapid deterioration in global demand has resulted in a much larger than anticipated decline in commodity prices.

The reduction in global demand and the associated impact on Queensland's major trading partners has also led to an expectation that the volume of coal exported from Queensland will decline in 2009-10, whereas growth had been anticipated at the time of the 2008-09 Budget.

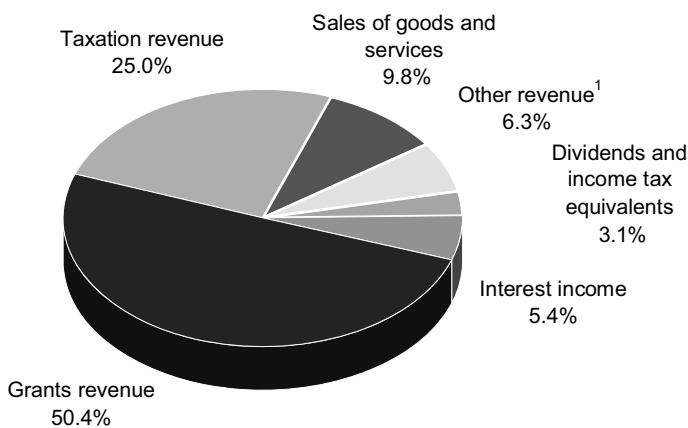
The reduction in royalty estimates is largest in 2009-10, as contract coal prices are now expected to be relatively stable at current levels in future years, following a sharper than anticipated decline in 2009-10, whereas the 2008-09 Budget estimates assumed a more gradual decline over a longer period.

The reduction in royalty estimates since the 2008-09 Budget is approximately \$2.7 billion over the period 2008-09 to 2011-12.

REVENUE BY OPERATING STATEMENT CATEGORY

Major sources of General Government revenue in 2009-10 are grants revenue (50.4% of revenue) and taxation revenue (25%). Chart 6.3 illustrates the composition of General Government revenue.

Chart 6.3
Revenue by operating statement category 2009-10

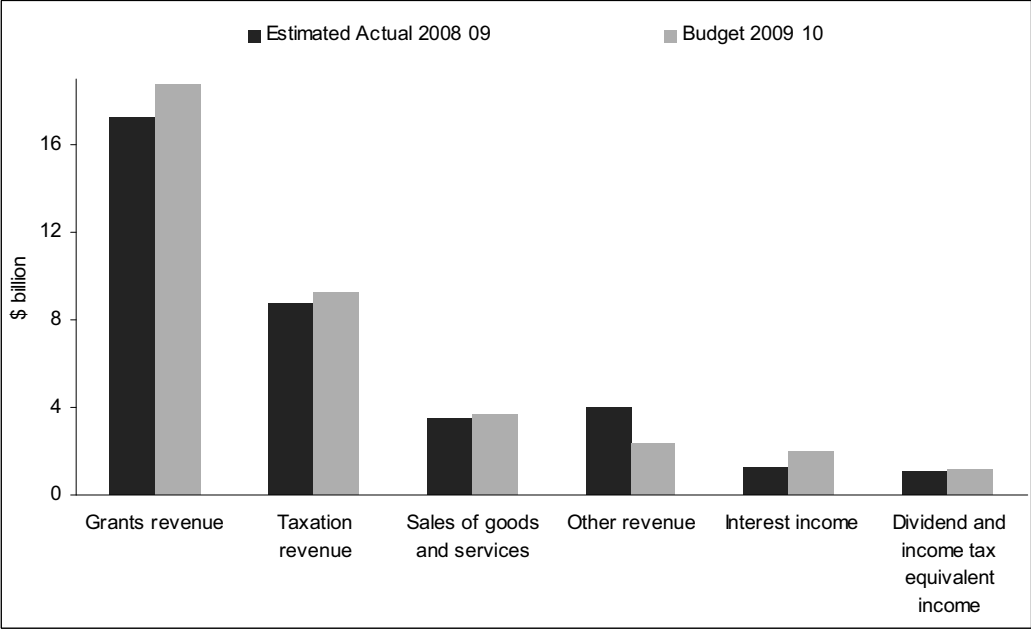


Note:

1. The major component of Other revenue is royalties and land rents (4.9%).

Chart 6.4 compares 2009-10 estimates with 2008-09 estimated actuals. The overall result primarily reflects strong growth in grants revenue, supplemented by moderate growth in taxation revenue and interest income.

Chart 6.4
Revenue by operating statement category for 2008-09 and 2009-10



TAXATION REVENUE

One of the Queensland Government's key social and fiscal objectives is to maintain a competitive tax regime promoting economic development and jobs growth, whilst raising sufficient revenue to meet the service and infrastructure needs of the people of Queensland.

Total revenue from taxation is expected to increase by 6% in 2009-10 on 2008-09 estimated actuals. This primarily reflects the expected impact of measures announced in the Mid Year Fiscal and Economic Review.

Table 6.3			
Taxation revenue¹			
	2007-08 Actual \$ million	2008-09 Est. Act. \$ million	2009-10 Budget \$ million
Payroll tax	2,493	2,728	2,736
Duties			
Transfer	2,912	1,762	1,704
Vehicle registration	403	435	410
Insurance ²	386	424	441
Other duties ³	344	37	22
Total duties	4,044	2,658	2,577
Gambling taxes and levies			
Gaming machine tax	534	553	572
Health Services Levy	38	41	44
Lotteries taxes	206	221	232
Wagering taxes	37	39	41
Casino taxes and levies ⁴	56	61	100
Keno tax	18	17	18
Total gambling taxes and levies	889	931	1,006
Other taxes			
Land tax	610	807	1,047
Motor vehicle registration	966	1,014	1,237
Fire levy	265	281	295
Community Ambulance Cover	130	138	145
Guarantee fees	87	138	175
Other taxes	63	65	69
Total taxation revenue	9,546	8,759	9,287
Notes:			
1. Numbers may not add due to rounding.			
2. Includes duty on accident insurance premiums.			
3. Includes duty on life insurance premiums and mortgage duty.			
4. Includes community benefit levies.			

Budget initiatives

Transfer duty - First home vacant land concession

Queensland currently provides a transfer duty exemption for first home buyers purchasing vacant land valued at up to \$150,000. From 1 July 2009, the threshold for first home buyers purchasing vacant land will be increased from \$150,000 to \$250,000, providing savings of up to \$5,675. In addition, a partial concession will be provided for first home buyers purchasing vacant land valued at up to \$400,000.

This measure builds on the assistance provided to first home buyers in the 2008-09 Budget, which increased the transfer duty exemption threshold for homes to \$500,000 and brought forward the abolition of mortgage duty to 1 July 2008.

This measure is designed to ensure that the \$500,000 threshold for homes does not provide a disincentive against first home buyers purchasing vacant land for the construction of their first home.

This measure is expected to provide savings of \$5.7 million to first home buyers in 2009-10 and remove or reduce the duty payable on an additional 1,850 purchases of vacant land for the construction of new homes.

Table 6.4 identifies savings for first home buyers on vacant land purchases.

Land Value	Current	New	Savings
\$150,000
\$175,000	\$1,050	..	\$1,050
\$200,000	\$2,675	..	\$2,675
\$225,000	\$4,050	..	\$4,050
\$250,000	\$5,675	..	\$5,675
\$275,000	\$7,150	\$1,825	\$5,325
\$300,000	\$8,925	\$4,125	\$4,800

Payroll tax – apprentice and trainee rebate

Queensland currently has a highly competitive payroll tax regime with a low payroll tax of 4.75% and a relatively high \$1 million exemption threshold.

This Budget provides further relief for businesses that employ apprentices and trainees. In 2009-10, the Government will provide a 25% payroll tax rebate on the eligible wages of apprentices and trainees, in addition to these wages being exempt from payroll tax. This measure will save businesses approximately \$15 million in 2009-10.

Land tax – extended payment period

The Queensland Government recognises that annual land tax liabilities may have cashflow implications for business and investors. To assist in alleviating these cashflow issues, an instalment payment option for land tax liabilities will be introduced in 2010-11 spreading the tax liability over a longer period.

In 2009-10, as an interim measure, the payment period for land tax assessments will be increased from 30 days to 90 days, with the financing cost to Government estimated at approximately \$8 million.

Deferral of abolition of transfer duty on core business assets

The *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (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.

Following a multi-jurisdictional review of duties listed in the IGA schedule, a timetable for the abolition of the majority of these duties was announced in the 2005-06 Budget. To date, the Government has completed the abolition of duties listed in this table within the scheduled timeframe.

Following the abolition of mortgage duty from 1 July 2008, the only duty remaining on the schedule is duty on the transfer of core business assets, which was originally scheduled to be abolished by 2011. In light of the tighter fiscal conditions, the abolition of duty on the transfer of core business assets will be delayed until 1 July 2013. The Government considers this timing to be in accordance with the timeframe included in the new *Intergovernmental Agreement on Federal Financial Relations*.

The savings to Queenslanders from the abolition of these taxes listed in the IGA has already risen from \$290 million in 2005-06 to \$750 million in 2009-10 and will rise to over \$900 million per year by 2012-13.

The cumulative savings for the period 2005-06 to 2009-10, as a result of these abolitions, is estimated to exceed \$2.5 billion.

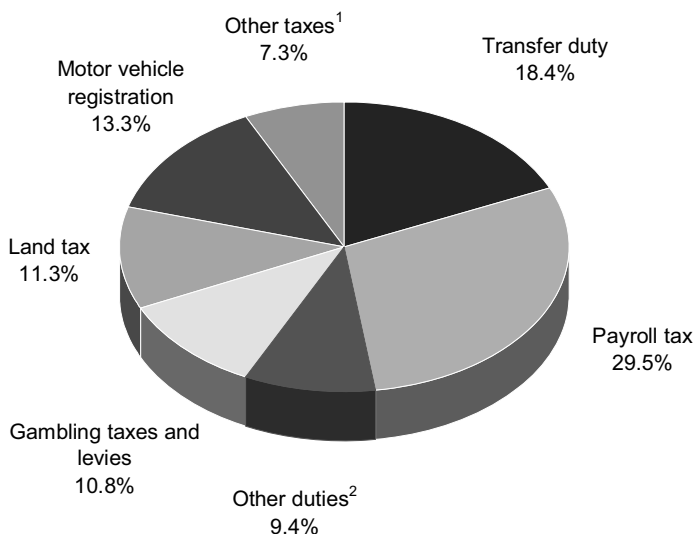
Table 6.5 presents the full schedule of tax abolitions under the IGA.

Table 6.5 Abolition of state taxes under the IGA			
Tax	Description	Abolition	Full year cost¹ \$ million
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 ²	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
Mortgage duty	Payable on entering into a mortgage over property in Queensland.	✓ July 2008 (6 months early)	300
Duty on transfer of core business assets	Payable on the transfer of non-realty business assets.	1 July 2013	203
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 6.5 indicates the composition of estimated state taxation revenue for 2009-10.

Chart 6.5
Taxation by tax category



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 47.9% of the State's total taxation revenue in 2009-10.

Payroll tax (29.5% of total tax revenue in 2009-10) has a stable base with growth driven by the underlying strength of the state economy. In contrast, revenue growth from transfer duty (representing 18.4% 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 represent 10.8% of tax revenues in 2009-10. Motor vehicle registration, which is classified as a tax for budget purposes, represents 13.3% of total tax revenue.

Land tax represents 11.3% of total revenue in 2009-10. 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.

The overall payroll tax rate of 4.75% is the lowest of any state and the exemption threshold of \$1 million is amongst the highest thresholds in Australia. Queensland employers with total yearly Australian taxable wages between \$1 million and \$5 million also obtain a partial concession, with concession withdrawn at a rate of \$1 in every \$4 of taxable wages.

Payroll tax collections are estimated to be \$2.736 billion in 2009-10, reflecting a decline in employment being offset by wages growth. This is \$219 million lower than estimated at the time of the 2008-09 Budget.

Duties

Duties are levied on a range of financial and property transactions. Overall, revenue from duties is forecast to decrease by 3% in 2009-10. This negative growth is driven by the sharp fall in transfer duty collections and weakening of vehicle registration duty collections.

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 decrease by 3.3% in 2009-10 as a result of the sharp reduction in the number of transactions in the Queensland property market. The drop is particularly pronounced in the commercial property market, reflecting the tight credit conditions and the impact of the global economic downturn on the national and State economies

Transfer duty collections were \$2.912 billion in 2007-08 and are anticipated to decline by \$1.208 billion (or 41.5%) between 2007-08 and 2009-10, prior to a relatively modest recovery in the outyears.

- 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 decrease 5.7% in 2009-10, reflecting a significant decline in motor vehicle sales in the wake of the global financial crisis and resulting economic slowdown.

- 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% in 2009-10, reflecting a moderate growth in insurance premiums resulting from the higher than usual number of claims following recent natural disasters.

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 8.1% in 2009-10, a slightly higher rate than is estimated for 2008-09, partly associated with the Government's gambling reforms that will take effect from 1 July 2009. Gaming machine taxes are estimated to increase by 3.4%, the Health Services Levy by 7.3%, lotteries taxes by 5%, and other gambling taxes by 36%, primarily associated with casino tax increases.

As announced in the Mid Year Fiscal and Economic Review, the Government will reduce the disparity between tax rates applicable to gaming machines in casinos compared to those in large clubs and hotels by increasing the tax rate on casino gaming machine wins by 10% and removing some concessional rates on premium play from 1 July 2009.

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 purpose of calculating land tax liabilities commenced from 1 July 2007 and continues to apply in 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.

As announced in the Mid Year Fiscal and Economic Review, the Government will introduce a land tax surcharge of 0.5% from 1 July 2009. It will apply where the aggregate value of all land (for land tax purposes) exceeds \$5 million and only to the portion of the value exceeding \$5 million.

Land tax is estimated to grow by 29.7% to \$1.047 billion in 2009-10. The increase of \$240 million on 2008-09 estimated actuals primarily reflects the impact of three-year averaging, which has restrained growth in land tax liabilities in previous years, with \$93 million of the increase attributable to the 0.5% land tax surcharge. Despite the increase in land tax liabilities in 2009-10, it is estimated that the revenue foregone as a result of three-year averaging will be approximately \$142 million in 2009-10.

Motor vehicle registration fees

Motor vehicle registration fees are expected to grow by 22% in 2009-10, largely reflecting increased motor vehicle registration fees, population growth and fee adjustments related to the consumer price index (CPI).

As announced in the Mid Year Fiscal and Economic Review, the Government will increase motor vehicle registration fees, commencing 1 July 2009. As stated in the Mid Year Fiscal and Economic Review, total motor vehicle registration costs from 1 July 2009 will also incorporate the annual adjustment for CPI and changes to Compulsory Third Party premiums bid by insurance companies.

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 2009-10 reflects CPI adjustments 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:

- increased the transfer duty exemption for first home buyers to \$500,000
- increased the principal place of residence concession available to other homebuyers from \$320,000 to \$350,000
- simplified the transfer duty and land tax rate structures
- extended the benefit of the payroll tax threshold, such that taxpayers with eligible wages of up to \$5 million (previously \$4 million) will benefit a partial deduction
- harmonised payroll tax provisions and definitions with other jurisdictions to reduce the compliance burden on businesses operating across state borders
- abolished mortgage duty in advance of the scheduled timeframe
- introduced a 0.5% land tax surcharge where the aggregate value of all land exceeds \$5 million
- increased vehicle registration fees
- reduced the disparity between tax rates applicable to gaming machines in casinos and those applicable in large clubs and hotels.

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

- an increase in the threshold for first home buyers purchasing vacant land from \$150,000 to \$250,000, with a partial concession for vacant land valued up to \$400,000
- an instalment payment option for land tax liabilities from 2010-11 spreading the tax liabilities over a longer period (in 2009-10, as an interim measure, the payment period for land tax assessments is increased from 30 days to 90 days)
- a 25% rebate on the eligible wages of apprentices and trainees in 2009-10, in addition to these wages being exempt from payroll tax
- a further deferral of the abolition of duty on the transfer of core business assets to 1 July 2013.

One of the Queensland Government's fiscal objectives is to maintain a competitive tax environment. Table 6.6 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 6.6 Queensland's tax competitiveness									
	QLD	NSW	VIC	WA	SA	TAS ⁴	ACT ⁵	NT ⁴	Avg ⁶
Taxation per capita ¹ (\$)	2,087	2,645	2,434	2,557	2,164	1,605	2,883	1,788	2,487
Taxation effort ² (%)	85.6	104.8	101.9	102.8	111.8	92.7	107.5	102.5	100.0
Taxation % of GSP ³ (%)	4.46	5.16	4.80	4.04	4.87	3.90	4.41	2.53	4.75
Notes: 1. 2009 10 data. Sources: QLD, VIC, WA, ACT, NT, SA, TAS 2009 10 Budgets, NSW is a Queensland Treasury estimate based on revisions in other jurisdictions. 2. 2007 08 data. Source: Commonwealth Grants Commission: 2009 Update. 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. 2007 08 data. Sources: ABS 5506.0 and ABS 5220.0. 4. Low taxation per capita primarily reflects the lower revenue raising capacity of those jurisdictions. 5. Includes municipal rates, which are classified by the ABS as state taxation in the ACT, but are imposed by local governments in other jurisdictions. 6. Weighted average of states and territories, excluding Queensland.									

As Table 6.6 shows, taxation per capita in Queensland is significantly lower than the average taxation per capita in the other states and territories. The gap has widened in 2008-09 as Queensland has experienced a more severe downturn in transfer duty revenue than most other states. This is partly the result of Queensland's \$500,000 exemption threshold for first home buyers, which has been the strongest segment of the property market and has provided support to transfer duty in some other jurisdictions.

In contrast to a number of other jurisdictions, Queensland's tax estimates are not based on an improvement in property market activity in 2009-10 and are generally less optimistic about the timing and extent of recovery in taxation revenue in the coming year.

Queensland's tax effort, as measured by the Commonwealth Grants Commission, was more than 14% below the national average in 2007-08. However, this measure is expected to move closer to the national average in the future due to increases in vehicle registration duty (from 1 January 2008), transfer duty (from 1 July 2008), and land tax, gaming machine taxes and light vehicle registration fees (from 1 July 2009).

A third measure of competitiveness, taxation as a share of gross state product (GSP), also confirms that Queensland's taxes are competitive with other states.

GRANTS REVENUE

Grants revenue is comprised of Australian Government grants, grants from the community and industry and other miscellaneous grants. Growth of \$1.463 billion (or 8.5%) in 2009-10 is primarily due to increases in Australian Government capital grants for specific purposes under the *Nation Building and Jobs Plan* and the Council of Australian Government reform agreements, partly offset by a decrease in GST revenue.

Table 6.7 Grants revenue¹			
	2007-08 Actual \$ million	2008-09 Est. Act. \$ million	2009-10 Budget \$ million
Current grants			
Australian Government grants	14,059	14,464	14,614
Other grants and contributions	472	467	411
Total current grants	14,531	14,931	15,025
Capital grants			
Australian Government grants	974	2,331	3,693
Other grants and contributions	17	9	17
Total capital grants	992	2,340	3,710
Total grants revenue	15,523	17,272	18,735
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
- payments for specific purposes, including grants for health, schools, skills and workforce management, disabilities and housing, which are used to meet Australian Government and shared policy objectives.

Australian Government payments to Queensland in 2009-10 are expected to total \$18.307 billion, an increase of \$1.512 billion (or 9%) compared to payments in 2008-09.

**Table 6.8
Australian Government payments¹**

	2007-08 Actual \$ million	2008-09 Est. Act. \$ million	2009-10 Budget \$ million
GST revenue grants and associated payments ²	8,549	7,973	7,585
Total payments for specific purposes ³	6,484	8,822	10,722
Total Australian Government payments	15,033	16,795	18,307

Notes:

1. Numbers may not add due to rounding.
2. 2009 10 includes partial repayment of compensation for GST deferral associated with small business measures announced by the Australian Government in 2006 07.
3. 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 and associated payments

GST revenue grants and associated payments to Queensland in 2009-10 are expected to be \$7.585 billion, which represents a decrease of \$388 million on 2008-09 estimated actuals. GST revenue grants in 2009-10 of \$7.660 billion are expected to be \$889 million (or 10.4%) less than the \$8.549 billion received in 2007-08.

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.

Queensland's share of GST funding (relativity) has declined and is below a population share again in 2009-10. It is expected that the Queensland's relativity and therefore share of GST funding will decline further.

Payments for specific purposes

Australian Government payments for specific purposes to Queensland in 2009-10 are estimated at \$10.722 billion.

Chapter 9 provides detailed background on Commonwealth-state financial arrangements, including an analysis of Queensland's share of GST revenue and details of Australian Government payments to Queensland, including the impact of Council of Australian Government reforms and the Australian Government's Nation Building and Jobs Plan.

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.

Table 6.9			
Other grants and contributions			
	2007-08 Actual \$ million	2008-09 Est. Act. \$ million	2009-10 Budget \$ million
Other grants and contributions	489	476	428

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 5.3% in 2009-10.

Table 6.10			
Sales of goods and services¹			
	2007-08 Actual \$ million	2008-09 Est. Act. \$ million	2009-10 Budget \$ million
Fee for service activities	1,418	1,374	1,338
TransLink	252	277	291
Rent revenue	341	511	605
Sale of land inventory	109	52	101
Hospital fees	305	332	349
Transport and traffic fees	224	257	250
Other sales of goods and services	691	664	717
Total sales of goods and services	3,341	3,466	3,650
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. 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 \$291 million in 2009-10.

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.

From 1 January 2010, Queensland Health will increase fees to overseas visitors and third party insurance patients for accommodation and theatre fees; and outpatient services and emergency department consultation to recover the cost of service provision. There will be no effect on Medicare eligible patients. Additionally, the fees charged to private patients electing for a single room in a public hospital will increase. Further details are provided in Budget Paper 4 – Measures.

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 include items such as Title Registration Fees, recreational ship registrations and other licences and permits.

INTEREST INCOME

Interest income accounts for 5.4% of total General Government revenue in 2009-10.

Table 6.11			
Interest income			
	2007-08	2008-09	2009-10
	Actual	Est. Act.	Budget
	\$ million	\$ million	\$ million
Interest income	(275)	1,261	2,017

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.

The Government has transferred the assets it held 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 allows the State to reduce the volatility in interest income and hence the General Government net operating balance.

Some volatility in interest income remains, associated with the former defined benefit superannuation balances. However, movements in revenue associated with this group are matched by movements in the expense, such that there is not a significant impact on the operating balance. Further detail in relation to this issue is provided in Chapter 7. In addition, a number of statutory bodies hold investments that are subject to market movements.

DIVIDEND AND INCOME TAX EQUIVALENT INCOME

Dividend and income tax equivalent income account for 3.1% of total General Government sector revenue in 2009-10.

Table 6.12
Dividend and income tax equivalent income¹

	2007-08 Actual \$ million	2008-09 Est. Act. \$ million	2009-10 Budget \$ million
Dividend	1,011	853	884
Income tax equivalent income	244	245	266
Total dividend and income tax equivalent income	1,255	1,098	1,150
Note:			
1. Numbers may not add due to rounding.			

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 QR Limited.

Dividends are expected to increase by 3.6% in 2009-10, reflecting a moderate growth in dividends received from the transport sector and others, partly off-set by a reduction in dividends received from the energy sector.

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.

Further detail on dividends, income tax equivalent income and other flows between the Public Non-financial Corporations Sector and the General Government sector is provided in Chapter 5.

OTHER REVENUE

Other revenue accounts for 6.3% of total General Government revenue in 2009-10, down from 11.2% in 2008-09, due to an expected decline in royalty revenue.

Table 6.13 Other revenue¹			
	2007-08 Actual \$ million	2008-09 Est. Act. \$ million	2009-10 Budget \$ million
Royalties and land rents	1,460	3,396	1,806
Fines and forfeitures	219	266	277
Revenue nec	361	356	271
Total Other Revenue	2,040	4,017	2,354
Note: 1. Numbers may not add due to rounding.			

Royalties and land rents

Royalty estimates

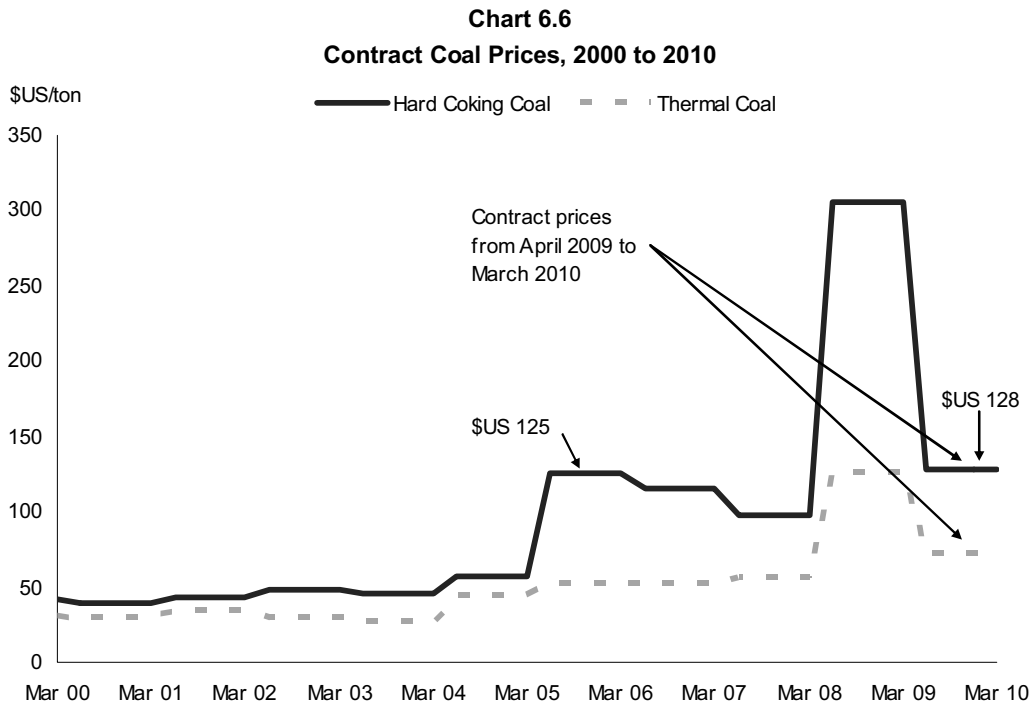
The State earns royalties from the extraction of coal, base and precious metals, bauxite, petroleum, mineral sands and other minerals and land rents from pastoral holdings, mining and petroleum tenures. Royalties return some of the proceeds of the extraction of non-renewable resources to the community.

Royalty and land rent revenue is expected to decrease by \$1.590 billion (or 47%) in 2009-10 due to a substantial fall in coal royalties associated with lower contract coal prices.

Table 6.14 Royalties and land rents¹			
	2007-08 Actual \$ million	2008-09 Est. Act. \$ million	2009-10 Budget \$ million
Coal	993	3,026	1,433
Other royalties ²	376	262	263
Land rents	91	108	110
Total royalties and land rents	1,460	3,396	1,806
Notes: 1. Numbers may not add due to rounding. 2. Includes base and precious metal, petroleum and other minerals royalties.			

Coal royalties make up the bulk of royalty and land rent revenue, accounting for more than 79% in 2009-10. In 2009-10, the coal royalty estimate is \$1.593 billion or 53% lower than in 2008-09, largely reflecting a significant reduction in coal contract prices and a slight decline in export volumes.

Chart 6.6 demonstrates the sharp decline in coal contract prices.



Royalties from base and precious metals are not expected to increase from 2008-09 levels reflecting subdued global demand for commodities.

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.

Fines and forfeitures

The major fines included in this category are traffic and court fines. There is an expected increase of 4% in collections of fines and forfeitures in 2009-10.

Revenue not elsewhere classified

The \$85 million decrease in 2009-10 primarily reflects an expected decline in asset transfers from non-Queensland Government entities.