4. REVENUE

- Estimated State revenue has been revised up by $14.0 billion over the four years to 2026-27 since the 2023 Pre-election Budget Update. This upward revision includes a net $1.5 billion of policy-driven changes. The key drivers of the revisions to estimated revenue are improvements in the property market resulting in higher transfer duty and land tax, and growth in employment and wages driving stronger payroll tax.
- The First Home Buyers Assistance Scheme has been expanded, which will reduce transfer duty paid by first home buyers. The Government has also closed off access to First Home Buyer Choice.
- Coal royalty rates will increase from 1 July 2024 following the end of the Coal Market Price Emergency declaration. Higher royalty rates will ensure that New South Wales receives a fair return on its natural resources to support fiscal repair and rebuild essential services.
- The Government is implementing increased casino duty rates and has reached an agreement with The Star casino that guarantees jobs and commits to cashless gaming. A transitional levy will apply until 30 June 2030 accompanied by a jobs guarantee from The Star. Further rate changes will come into effect from 1 July 2030.
- From 1 January 2024 the stamp duty exemption on electric vehicles (EVs) will cease, with spending redirected to programs that will improve access to EVs and more effectively promote uptake.
- The Government will also introduce legislation to correct the operation of the land tax thresholds indexation system from the 2024 land tax year.

4.1 Revenue

General government sector revenue is projected to increase by 5.8 per cent in 2023-24 to be $112.4 billion. This is $3.8 billion higher than forecast at the 2023 Pre-election Budget Update. This revision is largely due to improvements in the property market driving stronger transfer duty revenue. The State's revenue is expected to grow at an average annual rate of 3.4 per cent over the four years to 2026-27 (Table 4.1).

Chart 4.1: Composition of total revenue, 2023-24

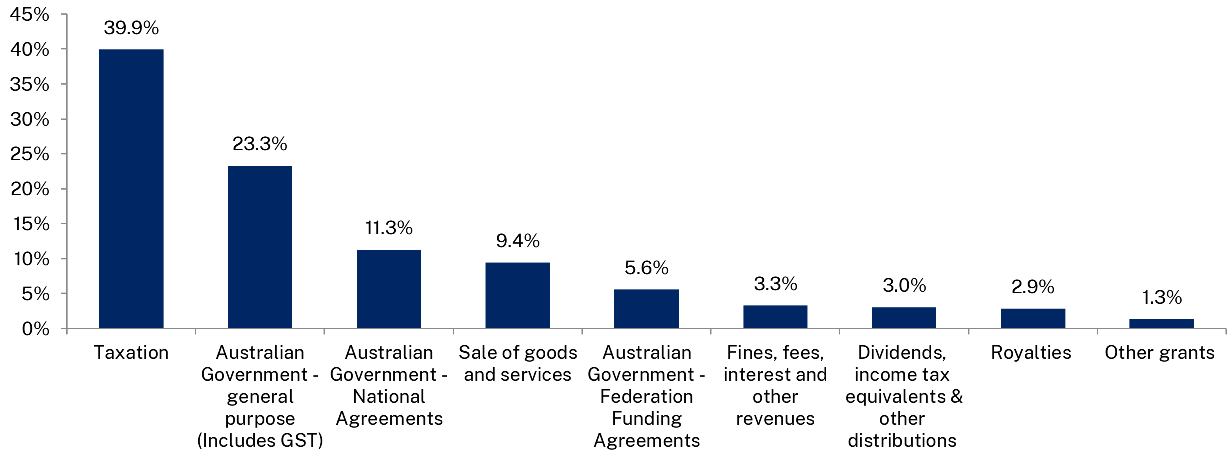


Table 4.1: General government sector – summary of revenue and its components

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	% Average growth p.a. 2022-23 to 2026-27
Revenue from transactions							
Taxation	39,007	39,861	44,862	46,474	47,737	49,297	5.5
Grant revenue (including GST)	44,887	45,572	46,617	48,317	48,497	49,213	1.9
Sale of goods and services	9,451	9,705	10,603	10,744	10,433	10,591	2.2
Interest income	262	545	504	434	386	449	(4.7)
Dividends and income tax equivalents from other sectors	454	612	752	816	1,116	1,212	18.6
Other dividends and distributions	2,442	1,467	2,637	3,285	3,684	4,102	29.3
Royalties	3,709	4,658	3,216	3,718	3,304	3,026	(10.2)
Fines, regulatory fees and other revenues	3,273	3,751	3,189	3,520	3,549	3,681	(0.5)
Total revenue	**103,486**	**106,171**	**112,379**	**117,307**	**118,706**	**121,571**	**3.4**
Annual change	*17.6%*	*2.6%*	*5.8%*	*4.4%*	*1.2%*	*2.4%*	

Over the four years to 2026-27, forecast revenue is expected to be $14.0 billion higher than forecast at the 2023 Pre-election Budget Update.

The main drivers of this upward revision are:

- property market – strength in property transactions and prices has increased transfer duty by $9.5 billion. Land tax is also expected to be $4.9 billion higher due to higher land values
- labour market – resilient employment outcomes and strong wages growth has driven payroll tax revenue to be $2.8 billion higher over the four years to 2026-27.

These upward revisions are partially offset by significant downgrades to both GST revenue due to weaker national household consumption and mineral royalties following further declines in the thermal coal price.

Table 4.2: Revenue reconciliation

	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	Four years to 2026-27 $m
Revenue - 2023 Pre-election Budget Update	**105,244**	**108,577**	**113,783**	**115,693**	**117,906**	**455,958**
Policy changes since 2023 Pre-election Budget Update						
Revenue measures	(19)	154	1,411	1,340	1,238	**4,143**
Revenue related to expense and capital measures	599	168	(1,254)	(572)	(984)	**(2,641)**
Total policy measures	**581**	**322**	**158**	**768**	**254**	**1,502**
Parameter changes since 2023 Pre-election Budget Update						
Taxation						
Payroll tax	412	638	564	589	685	**2,477**
Transfer duty	572	4,485	2,008	874	1,459	**8,826**
Land tax	(39)	329	883	1,573	1,765	**4,549**
Motor vehicle stamp duty	61	109	82	65	67	**324**
Motor vehicle weight tax	80	53	83	118	143	**396**
Casino	(15)	(42)	(41)	(41)	(38)	**(162)**
Property Tax	(5)	9	9	8	8	**33**
Other taxes	0	(210)	(24)	(69)	(63)	**(366)**
Grant revenue						
GST	(183)	(101)	25	(610)	(1,223)	**(1,909)**
National Agreement payments	(88)	(58)	(74)	(96)	53	**(175)**
Federation Funding Agreement payments	1,652	942	279	(303)	(416)	**502**
Other grant revenue	(130)	(693)	(1)	68	174	**(452)**
Sale of goods and services	(867)	(213)	519	534	655	**1,496**
Interest income	19	(8)	(14)	(66)	(0)	**(88)**
Dividends and income tax equivalents	(72)	(15)	67	70	352	**475**
Other dividends and distributions	(765)	(660)	(342)	(267)	(100)	**(1,369)**
Royalties	(829)	(1,202)	(659)	(266)	(134)	**(2,261)**
Fines, regulatory fees and other revenues	542	118	3	63	24	**208**
Total parameter changes and other variations	**346**	**3,481**	**3,366**	**2,245**	**3,411**	**12,504**
Total changes since 2023 Pre-election Budget Update	**927**	**3,803**	**3,524**	**3,013**	**3,666**	**14,006**
Revenue – 2023-24 Budget	**106,171**	**112,379**	**117,307**	**118,706**	**121,571**	**469,964**

4.2 Revenue measures since the 2023 Pre-election Budget Update

Revenue measures since the 2023 Pre-election Budget Update are forecast to increase revenue by $154.0 million in 2023-24 and by $4.1 billion over the four years to 2026-27.

Expenditure and capital decisions (with an indirect impact on revenue) are forecast to have a net negative impact of $2.6 billion over the four years to 2026-27. This is primarily due to reduced revenue from the transition of the Transport Asset Holding Entity (TAHE) from its current operating model as a statutory State Owned Corporation (SOC) to operating as a non-commercial public non-financial corporation (PNFC).

Key revenue decisions since the 2023 Pre-election Budget Update are set out below.

Increased coal royalty rates

The Government will increase coal royalty rates from 1 July 2024. This measure will contribute to fiscal repair and ensure that New South Wales receives a fair return on its natural resources in the current market environment of persistently high coal prices. This measure is estimated to increase coal royalties revenue by $2.7 billion over the four years to 2027-28. For more information see Box 4.4.

Expansion of the First Home Buyers Assistance Scheme

The Government has delivered on its commitment to expand the First Home Buyers Assistance Scheme. The expansion of the First Home Buyers Assistance Scheme is set to deliver an estimated $998.2 million saving for first home buyers over the four years to 2026-27.

Since 1 July 2023, first home buyers who sign contracts to purchase a home have had access to higher stamp duty exemption or concession thresholds under the First Home Buyers Assistance Scheme. First home buyers purchasing a new or existing home can benefit from a full stamp duty exemption for purchases up to $800,000 or receive a stamp duty concession for purchases between $800,000 and $1 million.

Under the former Government's First Home Buyer Choice, eligible first home buyers did not have to pay stamp duty but were required to pay an annual property tax. From 1 July 2023 this scheme was closed off to new applicants, saving $660.0 million over the four years to 2026-27. First home buyers who signed contracts before 1 July 2023 and opted into First Home Buyer Choice have been grandfathered and will continue to pay the annual property tax until they sell their property.

Tax integrity and fairness measures

Duty relief on corporate reconstructions will change. The transfer of assets between the members of a single corporate group for the purpose of restructuring is exempt from transfer duty under certain circumstances. This exemption for corporate reconstructions will be replaced with concessional duty charged at 10 per cent of the duty otherwise payable, applying to transactions occurring on or after 1 February 2024.

Additional integrity measures include changes to the minimum ownership requirement for the principal place of residence exemptions, reducing the threshold for the acquisition of a significant interest in a private unit trust, increases to fixed or nominal duty and clarifying the grounds for the remission of interest.

Additional compliance investments for payroll tax, land tax and transfer duty

The Government is making additional investments in the compliance systems of Revenue NSW. This is expected to increase payroll tax revenue by $337.0 million, land tax revenue by $225.5 million and transfer duty revenue by $87.5 million over the four years to 2026-27.

Removal of stamp duty exemption and rebate for certain vehicles

From 1 January 2024, stamp duty exemptions and rebates for the purchase of EVs will cease. The liability for the Road User Charge (RUC) will also change so that all zero and low-emissions vehicles (including plug-in hybrids) registered for the first time or transferred from 1 January 2024, will be liable to pay the RUC from the earlier of 1 July 2027 or when EVs amount to 30 per cent of new vehicle sales. Taking account of delivery delays, transitional arrangements will preserve the stamp duty exemptions and rebates for people who contract to purchase an EV before 1 January 2024.

The Government is implementing this change to redirect spending to programs that more effectively encourage uptake of EVs. Savings of $260 million will be used to implement the revised EV Strategy.

Revision of casino duty rates

Casino duty rates announced by the former Government in December 2022 have been revised. Details of the changes are in Box 4.1. Relative to the revenue forecast under those duty rates, the changes are expected to decrease revenue by $432.0 million over the four years to 2026-27.

Corrections to the operation of the land tax thresholds system

The Government will revise the operation of the land tax thresholds system, with effect from the 2024 land tax year.

An anomaly in the land tax indexation formula and an error in calculations underpinning the 2021 land tax threshold have produced higher than intended land tax thresholds for the last three land tax years. This has resulted in under-collection of land tax of around $250 million.

Amending legislation will revise the indexation formula and ensure the NSW Valuer General can determine the correct land tax threshold for the 2024 land tax year. The Government will also allow more time for the NSW Valuer General to gazette the land tax thresholds, moving the due date from 15 October to the first Friday of December from the 2023 calendar year.

This measure does not recoup past under-collections but seeks to ensure that the error is not repeated and the land tax base is not eroded. This correction is estimated to increase land tax revenue by $250.5 million over the four years to 2026-27.

Free parking at all rural and regional public hospitals

From 1 August free parking was implemented at rural and regional NSW public hospitals for all patients, staff and visitors on an ongoing basis. This is expected to reduce revenue by $19.0 million over the four years to 2026-27.

Remove ticket fees for New Year’s Eve Fireworks

The Government will open up government-owned sites around the Sydney Harbour foreshore to the public this New Year’s Eve for free, lowering revenue from ticket sales.

Other revenue measures

Other more minor revenue measures include a range of price and fee adjustments to improve cost recovery.

Table 4.3: New revenue measures

	2023-24 $m	2024-25 $m	2025-26 $m	2026-27 $m	Four years to 2026-27 $m
Increased coal royalty rates	...	886.5	784.4	716.0	**2,386.9**
Expansion of the First Home Buyers Assistance Scheme	(229.2)	(231.0)	(272.0)	(266.0)	**(998.2)**
Tax integrity and fairness measures	124.5	256.0	289.0	289.0	**958.5**
Closing off access to First Home Buyer Choice	88.0	179.7	203.7	188.6	**660.0**
Additional compliance investments for payroll tax, land tax and transfer duty	140.0	200.0	200.0	110.0	**650.0**
Removal of Electric Vehicle Stamp Duty Exemption and Rebate	37.1	111.2	140.8	208.9	**498.0**
Revision of casino duty rates	(96.0)	(101.0)	(114.0)	(121.0)	**(432.0)**
Corrections to the operation of the land tax thresholds system	68.6	59.2	60.0	62.7	**250.5**
Free parking at all rural and regional public hospitals	(4.5)	(4.7)	(4.8)	(5.0)	**(19.0)**
Remove ticket fees for NYE Fireworks	(3.2)	(3.3)	(3.4)	(3.4)	**(13.3)**
Other revenue measures	28.7	58.6	55.9	58.1	**201.3**
Total - Revenue measures	**154.0**	**1,411.2**	**1,339.6**	**1,237.9**	**4,142.7**

4.3 Taxation revenue

Taxation revenue is expected to be $44.9 billion in 2023-24 (see Table 4.2), which is $5.5 billion higher than forecast at the 2023 Pre-election Budget Update. Over the four years to 2026-27, taxation revenue has been revised upwards by $17.6 billion. The upgrade to taxation revenue is largely due to improvements in transfer duty revenue driven by the stronger-than-expected recovery in the property market and stronger payroll tax revenue due to continued strength in the labour market.

Table 4.4: General government sector – summary of taxation revenue

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 $m	2026-27 $m	% Average growth p.a. 2022-23 to 2026-27
Stamp duties							
Transfer duty	14,356	9,712	11,737	11,798	11,902	12,196	5.9
Insurance	1,318	1,465	1,559	1,649	1,745	1,847	6.0
Motor vehicles	939	1,076	1,149	1,200	1,259	1,331	5.5
Other	2	0	0	0	0	0	17.2
	16,615	**12,253**	**14,445**	**14,648**	**14,906**	**15,374**	**5.8**
Payroll tax	**9,069**	**11,665**	**12,654**	**13,168**	**13,955**	**14,769**	**6.1**
Taxes on land							
Land tax	4,838	5,999	6,948	7,300	7,129	6,941	3.7
Property tax	-	2	16	15	14	13	60.5
	4,838	**6,001**	**6,965**	**7,315**	**7,143**	**6,954**	**3.8**
Taxes on motor vehicle ownership and operation							
Weight tax	2,478	2,682	2,998	3,263	3,477	3,660	8.1
Vehicle transfer fees	50	53	56	60	62	65	5.0
Other motor vehicle taxes	38	45	48	52	55	58	6.8
	2,566	**2,780**	**3,101**	**3,375**	**3,594**	**3,782**	**8.0**
Gambling and betting taxes							
Racing	256	371	395	418	439	459	5.5
Club gaming devices	633	939	921	947	973	999	1.6
Hotel gaming devices	824	1,293	1,337	1,445	1,555	1,670	6.6
Lotteries and lotto	578	561	516	530	544	558	(0.1)
Casino	129	195	235	249	254	265	8.0
Other gambling & betting	10	17	18	19	20	21	6.4
	2,431	**3,374**	**3,421**	**3,608**	**3,784**	**3,972**	**4.2**
Other taxes and levies							
Health insurance levy	263	236	253	268	286	304	6.5
Parking space levy	102	95	102	107	111	114	4.6
Emergency services levy contributions	909	1,171	1,392	1,334	1,205	1,178	0.1
Emergency services council contributions	186	220	211	191	187	189	(3.7)
Waste and environment levy	719	873	894	940	971	998	3.4
Government guarantee fee	321	324	390	458	500	537	13.5
Private transport operators levy	47	67	70	76	83	89	7.5
Pollution control licences	18	19	18	18	18	18	(1.3)
Other taxes	923	783	946	967	995	1,020	6.8
	3,487	**3,789**	**4,277**	**4,360**	**4,355**	**4,447**	**4.1**
Total taxation revenue	**39,007**	**39,861**	**44,862**	**46,474**	**47,737**	**49,297**	**5.5**
Annual change	*13.4%*	*2.2%*	*12.5%*	*3.6%*	*2.7%*	*3.3%*	

Payroll tax

A resilient labour market and rising wages have resulted in a $2.8 billion upgrade to payroll tax revenue over the four years to 2026-27 compared to the forecast in the 2023 Pre-election Budget Update. Additional compliance activity is also expected to contribute an additional $337.0 million over the four years to 2026-27. With the demand for labour showing tentative signs of easing, payroll tax growth is expected to moderate over the forward estimates.

Transfer duty

The outlook for the property market has improved considerably since the 2023 Pre-election Budget Update, increasing transfer duty revenue by $9.5 billion over the four years to 2026-27. A cyclical recovery in transaction volumes has supported rising prices, despite higher interest rates.

Residential transactional activity has increased sooner than expected at the 2023 Pre-election Budget Update (see Chart 4.2). Strong momentum in transaction volumes is expected to continue in the near term. This is a result of property owners, who had delayed the decision to transact, re-entering the property market as interest rate expectations start to stabilise.

Having fallen sharply in 2022, residential property prices have increased by 8.8 per cent since January 2023. Despite affordability pressures, property prices have been elevated by low listings, strong population growth and a low rental vacancy rate. Looking ahead, the pace of property price growth is forecast to be more subdued. Residential property prices are expected to increase by 2.3 per cent each year on average over the forward estimates.

Chart 4.2: Residential property transactions (seasonally adjusted; quarterly)

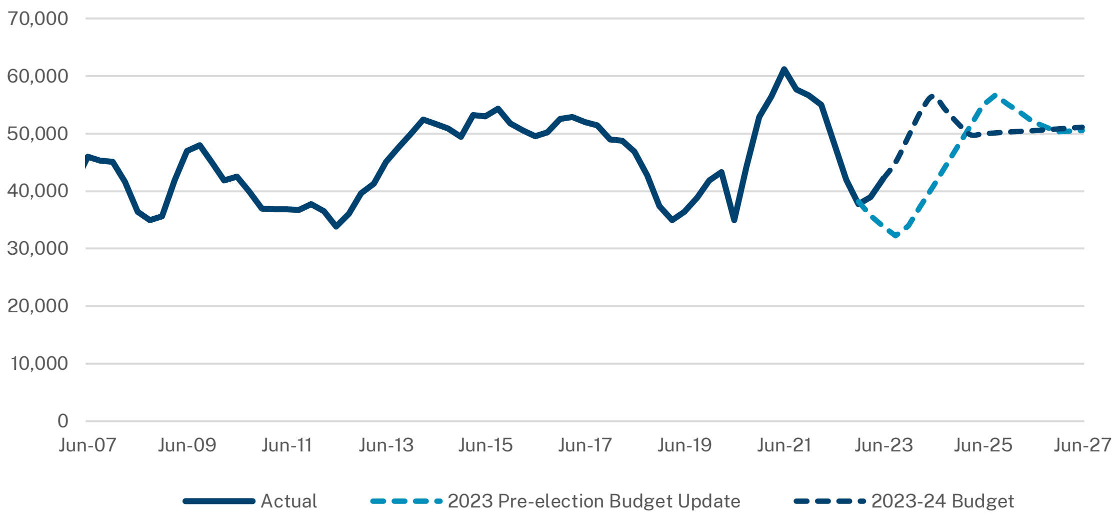
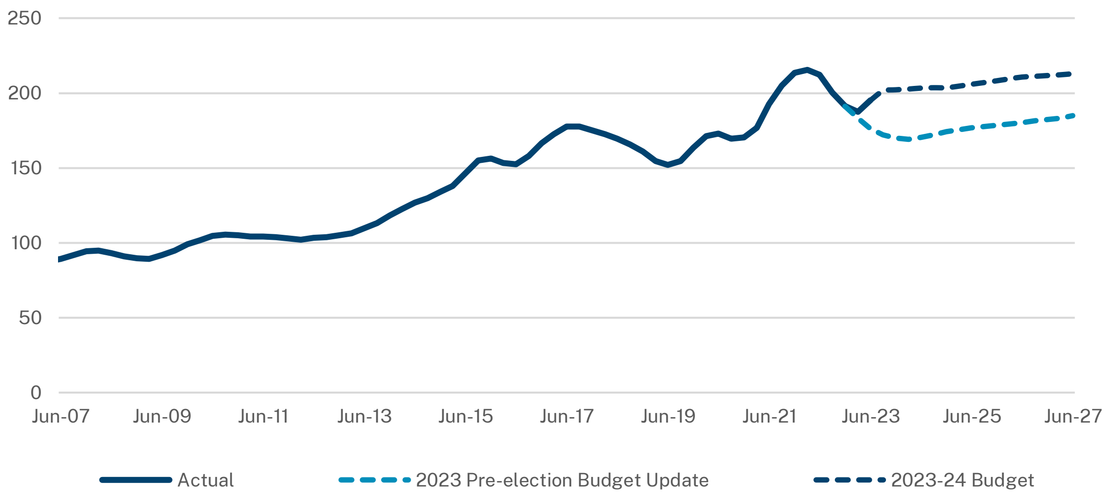


Chart 4.3: Sydney hedonic dwelling price index (quarterly)



Land tax

Land tax revenue is forecast to be $6.9 billion in 2023-24, $446.9 million above previous expectations. Over the four years to 2026-27, land tax revenue is forecast to be $4.9 billion higher than expected at the 2023 Pre-election Budget Update. This uplift is due to expectations for higher land values following the recent recovery in property prices. In addition, corrections to the operation of the land tax thresholds are estimated to increase land tax revenue (see Section 4.2 above). This is partially offset by an estimated reduction in land tax of $85.0 million per year from 2024-25 due to the decision to transition TAHE from a SOC to a non-commercial PNFC. As part of the transition, TAHE will no longer be subject to land tax on land used for railway purposes.

Gambling and betting taxes

Gambling tax revenue is forecast to be $3.4 billion in 2023-24. This is $346.8 million lower than forecast at the 2023 Pre-election Budget Update. Over the four years to 2026-27, forecast gambling tax revenue has been revised down by $1.5 billion. This reflects lower gaming machine activity in both clubs and hotels, a more subdued outlook for Sydney's casinos and lower casino tax rates.

The recent announcement by the Government to revise the casino tax rates announced in the 2022-23 Half-Yearly Review contributes $432.0 million to the downgrade in forecast casino duty over the four years to 2026-27. For further discussion on the impact of the Government's casino tax rate changes, please refer to Box 4.1 below.

Box 4.1: Changes to casino tax rates to ensure an orderly transition for casino operators

In December 2022 the former Government announced increases to casino tax rates. Subsequent Treasury analysis of The Star's financial situation indicated those previously announced rates could threaten The Star's ongoing financial viability.

In August 2023 the Government announced revised casino duty rates, to deliver an increase in tax revenue that is consistent with The Star's ongoing viability. This agreement has been made on the basis of a jobs guarantee that will provide protection for more than 3,000 jobs over the next six years. As part of this agreement, The Star has also agreed to contribute to the industry transition to cashless gaming.

Increased table game duty rates

The Star will pay increased duty on table games, with effect from 1 July 2023. The revised table game rates are 12.5 per cent for rebate play and 20.25 per cent for non-rebate play. A rebate player is a premium gambler who does not live in New South Wales.

The final gaming machine tax rates will deliver the same effective rates as Victoria.

The duty rate for The Star's gaming machines is currently 20.91 per cent, rising to 21.91 per cent from 1 July 2024, and then to 22.91 per cent from 1 July 2027. From 1 July 2030, the following marginal duty rates will be applied to electronic gaming machines:

Monthly Average Revenue (applied per gaming machine)	Tax Rate (excluding GST)
Less than $2,666	0.0 per cent
$2,666 or more and less than $6,667	37.6 per cent
$6,667 or more and less than $12,500	42.1 per cent
$12,500 or more	51.6 per cent

The agreement includes an additional levy of 35 per cent on total gaming revenue that exceeds $1.125 billion in a financial year. This levy applies in addition to other duty rates and will operate from 1 July 2023 to 30 June 2030. This structure preserves a base level of revenue for The Star, while providing the Government with a share of any upside in The Star's financial performance.

Supporting more than 3,000 New South Wales jobs with a jobs guarantee

As part of the agreement with The Star, more than 3,000 New South Wales jobs will be protected by the jobs guarantee agreement. If The Star became unviable, jobs in businesses that provide goods and services to the casino would also be at risk, including those in other sectors of the economy that service its hotel and restaurants.

Under the jobs guarantee, The Star will maintain an agreed number of employees and an agreed mix of full-time, part-time and casual workers. If the agreement is not maintained, The Star will pay the Government up to $100,000 per quarter for each job and up to $1 million per quarter if the agreed mix of workers is not maintained.

Cashless gaming

The Star has agreed to introduce 50 cashless gaming machines and eight cashless gaming tables in high-traffic areas from 31 October 2023. This commitment is in addition to existing legislative requirements that all gaming machines at The Star will be cashless by 30 August 2024.

Taxes on motor vehicle ownership and operation

Motor vehicle taxes are expected to be $3.1 billion in 2023-24, marking an increase of $71.7 million compared to the 2023 Pre-election Budget Update. Projections for motor vehicle taxes have been revised up by $531.0 million over four years to 2026-27. The revision can be primarily attributed to strong growth in the vehicle fleet and the forecast inflation rate which feeds directly into indexation of weight tax rates.

Other stamp duties

This category incorporates insurance duty and motor vehicle registration duty.

Insurance duty revenue is forecast to grow at an average annual rate of 6.0 per cent over the four years to 2026-27.

Motor vehicle registration duty has been revised up by $821.5 million over the four years to 2026-27, compared to 2023 Pre-election Budget Update. This movement is attributed to an adjustment resulting from changes in forecast vehicle prices and the removal of the EV stamp duty exemption.

Levies

Health Insurance Levy is forecast to grow at an average annual rate of 6.5 per cent over the four years to 2026-27. Since the 2023 Pre-election Budget Update revenue from Health Insurance Levy remains broadly unchanged over the four years to 2026-27.

Parking space levy has been revised down by $40.5 million over the four years to 2026-27 since the 2023 Pre-election Budget Update. This is primarily due to weaker-than-expected collections in 2022-23.

Other taxes and levies

Revenue from the Emergency Services Levy insurer contribution and the Emergency Services council contribution is forecast to increase by $83.8 million over the four years to 2026-27 compared to previous expectations. The overall increase across the four years is driven primarily by higher-than-expected prior years' expenditures and service enhancements for the emergency services agencies.

Revised expectations for indexation of the waste and environment levy have increased forecast revenue by $476.3 million over the four years to 2026-27, compared to the 2023 Pre-election Budget Update.

Government guarantee fee revenue has been revised up by $316.6 million over the four years to 2026-27 since the 2023 Pre-election Budget Update. This is primarily due to higher borrowings by Sydney Water required to fund new capital projects to service growth, particularly in the Western Sydney Aerotropolis Growth Area and South West Growth Area.

4.4 Grant revenue

Grant revenue is primarily from the Australian Government and consists of:

- general purpose grants (including GST)
- specific purpose payments, in the form of National Agreements and Federation Funding Agreements (formerly National Partnerships and Project Agreements).

Grant revenue is expected to increase by $868.9 million in 2023-24 to $46.6 billion before reaching $49.2 billion in 2026-27.

Table 4.5: Grant revenue

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	% Average growth p.a. 2022-23 to 2026-27
Australian Government - general purpose grants	23,298	26,024	26,193	27,246	27,680	28,896	2.7
GST revenue (including "no worse off" payments)	23,297	26,024	26,179	27,241	27,679	28,895	2.7
Other general purpose grants	1	0	14	5	1	1	57.2
Australian Government - National Agreements	11,100	12,286	12,644	13,306	14,003	14,736	4.7
Australian Government - Federation Funding Agreements	9,220	5,837	6,279	6,354	5,344	4,076	(8.6)
Other Australian Government payments	475	459	457	498	524	564	5.3
Total Australian Government grants	**44,092**	**44,605**	**45,573**	**47,405**	**47,551**	**48,272**	2.0
Annual change in Australian Government grants	*26.1%*	*1.2%*	*2.2%*	*4.0%*	*0.3%*	*1.5%*	
Other grants	795	967	1,044	912	946	940	(0.7)
Total grant revenue	**44,887**	**45,572**	**46,617**	**48,317**	**48,497**	**49,213**	**1.9**

General purpose grants

GST payments to New South Wales have been revised down by $1.9 billion over the four years to 2026-27, largely reflecting a decline in the forecast of the national GST pool. These effects have been partially offset by higher forecasts for the NSW population share. GST payments to New South Wales are forecast to grow by 2.7 per cent per year, on average, over the four years to 2026-27.

The national GST pool is expected to be $2.3 billion lower over the four years to 2026-27, compared to 2023 Pre-election Budget Update forecasts. This largely reflects downward revisions to expectations for the share of total consumption subject to GST, and slightly weaker national household consumption.

New South Wales' relativity (the per capita share of the national GST pool) is expected to be lower over the forecast period, notably in 2025-26 and 2026-27. This is largely due to the forecast improvements in both transfer duty and land tax revenues.

Table 4.6: GST (including "no worse off") revenues to New South Wales – reconciliation statement[(a)]

	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Four years to 2026-27 $m
2023 Pre-election Budget Update	**26,207**	**26,280**	**27,216**	**28,289**	**30,118**	**111,903**
Change due to:						
Change in population	32	56	69	76	86	287
Change in pool	(215)	(133)	(105)	(174)	(265)	(677)
Change in relativities	...	(18)	(170)	(925)	(1,643)	(2,756)
'No worse off' payments	...	(7)	232	413	599	1,237
2023-24 Budget	**26,024**	**26,179**	**27,241**	**27,679**	**28,895**	**109,994**
Change since 2023 Pre-election Budget Update	**(183)**	**(101)**	**25**	**(610)**	**(1,223)**	**(1,909)**

(a) The Australian Government will provide separate untied grants in the form of "no worse off" payments from 2021-22 to 2026-27 so that states and territories are not adversely affected by changes to horizontal fiscal equalisation. These payments are not part of the GST pool, are counted as other general purpose grant revenue and are not assessed by the Commonwealth Grants Commission.

Box 4.2: The no worse off guarantee and reduced Australian Government support for New South Wales

The GST floor was introduced in 2018 to ensure that all states and territories received a guaranteed minimum 70 per cent share of GST revenue. From 2024-25, the floor will be revised upwards to 75 per cent.

The GST floor is accompanied by a no worse off guarantee which ensures that states and territories are not financially disadvantaged by the introduction of the floor. The no worse off guarantee will expire in 2027-28 and will impact New South Wales' forward estimates for the first time in the next Budget.

The guarantee has historically only been necessary when mining revenue in Western Australia was elevated. Analysis undertaken by the Board of Treasurers found that at times when the guarantee is triggered, the Australian Government benefits from higher mining revenue through increased company tax revenue. The Australian Government finds the guarantee affordable because it is only triggered at times when their budget is also benefitting from higher revenue.

The end of the GST no worse off guarantee would be disastrous for New South Wales. It is the money required to employ more than 8,000 nurses or teachers. The end of the guarantee would risk essential services and require reintroduction of inefficient taxes.

Given the serious damage that would be caused, and the Australian Government's commitment to essential services, it is not credible that the no worse off guarantee should end. Therefore, future budget planning will be made on the assumption the GST no-worse off guarantee continues.

National Agreements

This category consists of payments for specific purposes from the Australian Government to the states and territories under the:

- National Health Reform Agreement
- National School Reform Agreement
- National Housing and Homelessness Agreement
- National Agreement for Skills and Workforce Development.

National Agreement payments are projected to decrease by $174.7 million over the four years to 2026-27 relative to the 2023 Pre-election Budget Update. This is mainly due to a significant reduction in New South Wales' funding under the National School Reform Agreement due to downward revisions to the Australian Government's forecast of enrolments for New South Wales public schools. This is partially offset by increased funding under the National Agreement for Skills and Workforce Development and the National Housing and Homelessness Agreement due to an upward revision to the Australian Government's wage cost indices.

Table 4.7: National Agreement payments to New South Wales

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26	2026-27	% Average growth p.a. 2022-23 to 2026-27
Health	7,144	8,192	8,359	8,880	9,434	10,019	5.2
Education	2,958	3,101	3,248	3,367	3,488	3,618	3.9
Skills and workforce development	502	499	522	538	549	558	2.9
Affordable housing	496	493	516	521	532	541	2.3
Total National Agreements	**11,100**	**12,286**	**12,644**	**13,306**	**14,003**	**14,736**	**4.7**

Federation Funding Agreements

The Australian Government provides payments to support specified projects, ongoing service delivery or service delivery improvements.

NSW Government revenue from Federation Funding Agreements is expected to be $1.1 billion higher over the four years to 2026-27 compared to the 2023 Pre-election Budget Update. This increase is mainly due to:

- increased funding from the Australian Government's Implementing the Murray Darling Basin Plan Reform and the National Water Infrastructure Development Fund totalling $177.4 million. This increase largely relates to the reprofiling of existing funding with the renegotiation of milestones and timeframes for several projects currently underway
- an increase in payments over the four years to 2026-27 for the HomeBuilder program due to an extension on the application deadline for existing program participants, resulting in a reprofiling of future payments
- an additional $34.4 million in both 2023-24 and 2024-25 under the Public Dental Services for Adults Agreement. The Australian Government, as part of the Long-Term Dental Funding Reform, has budgeted to extend the Agreement to June 2025
- increased funding from the Australian Government's contribution to the National Energy Bill Relief Fund which will help fund bill relief for eligible small businesses and households and the Energy Price Relief Plan which caps the price of coal for electricity generation.

Revenue in this category is also impacted by reprofiling of Australian Government funding for natural disaster relief and transport infrastructure projects. The cancellation or reduction of a number of Australian Government transport payments following the 2023-24 Federal Budget also negatively impacts revenue in 2025-26 and 2026-27 in particular.

Table 4.8: Funding Agreement payments to New South Wales

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward estimates $m	2025-26 $m	2026-27 $m	% Average growth p.a. 2022-23 to 2026-27
Transport	1,837	2,522	3,773	4,457	3,473	2,955	4.0
Education and skills	231	264	196	153	111	11	(54.5)
Disability	630	350	362	...	...	...	(100.0)
Health	2,316	142	148	202	15	3	(61.4)
Environment	221	1,309	924	1,005	1,345	224	(35.7)
Other	3,985	1,250	875	537	399	883	(8.3)
Total Federation Funding Agreement payments	**9,220**	**5,837**	**6,279**	**6,354**	**5,344**	**4,076**	**(8.6)**

Box 4.3: Social housing accelerator (Australian Government Grants)

The Australian Government Social Housing Accelerator Fund provides $610.1 million to New South Wales to increase and improve social housing supply. New South Wales aims to deliver a permanent increase of around 1,500 social housing dwellings with this funding.

Funds will be used across a range of programs to permanently increase social housing stock. This includes:

- an immediate restoration program for current vacant social properties to reinstate them into service
- a medium density housing program across regional New South Wales including dual occupancies
- delivery of new housing by the Aboriginal Housing Office and Aboriginal Community Housing Providers
- fast tracking delivery of social homes by the Land and Housing Corporation
- mixed tenure developments with Community Housing Provider partnerships and further investment through the Community Housing Innovation Fund towards dwellings delivered by Community Housing Providers.

Other Australian Government payments

Since the 2022-23 Pre-election Budget Update, Other Australian Government payments have been revised down by $458.4 million over the four years to 2026-27, mainly due to a reclassification to other grants. Revenue from Other Australian Government payments are expected to increase by 5.3 per cent per year annum on average over the four years to 2026-27.

Other grants

Other grants are expected to provide $1.0 billion in 2023-24 and decline by 0.7 per cent per year on average over the four years to 2026-27.

4.5 Non-tax revenues

Sale of goods and services

Sales of goods and services revenue is expected to be $10.6 billion in 2023-24. Over the four years to 2026-27, revenue in this category has been revised up by $1.4 billion compared to the 2023 Pre-election Budget Update. The upwards revision reflects the following:

- $922.3 million in additional revenue reprofiled from 2022-23 from TAHE for management of capital projects. This includes $300.0 million from TAHE relating to the election commitment on accessibility and car park upgrades at train stations
- $244.7 million in revenue relating to NSW TrainLink for maintenance costs of the Mariyung Fleet
- $118.8 million in higher special number plate revenues.

These increases are partially offset by $159.1 million in tolling revenues deferred to later years from the revised open to traffic date for the Western Harbour Tunnel.

Table 4.9: Sale of goods and services

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	% Average growth p.a. 2022-23 to 2026-27
Rents and leases	276	304	255	310	334	321	1.4
Fee for service	2,902	2,644	3,110	2,832	2,321	2,320	(3.2)
Entry fees	46	59	71	82	84	87	9.9
Patient fees and hospital charges	1,089	1,228	1,143	1,187	1,232	1,279	1.0
Department of Veterans' Affairs	111	138	119	108	98	88	(10.5)
Court fees	131	161	162	166	169	169	1.2
Road tolls	112	136	166	173	199	216	12.4
Other sales of goods and services	4,783	5,036	5,577	5,887	5,997	6,112	5.0
Sale of goods and services	**9,451**	**9,705**	**10,603**	**10,744**	**10,433**	**10,591**	**2.2**

Interest income

Interest income includes returns on managed bond investments, including investments made by TCorp, and interest earned on bank deposits and funding facilities. Interest revenue is expected to be $135.5 million lower over the four years to 2026-27. This largely reflects an updated profile for the Regional Rail project.

Dividends and income tax equivalents

SOCs and NSW Treasury Corporation pay dividends that provide appropriate returns on the Government's equity investment in these entities. They also make income tax equivalent payments to ensure competitive neutrality.

Dividends and income tax equivalents are estimated to be $1.8 billion lower over the four years to 2026-27 relative to the 2023 Pre-election Budget Update. This is largely due to the Government's decision that TAHE will no longer be required to pay dividends and income tax equivalents from 2023-24, as part of its transition to a non-commercial PNFC operating model.

The downgrade in dividends and income tax equivalents is partially offset by increased revenue from TCorp due to higher financial markets revenue and an increase in revenue from Sydney Water due to the gradual introduction of infrastructure contributions from 2024-25 and increased forecast revenue in line with the anticipated Independent Pricing and Regulatory Tribunal's pricing determination for Sydney Water commencing 1 July 2025.

Other dividends and distributions

Other dividends and distributions are received from entities other than SOCs, as well as from the State's equity investment in associated entities such as Ausgrid and Endeavour Energy. Over the four years to 2026-27, other dividends and distributions have been downgraded by $3.1 billion. Key drivers include the suspension of contributions to the NSW Generations Fund in 2023-24 and reduced contributions over the remaining three years, as well as the bring-forward of planned Restart NSW spend reducing returns from the NSW Infrastructure Future Fund. Higher returns from the Social and Affordable Housing Fund and Snowy Hydro Legacy Fund are expected to provide a slight offset.

Fines, regulatory fees and other revenue (excluding royalties)

Fines revenue forecast has been revised down by $226.2 over the four years to 2026-27 primarily due to revised expectations on infringement volumes for the mobile speed camera program resulting from the reintroduction of warning signage.

Regulatory fees have been revised up by $145.9 million over the four years to 2026-27 primarily due to an accounting reallocation of revenue from sale of goods and services revenue.

Table 4.10: Fines, regulatory fees and other revenues

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	% Average growth p.a. 2022-23 to 2026-27
Fines	812	800	682	720	736	739	(1.9)
Regulatory fees	131	138	177	179	181	184	7.4
Other revenues	2,331	2,814	2,331	2,621	2,631	2,759	(0.5)
Total fines, regulatory fees and other revenues	**3,273**	**3,751**	**3,189**	**3,520**	**3,549**	**3,681**	(0.5)

Royalties

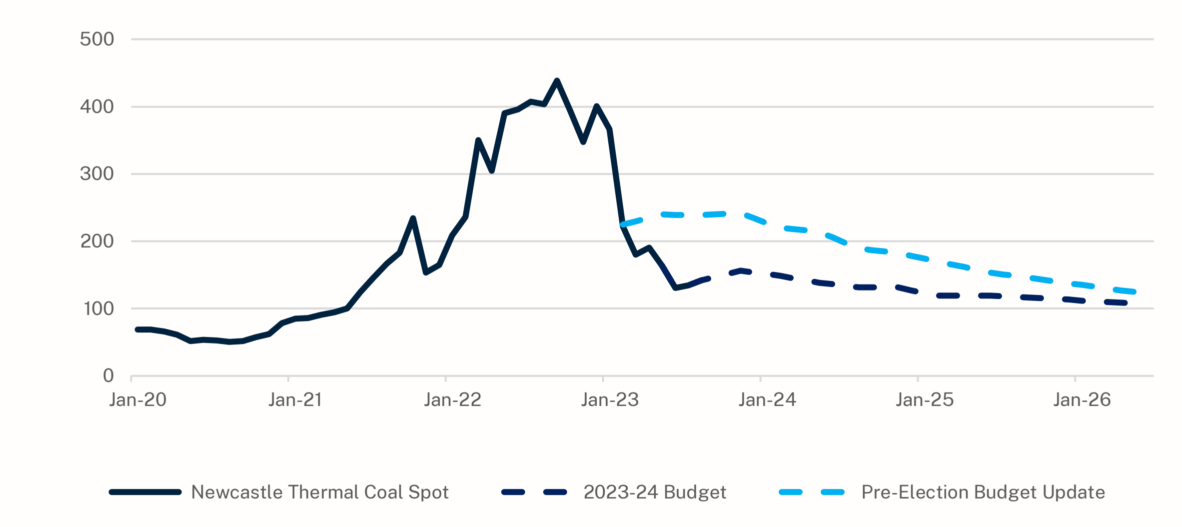
Since the 2023 Pre-election Budget Update, thermal coal prices have continued to fall. This is following weaker European demand due in part to warmer-than-expected conditions during the last northern hemisphere winter. High stockpiles of thermal coal and LNG have contributed to supply levels outstripping demand, putting further downward pressure on prices.

The outlook for international market conditions and mineral royalties continues to be volatile. Since mid-July 2023, the thermal coal spot price has started to trend upwards following strong energy demand due to hot summer conditions in China and possible industrial action at Western Australian LNG facilities.

Since the 2023 Pre-election Budget Update the dominant near-term influences on royalties revenue have been weakening in thermal coal prices and weaker export volumes due to the ongoing impacts of heavy rainfall on mine production. Mineral royalties revenue is forecast to be $1.2 billion lower in 2023-24 compared to the previous forecast.

From 1 July 2024, higher coal royalty rates will apply (see Box 4.4). Excluding the impact of revised royalty rates, mineral royalties revenue over the four years to 2026-27 has been revised down by $2.3 billion relative to expectations at the 2023 Pre-election Budget Update. This is due largely to a significant downward revision to the thermal coal spot price forecast (see Chart 4.4 below).

Chart 4.4: Newcastle thermal coal spot price ($US per tonne)



Box 4.4: Coal royalties

The Coal Market Price Emergency declaration will end on 30 June 2024. Thereafter, coal royalty rates will increase by 2.6 percentage points to ensure that the people of New South Wales receive a fair return for the natural resources the State owns. From 1 July 2024, royalty rates will increase from 8.2 per cent to 10.8 per cent for open cut coal; from 7.2 per cent to 9.8 per cent for underground coal (mines less than 400 metres below ground); and from 6.2 percent to 8.8 per cent for deep underground coal (mines more than 400 metres below ground).

Coal royalties were last changed in January 2009, when rates were increased by 1.2 percentage points. Between then and July 2021, export thermal coal prices averaged around US$85 per tonne. Since 2021, a range of external factors, including the Russian invasion of Ukraine, has led to an unprecedented surge in the price of energy commodities, including coal.

The increase in coal royalty rates ensures New South Wales continues to receive a fair return on its natural resources in the current market environment of persistently high coal prices. This change will raise an estimated $2.7 billion over the four years to 2027-28 and provide an ongoing lift in royalty revenue over the long-term.