# 4. Revenue

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| * The Government’s program of tax reductions is continuing, with further rounds of payroll tax cuts and transfer duty threshold indexation commencing in 2019-20. * Total revenue for New South Wales in 2019-20 is estimated at $84.3 billion, and $354.0 billion in the four years to 2022-23. * While individual revenue sources can be highly volatile, the State’s diverse revenue base is expected to support average annual growth of 3.2 per cent in the four years to 2022‑23. * A forecast recovery of housing market transaction volumes, and a return to positive price growth during 2019-20, will support forecast annual growth of transfer duty averaging 5.2 per cent in the four years to 2022-23. * Payroll tax is growing steadily, with average growth of 4.6 per cent forecast in the four years to 2022-23. This is underpinned by forecasts of robust employment and an increasing contribution from wage growth. * The forecast for GST revenue (including ‘no worse off’ payments) has been reduced by $290.0 million in 2018-19 and $2.3 billion in the four years to 2021-22, with a significant reduction in the national GST pool. |

## A continuing program of tax reductions

The Government is continuing with its program of tax cuts, including implementing indexation of transfer duty thresholds and further reductions in payroll tax.

### Indexing transfer duty thresholds to the Consumer Price Index

As announced in the 2018-19 Half-Yearly Review, from 1 July 2019 transfer duty thresholds will be indexed to the Sydney Consumer Price Index. This will gradually increase thresholds and over time, reduce the amount of transfer duty paid on property purchases. With the exception of the 2004 introduction of additional duty on residential properties valued over $3 million, transfer duty brackets had not changed since 1986.

### A new $900,000 payroll tax threshold in 2019-20

As announced in the 2018-19 Budget, the payroll tax threshold will be increased progressively from its previous level of $750,000 in 2017-18 to $1.0 million in 2021-22. The threshold will be increased from its current level of $850,000 in 2018-19 to $900,000 in 2019-20, $950,000 in 2020-21 and $1.0 million in 2021-22. This year’s increase in the payroll tax threshold will save New South Wales’ businesses $187.0 million and further threshold increases over the next two years will provide savings of $571.0 million.

## 2019-20 Budget revenue measures

The 2019-20 Budget announces new tax reductions totalling $66.0 million over the four years to 2022-23, including measures to provide drought assistance and relief from surcharge taxes for certain foreign retirees.

1. New revenue measures

Table 4.1: New revenue measures

### Foreign Investor Surcharge exemption for retirement visa holders

From 1 July 2019, holders of retirement visas (subclass 410 and 405) will be exempt from foreign investor surcharges on transfer duty and land tax for principal places of residence. This measure will better align the treatment of visa holders in New South Wales with other states. The exemption will reduce Foreign Investor Surcharge revenue by $16.0 million over the four years to 2022‑23.

### Drought Assistance Package 2019-20

Additional drought relief will provide $50.0 million for one-year relief from Local Land Services annual rates and $10.0 million in Farm Innovation Fund loan interest relief in 2019-20.

### Fee-free training

In fulfilling its election commitments, the Government will fund fee-free traineeships for young job seekers, and fee-free training and career advice to mature aged workers, reducing revenue from the sale of goods and services by $25.5 million in the four years to 2022-23.

From 1 January 2020, 70,000 fee-free traineeships will be provided to young job seekers through Smart and Skilled Vocational Education and Training (VET) providers. The Government will also provide free TAFE qualifications and career counselling for up to 30,000 mature aged workers who are seeking to re-train or re-enter the workforce.

### More Trains, More Services Stage 2

The Transport cluster will increase service capacity on the T4 Eastern Suburbs and Illawarra Line, T8 Airport Line and South Coast Line by 2021-22. This will increase fee for service revenue from RailCorp (under the Transport Asset Holding Entity) by $1.2 billion over the three years to 2021-22.

### Fast Rail Network

The Government will provide $295.0 million in additional funding to start early works for the Fast Rail Network, increasing fee for service revenue from RailCorp to Transport for NSW.

### More express trains for Western Sydney

This measure provides eight additional express train services on the T1 Western Line across morning and evening peak periods. As a result, fee for service revenue from RailCorp to Transport for NSW will increase by $66.6 million over the three years to 2021-22.

### Transfer of the Country Regional Network to RailCorp

From 1 July 2019, the Country Regional Network will move from the general government sector under Transport for NSW to the public non-financial corporations sector under RailCorp. This will increase fee for service revenue by $293.9 million over the four years to 2022-23.

## General government revenue

General government revenue is estimated to be $81.1 billion in 2018-19, $137.6 million lower than forecast in the 2019 Pre-election Budget Update (see Chart 4.1). The main drivers of change since the 2019 Pre‑election Budget Update are an increase of $639.0 million in other dividends and distributions, which is partially offset by a $290.0 million downward revision in GST revenue and a $173.0 million downward revision in transfer duty.

1. Changes in 2018-19 revenue – 2019 Pre-election Budget Update to 2019-20 Budget

Chart 4.1: Changes in 2018-19 revenue – 2019 Pre-election Budget Update to 2019-20 Budget

Revenue is forecast to reach $84.3 billion in 2019-20, $3.2 billion higher than revenue in 2018‑19. Taxation revenue will account for 37.8 per cent of this total, while Commonwealth grants, including GST, will provide 38.4 per cent (see Chart 4.2).

1. Composition of total revenue, 2019-20

Chart 4.2: Composition of total revenue, 2019-20

General government revenue is expected to grow at an average annual rate of 3.2 per cent over the four years to 2022-23 (Table 4.2). Taxation revenue is forecast to grow by 4.1 per cent per annum on average over the four years to 2022‑23, supported by a recovery in transfer duty. GST revenue is expected to grow at an average annual rate of 4.5 per cent over the four years to 2022-23.

1. General government sector - summary of revenue

Table 4.2: General government sector - summary of revenue  

The increase in forecast revenue since the 2019 Pre-election Budget Update in the four years to 2021-22 is $675.0 million (Table 4.3). Highlighting the volatility in individual revenue sources, significant revisions include:

* an upward revision of other dividends and distributions of $1.8 billion in part due to strong fund performance in 2019, and changes to expected NSW Generations Fund and Social and Affordable Housing Fund distributions from applying the recently introduced Attribution Managed Investment Trust regime
* a downward revision to forecast GST revenue (including ‘no worse off’ payments) of $2.3 billion, due to revisions of the GST pool
* a reduction in land tax of $328.7 million, reflecting a decline in residential land values[[1]](#footnote-2)
* reduced transfer duty of $232.2 million, as the downturn in residential property transactions in the first half of 2019 was slightly greater than expected1
* reduced revenue from fines, fees and other revenue totalling $955.6 million.

1. Revenue reconciliation

Table 4.3: Revenue reconciliation 

## Taxation revenue

State taxation revenue is forecast to be $31.8 billion in 2019-20 (see Table 4.4). Payroll tax is the largest single source of taxation revenue, accounting for 30.8 per cent in 2019‑20 (see Chart 4.3), followed by transfer duty, which is forecast to account for 21.6 per cent. Taxation revenue growth is expected to average 4.1 per cent per annum in the four years to 2022-23.

1. General government sector – summary of taxation revenue

Table 4.4: General government sector – summary of taxation revenue 


The volatility of transfer duty revenue is a significant fiscal challenge for New South Wales. During the property market boom, transfer duty grew to be the State’s largest tax, representing 31.4 per cent of tax revenue in 2016-17 (Chart 4.3). The decline in the property market over the past 18 months has seen forecast transfer duty fall to 21.6 per cent of tax revenue in 2019‑20. Since the 2017-18 Budget, the four-year forecast for transfer duty has been reduced by $10.6 billion.

1. Composition of taxation revenue

Chart 4.3: Composition of taxation revenue

### Transfer duty

Transfer duty revenue is expected to be $7.4 billion in 2018-19, $173.0 million lower than forecast at the 2019 Pre-election Budget Update. Excluding the WestConnex transaction, total transfer duty is expected to grow by 1.0 per cent in 2019-20, and at an average annual rate of 7.3 per cent in the four years to 2022-23. Downward revisions in the near term are largely a result of the residential property market. Upward revisions in the outer years of the forecast period incorporate higher forecasts for large non‑residential transactions.

Residential transfer duty is expected to grow at an average annual rate of 8.8 per cent over the four years to 2022-23. This forecast is largely driven by the expected return to average transaction volumes. As interest rate cuts and relaxed credit restrictions flow through into increased lending, residential transaction volumes are forecast to rebound strongly from the middle of 2019 (see Chart 4.4). Price growth, however, is expected to be restrained during the forecast period, largely keeping pace with inflation.

1. Residential transaction volumes

Chart 4.4: Residential transaction volumes

Source: Revenue NSW, ABS 3101.0, NSW Treasury

Weakness in the residential property market has been partially offset by the non-residential property market. Setting aside the WestConnex transaction, revenue from transfers of commercial property is expected to grow at an average annual rate of around 4.0 per cent in the four years to 2022-23. The increased share of large commercial transactions during the forecast years is likely to increase volatility of transfer duty revenue.

### Other stamp duties

Other stamp duties include insurance duty and motor vehicle registration duty. Revenue from other stamp duties is expected to reach $1.8 billion in 2018-19 – an upward revision of $46.2 million since the 2019 Pre-election Budget Update.

Insurance duty has been higher than expected in 2018-19, resulting in a $33.0 million upward revision in expected revenue. A higher revenue base in 2018-19 contributes to an upward revision of $82.0 million in the subsequent three years to 2021-22, which is partially offset by slightly lower forecasts for the underlying economic drivers.

Motor vehicle registration duty in 2018-19 is expected to be $12.0 million higher than forecast at the 2019 Pre-election Budget Update, reflecting slightly higher-than-expected growth of vehicle prices. Motor vehicle registration duty has been revised down by $25.0 million over the three years to 2021-22 reflecting a revised outlook for new vehicle sales.

### Payroll tax

Payroll tax is the State’s largest source of taxation revenue. Payroll tax revenue in 2018-19 is expected to be $9.4 billion, an upward revision of $222.6 million since the 2018-19 Budget and $19.3 million since the 2019 Pre-election Budget Update. Payroll tax revenue has been stronger than expected since the 2018-19 Budget due to higher-than-expected growth in employment, partially offset by weaker-than-expected growth of wages.

Payroll tax revenue of $9.8 billion is forecast for 2019‑20, growing by 4.5 per cent from 2018‑19. Payroll tax revenue over the four years to 2022-23 is forecast to grow at an average annual rate of 4.6 per cent. This is slightly below the long-run average of 5.1 per cent (see Chart 4.5), reflecting increases in the tax-free threshold, which reduces the growth in payroll tax revenue. In 2019-20, the threshold will be $900,000, increasing to $1.0 million by 2021-22.

1. Payroll tax growth

Chart 4.5: Payroll tax growthSource: NSW Treasury

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| 1. Businesses to benefit from streamlined payroll tax system   In November 2018, the Government accepted all 12 recommendations to streamline and modernise the payroll tax system made by a NSW Productivity Commission Review of Payroll Tax Administration. The government has already made good progress in implementing the recommendations to boost business productivity. The changes, which will take effect from 1 July 2019, include:   * monthly returns will be replaced with a single annual return for businesses with payroll tax liabilities up to $20,000 per annum * pre-set monthly payments will be available for businesses with liabilities between $20,000 and $150,000 per annum, freeing them from the need to prepare detailed calculations every month * all businesses will have an extra week to submit their annual reconciliation.   Revenue NSW is updating its systems and processes to implement the remaining Review recommendations, including improved materials to support a greater focus on early engagement and education, as well as improvements to its audit process. Through the Board of Treasurers and other relevant interjurisdictional forums, New South Wales is actively leading work to progress recommendations for greater harmonisation across jurisdictions, broadening the productivity benefits of the Review right across the nation. |

### Land tax

Land tax revenue is expected to be $4.2 billion in 2018-19, in line with the 2019 Pre‑election Budget Update. Forecast land tax has been reduced by $334.9 million over the three years to 2021‑22.

Residential land values are forecast to decline by 9.0 per cent in 2019, while commercial land values are forecast to rise by 2.0 per cent, reflecting movements in property prices.

Land tax is forecast to grow by 2.0 per cent in the four years to 2022-23.

### Taxes on motor vehicle ownership and operation

Motor vehicle taxes are expected to be $7.0 million higher in 2018-19 than at the 2019   
Pre-election Budget Update.

Compared to the 2018-19 Budget, motor vehicle taxes are expected to be $63.0 million lower in 2018‑19, reflecting slower growth in the vehicle stock. Motor vehicle tax revenue is expected to grow by 4.1 per cent on average each year over the four years to 2022-23.

### Gambling and betting taxes

Gambling tax revenue is expected to be $2.6 billion in 2018-19, with an upward revision of $83.9 million since the 2019 Pre-election Budget Update and $168.7 million since the 2018-19 Budget. However, gambling tax revenue has been revised downwards by $178.0 million over the three years to 2021-22 since the 2019 Pre-election Budget Update.

Casino revenue has been revised up by $75.0 million in 2018-19 and down by $202.4 million over the three years to 2021-22 since the 2019 Pre-election Budget Update. Lotteries revenue has been revised up by $100.5 million since the 2019 Pre-election Budget Update over the four years to 2021-22, reflecting an unexpected increase in the number of high lottery jackpots and stronger expectations of growth in lotteries revenue.

### Other taxes and levies

Other taxes and levies are expected to provide $3.2 billion in 2018-19, growing at an average annual rate of 3.5 per cent in the four years to 2022-23. Revenue from the Emergency Services Levy (including insurer and council contributions) is forecast to be $1.1 billion in 2019-20 and $4.7 billion over the four years to 2022-23. The increase, relative to the 2018-19 Budget, is largely due to additional contributions to the workers compensation scheme to provide greater care and support for firefighters diagnosed with one of 12 prescribed cancers. This legislative change was approved by Parliament with support from across the major and minor parties and was included in the 2018-19 Half-Yearly Review and the 2019 Pre‑election Budget Update.

Revenue from waste and environment levies is forecast to provide $770.8 million in 2019‑20 and $3.1 billion over the four years to 2022-23, reflecting revised expectations for volume growth in leviable waste.

In 2019-20, Local Land Services annual rates have been revised down by $50.0 million due to the decision to waive this payment as part of the 2019-20 Drought Relief Package.

## Grant revenue

Grant revenue is comprised primarily of general purpose grants (including GST) and specific purpose revenues in the form of funding under National Agreements and National Partnerships. Total Commonwealth grant revenue is expected to grow by 3.5 per cent to $32.4 billion in 2019‑20 and by an average of 4.3 per cent per annum over the four years to 2022-23 (see Table 4.5).

1. Grant revenue

Table 4.5: Grant revenue  

### General purpose grants

Forecast New South Wales GST revenue (including ‘no worse off’ payments) has been reduced by $2.3 billion over the four years to 2021-22 compared to the 2019 Pre-election Budget Update. Building on a significant downward revision to the GST pool in the Commonwealth’s 2018-19 Mid-Year Economic and Fiscal Outlook (MYEFO), the Commonwealth’s 2019-20 Budget further lowered forecasts of the national GST pool by $8.3 billion over the four years to 2021‑22. This included a reduction of $1.8 billion in 2019-20.

GST revenue is estimated to be $18.7 billion in 2019-20, 4.8 per cent higher than in 2018‑19, with average growth of 4.5 per cent per annum over the four years to 2022-23 (see Table 4.6).

The GST pool is expected to grow at an average of 4.4 per cent per annum in the four years to 2022-23. Over the same period, New South Wales’ relativity is forecast to rise, reflecting Western Australia’s current strong royalty revenues as well as the recent downturn in the housing market, felt particularly in New South Wales and Victoria.

Downside risks to the national GST pool forecast include weaker household consumption and dwelling investment, and changes in the share of consumption subject to GST. The possibility of elevated iron ore prices beyond 2019 presents an upside risk for New South Wales’ share of GST. The potential significance of these risks is considered further in *Appendix B: Fiscal Risks and Budget Sensitivities*.

1. GST revenues to New South Wales – reconciliation statement(a)

Table 4.6: GST revenues to New South Wales – reconciliation statement

1. The Commonwealth Government will provide separate untied grants between 2021-22 to 2026-27 to ensure states and territories are financially no worse off under changes to the Horizontal Fiscal Equalisation system (‘no worse off’ payments). These payments are not part of the GST pool and are counted as other general purpose grant revenue.

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| 1. Transitional costs for the new Horizontal Fiscal Equalisation (HFE) scheme are growing rapidly   The Commonwealth Government legislated changes to HFE in late 2018 as a response to the Productivity Commission inquiry into HFE (the PC inquiry). The changes included a new HFE benchmark and a transition plan to 2026-27.  New South Wales estimates the new HFE system will cost the Commonwealth $8.7 billion in the four years to 2022-23. This is $5.7 billion higher than the Commonwealth estimated in its interim response to the PC inquiry in July 2018 (see Chart 4.6).  Western Australia is projected to receive $7.7 billion in total from 2019-20 to 2022-23 including $4.7 billion to support a Commonwealth-funded 0.70 relativity floor. Payments to Western Australia are now expected to be $5.3 billion higher than the Commonwealth had estimated in its interim response to the PC inquiry.   1. Commonwealth HFE transition costs     The increase in total HFE scheme costs reflects Western Australia’s current strong royalty revenues and the Commonwealth Grants Commission’s recent assessment that Western Australia’s relative wage pressures had decreased substantially. In addition, recent housing market downturns concentrated in New South Wales and Victoria have also increased their relativities – resulting in higher ‘no worse off’ payments.  New South Wales led efforts through the Board of Treasurers to secure a legislated ‘no worse off’ guarantee from the Commonwealth.  The Commonwealth’s ‘no worse off’ guarantee is in place over a six-year period to 2026-27. Based on New South Wales projections, the Commonwealth will provide $1.9 billion nationally and $720.0 million to New South Wales in ‘no worse off’ payments in 2021-22 and 2022-23.  State Treasurers will continue to work together to ensure the Commonwealth’s ‘no worse off’ guarantee is upheld. This includes New South Wales leading on measures through the Board of Treasurers to ensure overall Commonwealth tied funding is not reduced. However, there is a risk to New South Wales’ revenue if the Commonwealth does not meet its legislated obligations to ensure states are no worse off as a result of the scheme.  Western Australia’s 2019-20 Budget demonstrates how the Commonwealth’s new HFE arrangements delivers Western Australia a significant windfall and competitive advantage. Western Australia will now return to surplus in 2018-19, assisted by a $434.0 million prepayment of the Commonwealth funded 0.70 relativity floor. Western Australia can also spend more on services and provide a lower tax burden than other states.  According to Western Australia’s 2019-20 Budget, the projected $5.0 billion in Commonwealth GST top up payments to 2021-22 will fund debt reduction and also deliver Western Australia’s lowest increase in household tariffs, fees and charges since 2006-07. Western Australia is also now planning to increase targeted investments in key services and job creating initiatives. |

### National Agreements

National Agreements provide ongoing payments for specific purposes from the Commonwealth to the states.

Revenue from National Agreements is forecast to total $10.4 billion in 2019‑20, an increase of 3.0 per cent on 2018‑19. This growth will rise to an average annual rate of 5.1 per cent over the four years to 2022‑23. Table 4.7 summarises National Agreement payments by key service delivery area.

Since the 2019 Pre-election Budget Update, revenue from National Agreements has fallen by $127.9 million over the four years to 2021-22. This is primarily due to amendments to health activity level assumptions.

1. National Agreement payments to New South Wales

Table 4.7: National Agreement payments to New South Wales 

### National Partnerships

The Commonwealth provides National Partnership payments to support specified projects, ongoing service delivery or service delivery improvements.

New South Wales revenue from National Partnerships is expected to be $2.9 billlion in 2019‑20, and is expected to fall by 6.2 per cent per annum on average over the four years to 2022‑23. This is primarily due to the DisabilityCare Australia Fund payment profile and the expiry of some National Partnerships during this period.

Transport infrastructure revenue comprises the largest component of total National Partnership revenues, with $1.7 billion expected in 2019-20 and $6.1 billion over the four years to 2022-23 (see Table 4.8).

1. National Partnership payments to New South Wales(a)

Table 4.8: National Partnership payments to New South Wales

1. The implementation of AASB 15 and 1058 from 2019-20 onwards means it is not possible to compare infrastructure grants with prior years.
2. Includes Asset Recycling Initiative payments.

Changes to accounting standards affect National Partnership infrastructure grant revenues from 1 July 2019 (see Box 4.3 below).

Since the 2019 Pre-election Budget Update, Commonwealth transport grants have increased by $343.1 million over the four years to 2021-22, primarily due to changes in the accounting standards, additional funding for Urban Congestion Fund projects and other roads funding announced in the Commonwealth’s 2019-20 Budget.

National Partnership infrastructure funding provided in the Commonwealth 2019-20 Budget continues New South Wales’ funding disadvantage on a per capita basis relative to other states. For example, Queensland is expected to receive more than double New South Wales average per capita allocation of Commonwealth infrastructure funding over the four years from 2018-19.

Since the 2019 Pre-election Budget Update, an additional $97.8 million over the four years to 2021‑22 has been provided for Stage 1 of the Sustainable Diversion Limits Adjustment Supply and Constraints Measures in the Murray-Darling Basin. The funding profile of the Project Agreement for Small Business Regulatory Reform has also been adjusted to reflect receipt of $56.9 million from the Commonwealth in 2019-20 rather than 2018-19.

The Commonwealth 2019-20 Budget provided one-year extensions to the National Partnership on Public Dental Services for Adults to 2019-20 and the National Partnership on Universal Access to Early Childhood Education to the end of the 2020 calendar year. These extensions deliver additional funding of $135.4 million to 2020-21. The ad hoc rolling nature of these agreements highlights the need for greater funding certainty and sustainability in areas of national priority and ongoing service delivery by states in partnership with the Commonwealth.

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| 1. Budget impacts from the new revenue accounting standards   From 1 July 2019, two new accounting standards affecting revenue will apply: AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-For-Profit Entities*.  AASB 15 and AASB 1058 change the timing of the recognition of revenue to be aligned with the completion of the related performance obligations of the State. This means the payment profile is adjusted regarding Commonwealth tied grants to New South Wales under some infrastructure related National Partnership Agreements. A small component of this impact also applies to long‑term licences issued by the State.  The impact on revenue varies across each year of the budget and forward estimates (see Table 4.9 below).   1. Impact of AASB 15 and AASB 1058 on general government sector revenue  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | 2018-19(a) | 2019-20 | 2020-21 | 2021-22 | 2022-23 | |  | Revised | Budget | Forward Estimates | | | |  | $m | $m | $m | $m | $m | | Total revenue (before impact of AASB 15/1058) | 81,128 | 84,168 | 87,799 | 89,810 | 92,065 | | Impact of AASB 15 and AASB 1058 | ... | 148 | (167) | 208 | (56) | | **Total revenue at 2019-20 Budget** | **81,128** | **84,316** | **87,632** | **90,018** | **92,009** |  1. The 2018-19 revised estimate is not affected as the new accounting standards are effective from 1 July 2019.   For a full reconciliation of the impact of all new accounting standards applying from 1 July 2019 reflected in the 2019-20 Budget, see Table A2.5 in Appendix A2 *Statement of Significant Accounting Policies and Forecast Assumptions*. |

### Other Commonwealth payments

Other Commonwealth payments are forecast to be $409.9 million in 2018-19. This represents an $18.9 million downgrade in revenue since the 2019 Pre-election Budget Update. Over the three years to 2021-22, other Commonwealth payments have been revised down by $74.2 million. Downward revisions over the three years mainly reflect revised expectations for Commonwealth funding to the Ministry of Health.

### Other grants

Other grants are expected to provide $581.1 million in 2018-19 and grow by 2.1 per cent over the four years to 2022-23. This forecast is broadly unchanged relative to the 2019 Pre-election Budget Update.

## Other revenues

### Sale of goods and services

Sale of goods and services is expected to generate revenue of $8.8 billion in 2018-19, and is forecast to grow by 0.5 per cent in the four years to 2022-23.

In 2018-19, sale of goods and services revenue has been revised down by $230.6 million compared to the 2019 Pre-election Budget Update. This is due to lower fee for service revenue associated with the transfer of North West Metro assets from RailCorp to Sydney Metro and lower revenue to Infrastructure NSW associated with offsetting reductions in spending on Walsh Bay Precinct and Western Sydney Stadium projects. This is partially offset by stronger revenue associated with the Highly Specialised Drugs arrangements, under which the Commonwealth provides funding for specialised medicines prescribed by public hospitals.

Over the three years to 2021-22, upward revisions to sale of goods and services revenue include higher revenue from the highly specialised drugs arrangements. Passenger revenue is also higher in the three years to 2021-22 due to recognition of Newcastle and Inner West bus services farebox revenue resulting from new accounting standard AASB 15 *Revenue*. This is partially offset by a reduction in Property NSW rental income due to the new accounting standard AASB 16 *Leases*.

Fee for service revenue has been revised up by $2.0 billion since the 2019 Pre-election Budget Update over the three years to 2021-22 driven by the approval of $1.2 billion for More Trains, More Services Stage 2, which will deliver increased rail services and more resilient infrastructure. Work on the proposed fast rail network will also increase fee for service revenue, paid by Railcorp to Transport for NSW, over the three years to 2021-22.

1. Sale of goods and services

Table 4.10: Sale of goods and services

### Interest income

Interest income includes returns on managed bond investments, including investments made by TCorp, and interest earned on bank deposits, and is expected to be $531.0 million in 2018‑19. Forecast increases in 2018-19 are primarily due to higher investments in TCorpIM Funds.

### Dividends and income tax equivalents

State-owned corporations pay dividends that provide a commercially appropriate return on government investment. These dividends support investment in essential government services.

Dividends and income tax equivalents have been revised down by $38.7 million in 2018-19 since the 2019 Pre-election Budget Update. This is driven by lower distributions from Landcom due to delayed sales settlements and slowing land sales. In addition, dividends from Sydney Water in 2018-19 will be lower due to the impact of drought-driven costs including the costs of desalination, and conservation and maintenance expenses.

Dividends and income tax equivalents are expected to be $380.8 million higher over the three years to 2021-22 since the 2019 Pre-election Budget Update. The most important contributor to this change is an increased dividend in 2019-20 as part of a capital restructuring that allows TCorp to return previously retained earnings to government.

### Other dividends and distributions

Other dividends and distributions are received from entities other than State Owned Corporations and are expected to be $1.8 billion in 2018-19. Since the 2019 Pre-election Budget Update revenue from other dividends and distributions has been revised up by $639.0 million in 2018-19 and $1.2 billion over the three years to 2021-22.

The upward revision in 2018-19 reflects a rebound in financial markets since the start of 2019, resulting in higher distributions from the Government’s investment funds. Upward revisions beyond 2018-19 are due to the application of the recently introduced Attribution Managed Investment Trust (AMIT) regime changing the reported expected distributions for the NSW Generations Fund and the Social and Affordable Housing Fund. This has been partially offset by a reduction in forecast distributions from the Government’s retained interests in Ausgrid and Endeavour, attributable to the Australian Energy Regulator’s recent determination of regulated revenues from each business for the 2019-2024 period.

### Royalties

Changes in the forecasts for mineral royalties since the 2019 Pre-election Budget Update reflect the offsetting influence of two forces. Lower expectations for the exchange rate will increase the expected Australian dollar value of royalty revenue, while lower export prices for coal are expected to lower revenue. In 2018-19, the effect of lower coal prices is expected to dominate, lowering revenue by $73.0 million since the 2019 Pre-election Budget Update. In the three years to 2021-22, a lower exchange rate is expected to dominate.

Lower expectations for coal prices reflect the influence of various factors, including increased domestic production and reduced import demand in China, competition from Russian coal in key markets of South Korea and China, and cheaper LNG prices leading to substitution away from coal by some electricity generators. Export volumes and domestic sales are expected to be largely unchanged during the forecast period.

### Fines, regulatory fees, licences and other revenue

### Total revenue from fines, regulatory fees, licences and other revenue is expected to be $2.9 billion for 2018-19 and is forecast to grow at an average annual rate of 3.9 per cent over the four years to 2022-23.

### Fines revenue will be $646.8 million in 2018-19, an $88.0 million downward revision since the 2019 Pre-election Budget Update, largely reflecting lower-than-expected motor traffic fines.

### Revenue from regulatory fees has been revised down over the four years to 2021-22 due to lower-than-expected electoral fines, and lower Special Infrastructure Contributions (SIC) reflecting changed timing for the declaration of new SIC areas.

Other revenues are forecast to grow at an average annual rate of 2.6 per cent over the four years to 2022-23. The greatest contribution to this growth arises from the accounting recognition of non-cash revenue received in 2022-23 relating to the NorthConnex and WestConnex motorways.

1. Fines, regulatory fees, licences and other revenues

Table 4.11: Fines, regulatory fees, licences and other revenues

1. Includes both policy and parameter changes [↑](#footnote-ref-2)