4. REVENUE

- New South Wales will receive a lower share of the national GST pool than expected at the 2023-24 Half-Yearly Review. As a result of the Commonwealth Grants Commission's 2024 Update, the forecast for NSW GST payments was revised down by $11.9 billion over the four years to 2027-28.
- Despite high interest rates, the property market remains resilient, with higher-than-anticipated growth in both dwelling prices and transaction volumes contributing to an upgrade to forecast transfer duty revenue. Flow on impacts to unimproved land values see similar upgrades to land tax.
- Estimated revenue has been revised up by $10.7 billion over the four years to 2027-28 since the 2023-24 Half-Yearly Review. This upward revision includes a net $2.4 billion in revenue measures. The key drivers of the revisions to estimated revenue are increased taxation revenue from transfer duty and land tax, off the back of a strong property market.
- From the 2025 land tax year, administrative indexation arrangements will be aligned with most other jurisdictions by fixing the land tax thresholds at their 2024 land tax year values.
- The NSW Government will work with private health insurers to ensure that correct room rates are being paid to public hospitals.
- The Government will increase the foreign owner land tax surcharge from 4 per cent to 5 per cent from the 2025 land tax year onwards. Commencing 1 January 2025, the foreign purchaser duty surcharge will also increase from 8 per cent to 9 per cent.
- The Bulk-Billing Support Initiative provides payroll tax relief to certain medical centres, expected to reduce payroll tax revenue by $180.8 million over the four years to 2027-28.

4.1 Revenue

General government sector revenue is projected to increase by 6.9 per cent in 2024-25 to $118.5 billion. This is $732.9 million higher than forecast at the 2023-24 Half-Yearly Review. This revision is largely due to policy changes, increased Federation Funding Agreement payments including restoration of previously cancelled infrastructure funding, as well as higher transfer duty and land tax revenue. Total revenue is expected to grow at an average annual rate of 3.6 per cent over the four years to 2027-28 (Table 4.1).

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

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	% Average growth p.a. 2023-24 to 2027-28
Revenue from transactions							
Taxation	39,747	44,503	48,345	51,123	52,977	55,466	5.7
Grant revenue (including GST)	45,572	47,019	47,934	46,786	47,162	48,380	0.7
Sale of goods and services	9,700	9,869	10,344	10,877	11,024	10,969	2.7
Interest income	545	738	645	545	564	534	(7.8)
Dividends and income tax equivalents from other sectors	483	675	786	1,208	1,212	1,315	18.1
Other dividends and distributions	1,467	1,456	3,074	3,467	3,553	3,786	27.0
Royalties	4,658	2,932	3,815	3,355	3,116	3,021	0.8
Fines, regulatory fees and other revenues	3,730	3,650	3,587	3,898	4,043	4,149	3.3
Total revenue	**105,901**	**110,842**	**118,530**	**121,259**	**123,650**	**127,620**	**3.6**
Annual change	*2.3%*	*4.7%*	*6.9%*	*2.3%*	*2.0%*	*3.2%*	

Over the four years to 2027-28, forecast revenue is expected to be $10.7 billion higher than forecast at the 2023-24 Half-Yearly Review.

The main drivers of this upward revision are:

- a strong property market and the decision to align the administrative indexation arrangements with most other jurisdictions by fixing the land tax thresholds at their 2024 levels, leading to a $4.1 billion upgrade to transfer duty revenue and a $5.6 billion upgrade (of which $1.5 billion relates to new policy measures) to land tax revenue over the four years to 2027-28
- increases in funding from the Australian Government under the Disaster Recovery Funding Arrangements, extension of the Energy Bill Relief Fund and additional funding for road infrastructure projects
- higher thermal coal prices and export volumes, contributing to an increase in mineral royalties of $481.6 million (accounting for a decrease of $15.4 million relating to new policy measures).

These upward revisions are partially offset by:

- decreases to GST revenue, driven by revised relativity forecasts following the Commonwealth Grants Commission's 2024 Update
- lower other dividends and distributions from the Government's decision to cease contributing to the NSW Generations (Debt Retirement) Fund
- downgrades to payroll tax revenue due to weaker collections year-to-date and a weaker outlook for average compensation of employees.

Table 4.2: Revenue reconciliation

	2023-24 Revised $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Four years to 2027-28 $m
Revenue – 2023-24 Half-Yearly Review	**111,054**	**117,797**	**119,212**	**121,081**	**122,254**	**480,344**
Policy changes since 2023-24 Half-Yearly Review						
Revenue measures	5	437	551	610	766	**2,364**
Revenue related to expense and capital measures	(211)	540	659	1,480	959	**3,638**
Total policy measures	**(206)**	**977**	**1,210**	**2,090**	**1,725**	**6,002**
Parameter changes since 2023-24 Half-Yearly Review						
Taxation						
Payroll tax	(198)	(283)	(431)	(379)	(479)	**(1,574)**
Transfer duty	(219)	849	1,458	911	913	**4,131**
Land tax	(8)	99	569	1,269	1,809	**3,745**
Motor vehicle stamp duty	(30)	(7)	(3)	1	3	**(6)**
Motor vehicle weight tax	30	29	23	21	24	**97**
Casino	5	(2)	(1)	(2)	1	**(5)**
Other taxes	(78)	13	32	57	149	**250**
Grant revenue						
GST	867	(1,042)	(1,863)	(2,473)	(817)	**(6,195)**
National Agreement payments	100	185	89	63	196	**533**
Federation Funding Agreement payments	183	710	336	157	138	**1,341**
Other grant revenue	159	(160)	(194)	(86)	(134)	**(575)**
Sale of goods and services	(615)	(449)	423	402	1,357	**1,733**
Interest income	74	87	65	37	7	**196**
Dividends and income tax equivalents	(99)	(96)	(129)	(105)	(95)	**(425)**
Other dividends and distributions	(412)	(314)	62	144	6	**(102)**
Royalties	(125)	80	119	172	126	**497**
Fines, regulatory fees and other revenues	358	59	284	291	435	**1,069**
Total parameter changes and other variations	**(7)**	**(244)**	**837**	**479**	**3,640**	**4,712**
Total changes since 2023-24 Half-Yearly Review	**(213)**	**733**	**2,047**	**2,569**	**5,365**	**10,715**
Revenue – 2024-25 Budget	**110,842**	**118,530**	**121,259**	**123,650**	**127,620**	**491,059**

4.2 Revenue measures since the 2023-24 Half-Yearly Review

New revenue measures since the 2023-24 Half-Yearly Review are forecast to improve revenue by $436.8 million in 2024-25 and by $2.4 billion over the five years to 2027-28.

Expenditure and capital decisions (with an indirect impact on revenue) are forecast to have a net positive impact of $3.4 billion over the five years to 2027-28. This is primarily due additional funding under the Disaster Recovery Fund Arrangements, the establishment of a portable long service leave scheme for the community services sector and additional Australia Government funding for land transport projects.

Key revenue decisions since the 2023-24 Half-Yearly Review are set out below.

Land tax thresholds administrative indexation arrangements

The land tax threshold and premium rate threshold are indexed based on annual growth in average land values across New South Wales over the previous three years. In the 2024 land tax year, the land tax threshold was set at $1,075,000 and the premium rate threshold was set at $6,571,000. No other state, except South Australia, has a form of indexation.

From the 2025 land tax year, administrative indexation arrangements will be aligned with most other jurisdictions by fixing the land tax thresholds at their 2024 land tax year values. This is expected to increase revenue by $1.5 billion over the four years to 2027-28.

Private health insurers to pay correct room rates to public hospitals

The NSW Government will work with private health insurers to ensure that they pay the NSW gazetted single room rate to public hospitals for patients that receive a single room. Under existing arrangements, some private health insurers are paying less than half the gazetted rate for a private patient. This is expected to restore revenue by $490.0 million over the four years to 2027-28.

Increase in foreign investor surcharges

From the 2025 land tax year, the Government will increase the foreign owner land tax surcharge from 4 per cent to 5 per cent. From 1 January 2025, the Government will also increase the foreign purchaser duty surcharge from 8 per cent to 9 per cent. Together, these measures will raise an estimated $187.5 million in additional revenue over the four years to 2027-28.

Revenue NSW compliance investments

The Government will invest in opportunities to identify additional revenue by expanding three existing project areas within Revenue NSW. This investment will increase land tax compliance revenue, reduce the write-off of tax debts, and increase prosecutions and enforcement to reduce tax avoidance. This measure is expected to increase revenue by $51.0 million in 2024-25 and $61.0 million in 2025-26.

Office of the Children's Guardian fee increase

The Working With Children Check fee and the NDIS Worker Check fee will be re-baselined from $80 to $105 in 2024-25 and then be indexed by the consumer price index (CPI) annually thereafter. This measure is expected to increase revenue by $46.5 million over the four years to 2027-28 to support the activities of the Office of the Children's Guardian.

Strategic Biodiversity Component charge

A Strategic Biodiversity Component charge will be introduced in 2024-25 to fund conservation measures under the Cumberland Plain Conservation Plan (CPCP), which will support biodiversity, housing and jobs growth in Western Sydney. The new charge will be applied to development applications on new residential, commercial and industrial development on CPCP-certified land under the Housing and Productivity Contribution framework.

Increase in annual liquor license fees

Annual liquor licence fees have increased from May 2024. This is forecast to generate an additional $25.5 million over five years to 2027-28. The additional revenue will fund the implementation of reforms that aim to support and generate more activity within the night-time economy across New South Wales.

Additional assurance activities on wagering and gaming operators

The Government has committed $3.2 million in 2024-25 for additional Point of Consumption Tax and gaming machine tax compliance activities. This is estimated to increase gaming tax revenue by $14.8 million in 2024-25.

Royalty deduction rates

Following the decision in the 2023-24 Budget to increase coal royalty rates from 1 July 2024, royalty deduction rates for coal beneficiation will be indexed to the annual change in the Sydney CPI over the next three years from 2024-25 to 2026-27. After 2026-27, coal beneficiation deduction rates will remain constant at their new, higher level. This increase in deduction rates will reduce revenue from coal royalties by $15.4 million over the four years to 2027-28. The increase in coal royalty rates in the 2023-24 Budget added $2.4 billion over the three years to 2026-27.

Bulk-Billing Support Initiative – payroll tax relief

The Government will exempt past, unpaid payroll tax liabilities for payments made to general practitioner (GP) contractors up to 4 September 2024. From 4 September 2024, medical centres that meet requisite bulk-billing thresholds will be eligible for a payroll tax rebate associated with payments to contractor GPs. This will support accessibility and affordability of primary healthcare. This is expected to reduce payroll tax revenues by $180.8 million over four years. The total cost of the measure is $188.8 million over four years, factoring in $7.9 million in implementation costs.

This cost is partially offset by recognition in the revenue forecasts of payroll tax revenue totalling $149.7 million over four years.

The net impact on payroll tax revenue is a reduction of $8.7 million in 2024-25 and $31.1 million over the four years to 2027-28.

Table 4.3: New revenue measures

	2023-24 $m	2024-25 $m	2025-26 $m	2026-27 $m	2027-28 $m	Five years to 2027-28 $m
Land tax thresholds administrative indexation arrangements	0	222	291	412	564	1,489
Private health insurers to pay correct room rates to public hospitals	0	70	140	140	140	490
Increase in foreign investor surcharges	0	76	50	37	25	188
Revenue NSW compliance investments	0	51	61	0	0	112
Office of the Children's Guardian fee increase	0	9	11	13	14	47
Strategic Biodiversity Component charge	0	0	4	16	31	50
Increase in annual liquor licence fees	5	5	5	5	5	26
Additional assurance activities on wagering and gaming operators	0	15	0	0	0	15
Royalty deduction rates	0	(2)	(4)	(5)	(5)	(15)
Bulk-Billing Support Initiative	0	(9)	(7)	(7)	(8)	(31)
Total - Revenue measures	**5**	**437**	**551**	**610**	**766**	**2,369**

4.3 Taxation revenue

Taxation revenue is expected to be $48.3 billion in 2024-25 (see Table 4.4), which is $1.1 billion higher than forecast at the 2023-24 Half-Yearly Review. The upgrade is largely driven by higher transfer duty and land tax.

Over the four years to 2027-28, taxation revenue has been revised up by $9.6 billion. The upgrade is largely due to increases to transfer duty and land tax revenue, reflecting strength in the NSW property market. This is partially offset by downgrades to payroll tax.

Table 4.4: General government sector – summary of taxation revenue

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	% Average growth p.a. 2023-24 to 2027-28
Stamp duties							
Transfer duty	9,712	11,607	12,981	13,627	13,332	13,593	4.0
Insurance	1,465	1,552	1,643	1,738	1,838	1,944	5.8
Motor vehicles	1,076	1,224	1,307	1,376	1,461	1,553	6.1
Other	...	...	0	0	0	0	...
	12,253	**14,383**	**15,931**	**16,741**	**16,631**	**17,090**	**4.4**
Payroll tax	**11,551**	**12,375**	**12,938**	**13,601**	**14,450**	**15,358**	**5.5**
Taxes on land							
Land tax	5,999	7,040	8,169	8,705	9,309	9,840	8.7
Property tax	2	13	12	11	10	9	(8.8)
	6,001	**7,052**	**8,181**	**8,716**	**9,319**	**9,849**	**8.7**
Taxes on motor vehicle ownership and operation							
Weight tax	2,682	3,002	3,263	3,469	3,652	3,839	6.3
Vehicle transfer fees	53	58	63	65	67	70	4.7
Road User Charge	...	...	...	...	...	54	...
Other motor vehicle taxes	45	48	52	55	57	60	5.7
	2,780	**3,108**	**3,378**	**3,589**	**3,777**	**4,023**	**6.7**
Gambling and betting taxes							
Wagering	61	62	65	67	69	71	3.3
Point of Consumption Tax	310	287	320	323	340	358	5.7
Club gaming devices	939	941	1,000	1,027	1,054	1,082	3.6
Hotel gaming devices	1,293	1,348	1,474	1,586	1,705	1,832	8.0
Lotteries and lotto	561	622	543	557	572	586	(1.5)
Casino	195	190	205	216	227	244	6.4
Other gambling & betting	17	16	18	19	20	21	6.3
	3,374	**3,467**	**3,623**	**3,794**	**3,986**	**4,193**	**4.9**
Other taxes and levies							
Health insurance levy	236	258	269	284	301	319	5.4
Parking space levy	95	113	119	122	126	129	3.4
Emergency services levy contributions	1,171	1,392	1,327	1,278	1,226	1,247	(2.7)
Emergency services council contributions	220	210	203	195	198	203	(0.9)
Waste and environment levy	873	854	940	971	998	998	4.0
Government guarantee fee	324	366	409	464	525	575	12.0
Passenger Services Levy	64	75	79	84	89	92	5.4
Pollution control licences	19	35	18	18	18	18	(15.1)
Other taxes	785	815	930	1,267	1,334	1,373	13.9
	3,789	**4,118**	**4,294**	**4,683**	**4,815**	**4,954**	**4.7**
Total taxation revenue	**39,747**	**44,503**	**48,345**	**51,123**	**52,977**	**55,466**	**5.7**
Annual change	*1.9%*	*12.0%*	*8.6%*	*5.7%*	*3.6%*	*4.7%*	

Payroll tax

Revenue from payroll tax is expected to be $12.4 billion in 2023-24 and is forecast to grow by an average of 5.5 per cent per year over the forward estimates. Payroll tax is being supported by continued resilience in the labour market. Employment is expected to grow by 2.4 per cent in 2023-24. Growth in average compensation of employees is expected to be 4.3 per cent in 2023-24, which is markedly higher than the decade average. Employment and wage growth have been supported by strong population growth from international migration.

Since the 2023-24 Half-Yearly Review, payroll tax has been revised down by $198.2 million in 2023-24 and by $1.6 billion over the four years to 2027-28, despite stronger than expected total employment growth since the 2023-24 Half-Yearly Review. Weaker payroll tax receipts in the current fiscal year largely reflect the differing employment outcomes of the public and private sectors. Private sector employment has lagged as cost-of-living pressures slow consumption, particularly for discretionary goods and services.

Over the forward estimates, a weaker outlook for average compensation of employees has contributed to further downgrades. Despite standard wage measures remaining elevated in the near term, the average compensation of employees is expected to weaken further due to lower expectations for bonuses as employment weakens.

Transfer duty

Despite higher interest rates, the NSW property market has remained strong. Growth in property prices has reflected a shortage of new housing supply relative to recent population growth. Transaction volumes have also been increasing since reaching a cyclical low in the December quarter 2022.

Since the 2023-24 Half-Yearly Review, transfer duty revenue in 2023-24 has been revised down by $219.0 million due to lower-than-expected residential transaction volumes. However, over the four years to 2027-28, transfer duty revenues have been revised up by $4.1 billion reflecting an expected uplift in both residential property prices and transaction volumes relative to the 2023-24 Half-Yearly Review.

The improved outlook is the result of strong population growth, leading to an imbalance between housing demand and supply. Reflecting ongoing elevated interest rates, house price growth is anticipated to be lower than the growth of average household incomes. Transaction volumes are expected to continue to grow over the next two years, with a likely increased share of investor purchases, attracted by price growth and strong rental yields.

Land tax

Land tax revenue is estimated to reach $7.0 billion in 2023-24, broadly in line with expectations. However, over the four years to 2027-28, land tax revenue forecasts have been upgraded by $5.6 billion. This is primarily due to stronger land values, based on anticipated price growth in both the residential and commercial sectors. This upgrade to forecast land tax revenue includes $1.5 billion in additional revenue from the Government's decision to update administrative land tax thresholds arrangements to align with most other jurisdictions.

Gambling and betting taxes

Gambling tax revenue is forecast to be $3.5 billion in 2023-24. This is $131.0 million higher than forecast at the 2023-24 Half-Yearly Review, due largely to a one-off increase in revenue from lotteries induced by a number of above-average jackpots. Over the four years to 2027-28, forecast gambling tax revenue has been revised up by $359.2 million, reflecting increased gaming machine activity.

Taxes on motor vehicle ownership and operation

Motor vehicle taxes are expected to be $3.1 billion in 2023-24, which is 11.8 per cent higher than 2022-23. Strong growth in 2023-24 is largely due to higher inflation contributing to indexation of weight tax fees. Projections for motor vehicle taxes are expected to be $32.6 million higher in 2023-24 and $106.5 million higher over the four years to 2027-28, compared to the 2023-24 Half-Yearly Review. This revision is primarily due to stronger-than-expected growth in the vehicle fleet.

Other stamp duties

Insurance duty has been revised down by $7.0 million in 2023-24 and $34.0 million over the four years to 2027-28 since the 2023-24 Half-Yearly Review, due to weaker year-to-date collections.

Motor vehicle registration duty has been revised down by $30.0 million in 2023-24 and $6.0 million over the four years to 2027-28. Weak new vehicle sales have contributed to weaker registration duty in the short-term, partially offset by higher vehicle prices. Supply-chain issues, exacerbated by the conflict in the Middle East, have continued to disrupt the car manufacturing sector, resulting in car prices not moderating at the rate previously anticipated at the 2023-24 Half-Yearly Review.

Other taxes and levies

Parking Space Levy is forecast to be $9.0 million lower in 2023-24 and $41.0 million lower over the four years to 2027-28 compared to the 2023-24 Half-Yearly Review. This is primarily due to weaker-than-expected collections in 2023-24.

Revenue from the Emergency Services Levy insurer contributions and the Emergency Services council contributions are forecast to increase by $205.6 million over the four years to 2027-28 compared to the 2023-24 Half-Yearly Review. This increase is driven primarily by additional funding to maintain and improve emergency services provided to NSW communities.

Long Service Levy is forecast to increase by $806.5 million over the four years to 2027-28. This is due to the establishment of a portable long service leave scheme for the community services sector to be administered by Long Service Corporation.

Revenue from WorkCover Levy Contributions is forecast to be $234.3 million higher over the four years to 2027-28. This is primarily driven by increased support to meet demand for the Independent Legal Assistance and Review Service provided to injured workers with an insurer dispute.

Box 4.1: Emergency services funding reform

In November 2023, the NSW Government committed to reform the emergency services funding system. The resourcing requirements for the State's emergency services agencies, largely funded by the Emergency Services Levy (ESL), are increasing with climate change and the growing instances of natural disasters, making insurance more unaffordable.

Under this reform, the Government will remove the ESL on insurers and instead spread a replacement levy across a broad base of property owners. Since the announcement, the Government has taken a number of important steps to advance the reform.

- The Independent Pricing and Regulatory Tribunal has been legislatively appointed as the Insurance Monitor to oversee the transition from the ESL to a replacement levy once the final policy is implemented. This will protect policy holders by ensuring that insurers pass on the savings from removing the ESL.
- Legislation has been passed to enable the collection of information needed to design and implement the reform. Amendments to the *Emergency Services Levy Act 2017* authorise the Treasurer to request data from insurers about current ESL payments from policy holders and require councils to perform preliminary land classification activities.

To help shape the reform, the Government is engaging with key stakeholders and the wider community, including the establishment of a Stakeholder Reference Group and holding a six-week public consultation which closed on 22 May 2024.

The Government will consider the views of the public as it develops options for the transition of insurance prices and for the establishment of a replacement levy.

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
- Federation Funding Agreements.

Table 4.5: Grant revenue

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	% Average growth p.a. 2023-24 to 2027-28
Australian Government - general purpose grants	26,024	26,674	25,878	25,486	25,614	26,664	(0.0)
GST revenue (including "no worse off" payments)	26,024	26,660	25,872	25,481	25,611	26,661	0.0
Other general purpose grants	0	14	6	5	3	3	(32.7)
Australian Government - National Agreements	12,286	12,744	13,536	14,153	14,884	15,667	5.3
Australian Government - Federation Funding Agreements	5,837	5,983	7,271	5,855	5,296	4,647	(6.1)
Other Australian Government payments	459	442	510	526	570	610	8.4
Total Australian Government grants	**44,605**	**45,843**	**47,195**	**46,022**	**46,364**	**47,588**	0.9
Annual change in Australian Government grants	*1.2%*	*2.8%*	*2.9%*	*-2.5%*	*0.7%*	*2.6%*	
Other grants	967	1,175	739	765	798	791	(9.4)
Total grant revenue	**45,572**	**47,019**	**47,934**	**46,786**	**47,162**	**48,380**	**0.7**

GST revenue

GST revenue is expected to be $26.7 billion in 2023-24 and is forecast to remain relatively flat over the forward estimates, despite forecast growth in the national GST pool. This is largely due to the Commonwealth Grant Commission's (CGC) recommendation to reduce NSW's share of the national GST pool (relativity) in 2024-25.

The relativity fall from 0.92 in 2023-24 to 0.87 in 2024-25 represents the largest single-year fall in NSW's share of the GST pool since the introduction of the GST. This significantly impacts the Government's ability to deliver essential services across health, education and transport. Part of this change reflects increased NSW revenue-raising capacity, due to above-average growth in taxable land values and increases in coal prices contributing to increased capacity to raise royalty revenue.

In addition, New South Wales was assessed as having lower expenditure and investment needs relative to other states and territories. This largely reflects the NSW population becoming relatively less dense, less dispersed and less disadvantaged, according to the CGC's analysis of 2021 Census data.

The downgrade to the NSW relativity following the CGC's recommendation initially resulted in an $11.9 billion downward revision in forecast GST revenue over the four years to 2027-28, compared to the 2023-24 Half-Yearly Review. Improvements in the NSW transfer duty and land tax outlook have further increased forecasts for NSW's relative fiscal advantage, leading to a total downward revision of $12.6 billion relating to changes in the NSW relativity since the 2023-24 Half-Yearly Review (see Table 4.6).

The impacts of a worsening GST relativity are partially offset by an increased GST pool and an increased NSW share of Australia's population. Increases in the national GST pool are supported by strong population growth at the national level, higher consumer prices, and higher dwelling investment, reflecting higher construction costs and a stronger housing market.

Since the 2023-24 Half-Yearly Review, GST revenue in 2023-24 has been revised up by $867.3 million, reflecting stronger-than-expected GST collections year-to-date.

Over the four years to 2027-28, GST revenue has been revised down by $6.2 billion.

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

	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 $m	2027-28 $m	Four years to 2027-28 $m
2023-24 Half-Yearly Review	**25,793**	**26,914**	**27,344**	**28,084**	**27,478**	**109,820**
Updates since 2023-24 Half-Yearly Review:						
No worse off extension[(a)]	0	0	0	0	1,575	1,575
Change in relativities[(b)]	0	(1,726)	(2,819)	(3,879)	(4,200)	(12,624)
Change in pool	839	600	837	1,141	1,272	3,850
Change in population	28	84	122	268	535	1,009
2024-25 Budget	**26,660**	**25,872**	**25,481**	**25,611**	**26,661**	**103,625**
Change since 2023-24 Half-Yearly Review	**867**	**(1,042)**	**(1,863)**	**(2,473)**	**(817)**	**(6,195)**

(a) The revenue impact of the no worse off extension was estimated following the decision made in December 2023. Since then, updates to NSW relativity forecasts following the CGC 2024 Update have affected the amount of no worse off payment New South Wales receives, which are included in the financial impacts for "Change in relativities".
(b) The revenue impact includes changes to NSW no worse off payments associated with lower relativity forecasts, which occurred after the original decision to extend the no worse off guarantee payments.

Box 4.2: Australian Government funding to New South Wales

New South Wales partners with the Australian Government to deliver a range of vital services. Australian Government payments to New South Wales include untied GST revenues and other payments under various national agreements and partnerships.

The NSW and Australian Governments have worked collaboratively to ensure the return of billions of dollars in infrastructure funding to vital projects across New South Wales. Existing agreements across health and education that have left New South Wales worse off are being addressed.

Despite accounting for 32.1 per cent of the population, New South Wales will receive 29.5 per cent of total payments made under the National Health Reform Agreement, 29.5 per cent of the National School Reform Agreement payments for government schools, and 30.3 per cent of the available National Agreement on Social Housing and Homelessness funding in 2024-25. In total, New South Wales will receive only 28.1 per cent of all Australian Government transfers to the states[1]. This reflects a longstanding pattern.

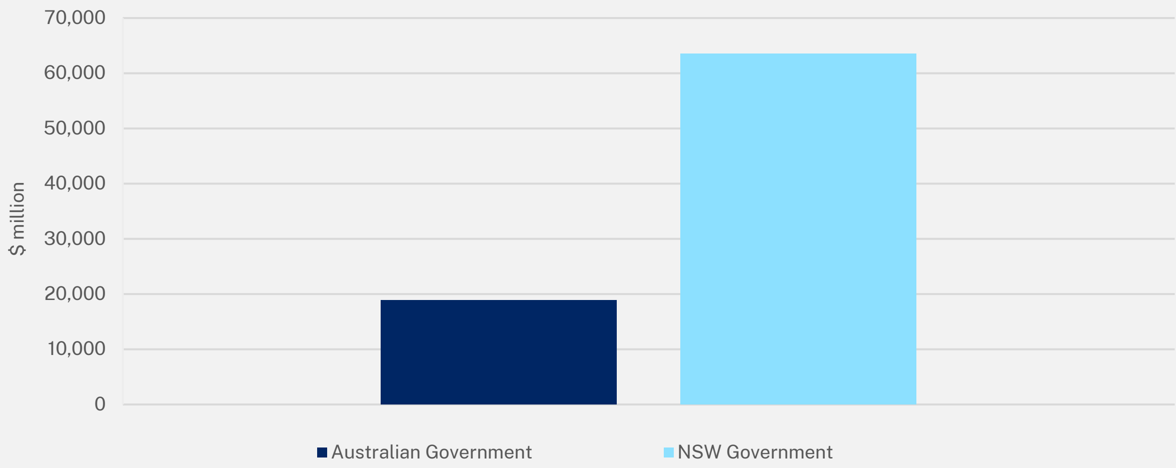
The Australian Government's share of costs for public hospital services in New South Wales funded under the National Health Reform Agreement has been around 40 per cent or lower across the 10 years to 2023-24.

Over the same period, the NSW Government has budgeted an average $11.5 billion per year to operate our government schools compared to the Australian Government's $2.5 billion per year contribution.

Between 2015-16 and 2022-23, over $82 billion has been spent on transport infrastructure by New South Wales transport entities[2]. Of this, 77.1 per cent or $63.5 billion has been funded by the NSW Government and 22.9 per cent or $18.9 billion has come from the Australian Government.

1 Including the GST and excluding pass through payments.
2 This is a high-level number which does not account for various 'machinery of government' changes.

Chart 4.1: NSW transport capital expenditure, 2015-16 to 2022-23



New South Wales is committed to working productively with the Australian Government to ensure we get our fair share of funding.

New South Wales is currently negotiating with the Australian Government and other states on important national agreements and funding models across a range of services that Australians value.

The Australian Government is not responsible for the CGC's recommendations but has been working productively to address some of these historic under-investments.

National Agreements

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

- National Health Reform Agreement (NHRA)
- National School Reform Agreement (NSRA)
- National Housing and Homelessness Agreement (NHHA)
- National Skills Agreement (NSA).

Revenue across all National Agreements in the four years to 2027-28 has increased by $838.9 million relative to the 2023-24 Half-Yearly Review. The largest driver of the increase is the adjustment to NHRA revenue, which reflects higher-than-expected Australian Government funding for NSW public hospitals driven by increased price forecasts. Similarly, NSRA revenue has been revised up based on adjustments announced in the Australian Government's 2024-25 Budget. The additional revenue for the National Skills Agreement (NSA) will be used to fund different skills initiatives.

The NSRA is due to expire at the end of 2024 and the NHRA will expire in June 2025. Negotiation of these National Agreements is ongoing, and the terms of the new agreements may have significant implications for grant revenue and key public service delivery over the forward estimates. The NSA was renewed at the start of 2024 and the new NHHA was agreed to by New South Wales on 31 May 2024.

Table 4.7: National Agreement payments to New South Wales

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	% Average growth p.a. 2023-24 to 2027-28
Health	8,192	8,385	8,889	9,466	10,082	10,737	6.4
Education	3,101	3,248	3,389	3,501	3,625	3,761	3.7
Skills and workforce development	499	594	719	634	613	594	(0.0)
Affordable housing	493	516	540	552	564	575	2.8
Other	...	1	...	...	...	...	...
Total National Agreements	**12,286**	**12,744**	**13,536**	**14,153**	**14,884**	**15,667**	**5.3**

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 $4.7 billion higher over the four years to 2027-28 compared to the 2023-24 Half-Yearly Review.

This increase is mainly due to:

- expected additional Australian Government funding of $2.1 billion between 2023-24 and 2027-28 to meet additional NSW expenditure under the Disaster Recovery Funding Arrangements (DRFA)
- $1.3 billion in additional revenue driven by additional and reprofiled funding for new and existing land transport programs (including for Mamre Road Stage 2, priority sections of Elizabeth Drive, and upgrading Richmond Road between the M7 Motorway and Townson Road)
- $1.1 billion to extend the Energy Bill Relief Fund for the 2024-25 year, as announced in the Australian Government Budget. The program will provide electricity bill rebates of up to $300 for households and $325 for eligible small businesses
- an additional $196.9 million to deliver NSW initiatives to support long stay older patients as part of the Strengthening Medicare Package announced in the 2024-25 Australian Government Budget.

Table 4.8: Funding Agreement payments to New South Wales

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward estimates $m	2026-27 Forward estimates $m	2027-28 Forward estimates $m	% Average growth p.a. 2023-24 to 2027-28
Transport	2,522	3,741	3,937	3,633	3,041	1,889	(15.7)
Education and skills	391	256	164	164	57	...	(100.0)
Disability	350	362	...	...	...	...	(100.0)
Health	142	120	257	124	61	56	(17.1)
Environment	1,309	218	1,549	1,376	1,234	807	38.7
Other	1,122	1,287	1,365	559	903	1,895	10.2
Total Federation Funding Agreement payments	**5,837**	**5,983**	**7,271**	**5,855**	**5,296**	**4,647**	**(6.1)**

4.5 Non-tax revenue

Sale of goods and services

Sale of goods and services revenue is estimated to reach $9.9 billion in 2023-24. This is $609.5 million lower than expected at the 2023-24 Half-Yearly Review, mainly reflecting updated project timelines managed by the Transport Asset Holding Entity (TAHE) and the corresponding fee for service revenues. Over the four years to 2027-28, revenue in this category has been revised up by a total of $2.0 billion, reflecting:

- $453.9 million due to the deferred fee for service revenues from TAHE
- $440.0 million for additional highly specialised drugs under the Pharmaceutical Benefits Scheme (PBS), subsidised by the Australian Government
- $271.3 million increase in expected reinsurance and other recoveries revenue in the Treasury Managed Fund mainly relating to the March 2022 flood event
- $89.3 million increase in fees associated with higher volumes of special number plate transactions.

Sale of goods and services is also impacted by a reclassification of other grants revenue following machinery of government changes.

Table 4.9: Sale of goods and services

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 $m	2027-28 $m	% Average growth p.a. 2023-24 to 2027-28
Rents and leases	304	295	309	333	325	332	3.0
Fee for service	2,644	2,370	2,268	2,400	2,434	2,065	(3.4)
Entry fees	59	73	69	84	86	79	2.0
Patient fees and hospital charges	1,228	1,259	1,261	1,330	1,381	1,434	3.3
Department of Veterans' Affairs	138	132	108	98	88	80	(11.8)
Court fees	161	172	170	175	179	195	3.2
Road tolls	136	150	153	177	191	198	7.2
Other sales of goods and services	5,031	5,419	6,006	6,280	6,338	6,587	5.0
Sale of goods and services	**9,700**	**9,869**	**10,344**	**10,877**	**11,024**	**10,969**	**2.7**

Interest income

Interest income includes returns on managed bond investments, including investments made by NSW Treasury Corporation (TCorp), and interest earned on bank deposits and funding facilities. Interest revenue is expected to be $311.9 million higher over the four years to 2027-28 compared to the 2023-24 Half-Yearly Review.

This largely reflects interest earned on the State's bank balances, which has been revised up relative to the 2023-24 Half-Yearly Review, following an upward revision in the cash rate forecast over the longer-term.

Dividends and income tax equivalents

State Owned Corporations (SOCs) and NSW TCorp 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 $424.5 million lower over the four years to 2027-28 relative to the 2023-24 Half-Yearly Review. This is driven by a reduction in Sydney Water's income tax equivalents, due to lower revenue from infrastructure contributions related to the reprofiling of Sydney Water's capital expenditure program. In addition, Essential Energy recently completed a review of its taxation affairs that changes the way it treats certain expenditures for tax purposes.

Other dividends and distributions

Other dividends and distributions are received from entities other than SOCs, as well as the State's equity investment in associated entities such as Ausgrid and Endeavour Energy. Over the four years to 2027-28, other dividends and distributions have been downgraded by $1.7 billion.

The key driver of this downgrade is the Government's decision to cease contributing to the NSW Generations (Debt Retirement) Fund. This is partially offset by additional expected distributions from the Government implementing the OneFund initiative.

Fines, regulatory fees and other revenue (excluding royalties)

Fines, regulatory fees and other revenue forecast has been revised up by $1.6 billion over the four years to 2027-28 relative to the 2023-24 Half-Yearly Review. This primarily reflects:

- revenue recognised for the sale of development zones within Barangaroo at the projected commencement of construction for each zone
- the decision to work with private health insurers to ensure that they pay the single room rate for privately insured patients in single rooms at public hospitals, which increases other revenues by $490.0 million over the four years to 2027-28
- income from trust accounts were revised up by $444.3 million over the four years to 2027-28 relative to the 2023-24 Half-Yearly Review. This is largely due to higher forecast earnings following an update to interest rate assumptions at the Department of Customer Service.

This is partially offset by lower forecast revenue from the Housing and Productivity Contribution due to revenue only accruing on Construction Certificates where development applications were lodged after 1 October 2023. This design element was not included when revenues were originally budgeted.

Table 4.10: Fines, regulatory fees and other revenues

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	% Average growth p.a. 2023-24 to 2027-28
Fines	800	702	753	760	765	782	2.7
Regulatory fees	138	178	190	192	193	196	2.4
Other revenues	2,793	2,769	2,644	2,946	3,085	3,172	3.4
Total fines, regulatory fees and other revenues	**3,730**	**3,650**	**3,587**	**3,898**	**4,043**	**4,149**	3.3

Royalties

Since falling sharply in early 2023, thermal coal prices have been relatively stable, averaging around $US 130 per tonne since the middle of 2023, with variability being explained by seasonal factors in the lead up to peak demand periods in the Northern Hemisphere. Nevertheless, the outlook for international market conditions and mineral royalties continues to be volatile. Rising geopolitical risks saw China increase its demand for thermal coal towards the end of 2023. This trend shifted in early 2024, with Chinese coal end-users relying on existing stockpiles purchased during 2023. More recently, Chinese export demand has picked up again, due to decreased Chinese production, putting upward pressure on prices.

Mineral royalties revenue has been revised down by $125.0 million in 2023-24 due to weaker export volumes following several one off events affecting output at some ports. An appreciation of the Australian dollar since the 2023-24 Half-Yearly Review also explains some of the downgrade.

Going forward, mineral royalties have been revised up by $481.6 million over the four years to 2027-28. This is primarily due to higher price forecasts for thermal coal following price growth experienced in April 2024. Stronger export volumes are also expected to contribute to royalties revenue, with signalling from key Asian markets of continued reliance on thermal coal to meet energy demand.