NORTHERN TERRITORY

# 2025-26 BUDGET

Budget Paper No. 2

## BUDGET STRATEGY and OUTLOOK

# Contents

# Under Treasurer's Certification

In accordance with provisions of the *Fiscal Integrity and Transparency Act 2001*, I certify that the financial projections included in the May 2025 Budget documentation are based on Northern Territory Government decisions that I was aware of or that were made available to me by the Treasurer before 7 May 2025. The projections presented here are in accordance with the Uniform Presentation Framework.

Tim McManus
Under Treasurer

7 May 2025

## Chapter 1

# Executive summary

Budget Paper No. 2 *Budget and Strategy Outlook* presents whole of government financial information and consolidates information from other budget papers. It also meets the requirements of the *Fiscal Integrity and Transparency Act 2001* (FITA) and the Uniform Presentation Framework (UPF) as agreed by all Australian jurisdictions.

## Fiscal outlook

The 2025-26 Budget reflects the Finocchiaro CLP Government's first budget and has been underpinned by its priorities of reducing crime, rebuilding the economy and restoring the Territory lifestyle. The 2025-26 Budget includes $2.26 billion in new policy commitments over the budget cycle to 2027-28, largely to address funding shortfalls in frontline government services as a result of ceasing time-limited funding. New commitments include:

- reducing crime through early intervention programs and addressing demand on the justice system
- rebuilding the economy through increased repairs and maintenance and capital works spending, supporting tourism, and worker and student attraction initiatives
- restoring the Territory lifestyle through increasing the regulated utility tariff subsidy to reduce cost of living pressures, additional support for mental health and hospital services, and addressing ongoing demand for critical government services.

The 2025-26 Budget also includes improved GST, taxation and royalty revenue forecasts, partly offsetting the impact of new policy commitments on budget aggregates. GST revenue is expected to increase by almost $600 million, and taxation and royalty revenue by around $450 million over the budget cycle to 2027-28.

The 2024 Pre-Election Fiscal Outlook (2024 PEFO) foreshadowed rising debt levels and an impending breach to the former Labor Governments' $15 billion debt ceiling, one year outside the forward estimates period. Furthermore, it also highlighted material Territory-funded items that were budgeted to reduce or cease over the forward estimates. These included time-limited funding to support hospitals, courts, corrections and repairs and maintenance cost pressures, and domestic, family and sexual violence reduction programs, the cessation of which would have significantly impacted frontline service delivery. In addition, infrastructure cash allocations were constrained, resulting in high levels of revote as projects were unable to be progressed.

Cognisant of the quantum of budget repair and austerity measures that would be required to remain within the ceiling and the detrimental impact these would have on the Territory economy, the government has repealed the legislated debt ceiling. Removal of the debt ceiling provides government with more flexibility in its approach to budget repair and allows it to focus efforts on growing own-source revenue, increasing private sector investment and enhancing the effectiveness of government spending.

In light of the inherited fiscal position and projected debt levels as published in the 2024 PEFO, government has reset the Territory's fiscal strategy with an emphasis on debt management and reduction. Fiscal targets represent what would need to be achieved to return the Territory to a financially sustainable position, with regard to the current fiscal and economic conditions and comparable jurisdictional performance.

In this context, the 2025-26 Budget projects the non financial public sector fiscal balance to remain in deficit over the budget cycle, with the cumulative effect of these deficits resulting in higher forecast net debt and net debt to revenue ratios across the budget cycle.

Key fiscal projections in the 2025-26 Budget include:

- general government net operating balance deficit of $265 million in 2025-26, and returning to surplus from 2027-28
- total revenue for the non financial public sector of $10.04 billion and total expenditure (including net capital investment) of $12.19 billion in 2025-26
- non financial public sector fiscal balance deficit of $1.31 billion in 2025-26, improving to a deficit of $531 million by 2028-29
- net debt for the non financial public sector of $12.19 billion in 2025-26, with a net debt to revenue ratio of 121%.

In accordance with section 9(1)(c) of the FITA, government must specify the key fiscal indicators it considers important and against which fiscal policy will be assessed. The government's key fiscal indicators are the general government sector net operating balance, and the non financial public sector fiscal balance, net debt and net debt to revenue ratio.

Table 1.1 provides the projections for these indicators for the 2025-26 Budget.

Table 1.1: Key fiscal indicators

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| General government sector | | | | | |
| Net operating balance | - 707 | - 265 | - 101 | 17 | 52 |
| Non financial public sector | | | | | |
| Fiscal balance | - 1 647 | - 1 308 | - 897 | - 529 | - 531 |
| Net debt | 10 548 | 12 191 | 13 107 | 13 506 | 13 966 |
| Net debt to revenue (%) | 116 | 121 | 130 | 131 | 132 |

Further discussion explaining material differences between the updated financial projections in the 2025-26 Budget and those projected at the time of the 2024 PEFO is provided in Chapter 2 *Fiscal outlook*. Assessment of expected outcomes for fiscal strategy objectives and targets is provided in Chapter 4 *Fiscal strategy statement*.

## Economic outlook

The 2025-26 Budget forecasts state final demand (SFD) to grow by 4% in 2024-25 supported by significant investment from construction activity of the Barossa project, public investment, combined with public and household consumption growth. However, weaker Territory exports relating to unplanned maintenance work at the Ichthys liquefied natural gas (LNG) plant is expected to drive gross state product (GSP) down by 2.6%.

In 2025-26, as the Barossa project transitions into the production phase, SFD is expected to decline by 1.8% as business investment activity eases, partly offset by growth in dwelling investment, and ongoing strength in public sector investment and public and household consumption. GSP is also expected to rebound by 7.8% in 2025-26, driven by improving LNG and manganese exports, before growing a further 5.9% in 2026-27 as production at Darwin and Ichthys LNG plants reach full capacity.

The Territory economy is expected to continue transitioning over the forward estimates with SFD declining 0.6% in 2026-27 before returning to growth over the rest of the forecast period. This is driven by private investment post-Barossa as well as ongoing growth in household consumption, partly offset by public investment easing from currently elevated levels.

Employment growth is expected to slow to 1.2% in 2024-25 and 0.8% in 2025-26 due to the completion of the Barossa project, though ongoing public investment will provide some offset. Growth is anticipated to pick up over the forward estimates period, in line with domestic economic activity and population growth.

Consumer price index (CPI) growth is expected to be 1.7% in 2024-25 due to electricity rebates and lower fuel prices, before increasing to 2.9% in 2025-26 as Commonwealth energy relief measures end. Over the forward estimates period, CPI growth is expected to track lower to around 2.5%, in line with the mid-point of the Reserve Bank of Australia (RBA) target band.

Wage growth is expected to be 3.2% in 2024-25 and slow to 3% in 2025-26, largely driven by easing private sector wages and inflation, before recovering over the forward estimates period to 3.3% by 2028-29, as stronger national wage growth is expected to flow through to wage decisions in Territory businesses.

Population growth is estimated to be 0.7% in 2024-25 as natural increase remains steady and migration flows continue to ease from recent highs, before improving to 1% in 2025-26 as cost of living pressures improve supporting a recovery in natural increase. Over the forward estimates period, the Territory's net migration flows are expected to continue normalising with population growth reaching 1.2% by 2027-28.

Table 1.2 details the outlook for the Territory's key economic indicators for the 2025-26 Budget.

Table 1.2: Territory key economic indicators (%)

| | 2024-25e | 2025-26f | 2026-27f | 2027-28f | 2028-29f |
|---|---|---|---|---|---|
| Gross state product[1] | - 2.6 | 7.8 | 5.9 | 1.7 | 3.0 |
| State final demand[1] | 4.0 | - 1.8 | - 0.6 | 1.1 | 2.6 |
| Employment[1] | 1.2 | 0.8 | 1.2 | 1.6 | 1.6 |
| Unemployment rate[2] | 4.5 | 5.0 | 4.7 | 4.6 | 4.5 |
| Consumer price index[3] | 1.7 | 2.9 | 2.4 | 2.5 | 2.5 |
| Wage price index[1] | 3.2 | 3.0 | 3.1 | 3.2 | 3.3 |
| Population[3] | 0.7 | 1.0 | 1.1 | 1.2 | 1.2 |

e: estimate; f: forecast
1 Year-average percentage change.
2 Year average.
3 Year-ended percentage change.
Source: Department of Treasury and Finance, Australian Bureau of Statistics (ABS)

There is potential upside to the economic outlook, with a number of major projects on the horizon yet to reach final investment decision. The economic contributions arising from these projects are not included in the economic forecasts. Any projects that do reach final investment decision and commence during the forward estimates period will have a positive impact on the Territory's macroeconomic forecasts.

The forecast profile for economic growth is reviewed and updated each year to reflect contemporary economic and fiscal outcomes, and developments. Discussion explaining material differences between the updated key economic indicators in the 2025-26 Budget and those projected at the time of the 2024 PEFO is provided in Chapter 3 *Economic outlook*.

## Commonwealth revenue outlook

Commonwealth revenue, at around 71% of total Territory revenue at the non financial public sector in 2025-26, is a significant component of the Territory budget. Table 1.3 sets out expected Commonwealth revenue to the Territory over the budget cycle to 2028-29.

Table 1.3: Commonwealth revenue

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| Untied Commonwealth revenue | 4 287 | 4 571 | 4 725 | 4 960 | 5 200 |
| Tied Commonwealth revenue | 2 213 | 2 568 | 2 499 | 2 362 | 2 369 |
| Total Commonwealth revenue | 6 500 | 7 139 | 7 224 | 7 322 | 7 569 |

Total Commonwealth revenue is expected to be $7.14 billion in 2025-26, comprising $4.57 billion in untied revenue from GST receipts and $2.57 billion in tied revenue from agreements with the Commonwealth to deliver specific programs. Commonwealth revenue is expected to grow by 6% to $7.57 billion by 2028-29.

GST revenue is estimated to be $4.57 billion in 2025-26, growing by around 4.9% per annum to $5.2 billion by 2028-29. Compared with the 2024 PEFO, GST revenue is expected to be $598 million higher over the budget cycle to 2027-28. This is mainly due to a higher GST relativity from 2025-26 and increased national GST pool collections from 2024-25.

Tied payments are estimated to be $2.57 billion in 2025-26 before declining to $2.37 billion in 2028-29 in line with program completion, agreement expiry, expected delivery timeframes and payment schedules. Compared with the 2024 PEFO, tied revenue is forecast to be $1.67 billion higher over the budget cycle to 2027-28, reflecting a range of new, extended and varied agreements, including for hospitals, remote Aboriginal investment, primary health care, legal services, roads, schools, water infrastructure, housing, community safety and a national firearms register.

Further detail on the Territory's GST estimates, tied payments and material variations since the 2024 PEFO are discussed in Chapter 5 *Commonwealth revenue*.

## Territory taxes and royalties outlook

Taxation and royalty revenue represents one of the Territory's largest own-source revenue streams, constituting 38% of the Territory's own-source revenue or 11% of total revenue at the non financial public sector, and provides the Territory with fiscal autonomy to support delivery of infrastructure and services. Table 1.4 provides the projections for Territory taxes and royalty components for the 2025-26 Budget. Revenue from taxes and royalties is expected to remain stable at $1.09 billion in 2024-25 and 2025-26, before declining slightly and averaging $1.06 billion per annum over the forward estimates period.

Taxation revenue for 2024-25 is expected to total $797 million and decline to $748 million in 2025-26, largely reflecting lower payroll tax and stamp duty receipts, partly offset by higher gambling taxes. Receipts are anticipated to moderate at this level in 2026-27 before resuming stable growth over the forward estimates period in line with broader economic conditions.

When compared with the 2024 PEFO, taxation revenue is expected to be around $96 million higher in 2024-25 due to stronger than expected stamp duty on property, payroll taxes, and taxes on gambling and motor vehicles. This upside is partly offset by downward revisions to taxes on insurance. Over the budget and forward estimates period, taxation revenue is on average $22 million per annum higher than anticipated, predominantly due to higher forecast receipts from taxes on gambling due to policy changes, partly offset by lower than expected taxes on employers and insurance.

Mining and petroleum royalties are expected to total $298 million in 2024-25, increase to $346 million in 2025-26 and average $282 million per annum over the forward estimates.

Royalty forecasts were revised downwards in the 2024 PEFO for 2025-26 and 2026-27, reflecting a range of factors including interruption to mine operations from Cyclone Megan, combined with global and domestic inflationary pressures on operating costs of Territory mines.

Royalty outlook has been positively impacted by strong growth in key commodity prices and depreciation of the Australian currency. This has combined to increase the outlook by $80 million in 2024-25 and $104 million in 2025-26. The increases in commodity prices are largely due to the ongoing impact of geopolitical tensions, changes in the United States (US) monetary policy settings, heightened aggregate demand for safe-haven assets and supply shortages.

These upward revisions were also impacted by reductions in cost pressures facing Territory miners. A decline in the value of the Australian dollar improved the general outlook for mine expenditure, reducing inflationary pressure on operational cost inputs.

Higher than expected mining royalties are forecast for 2026-27 and 2027-28 as these market factors are expected to persist and continue to drive upward price pressure. However, an anticipated moderation in aggregate mineral production will temper overall receipts over the forward estimates period, relative to 2025-26.

Consistent with economic forecasts in the budget, revenue estimates from new onshore gas developments are not included in the royalty outlook. In addition, new mine developments are not factored into forecasts until a final investment decision has been announced. As a result, any mines commencing from 1 July 2024 under the ad valorem royalty scheme will be factored into estimates once final investment decision is announced. Mines in operation prior to the new scheme commencing will be grandfathered under the profit-based royalty scheme.

Table 1.4: Territory taxes and royalty components

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| Taxation revenue | 797 | 748 | 745 | 773 | 804 |
| Taxes on employers | 320 | 277 | 277 | 292 | 309 |
| Taxes on property | 179 | 139 | 126 | 128 | 130 |
| Taxes on gambling | 115 | 145 | 146 | 147 | 150 |
| Motor vehicle taxes | 104 | 103 | 107 | 110 | 113 |
| Taxes on insurance | 78 | 84 | 90 | 96 | 103 |
| Mining and petroleum royalties | 298 | 346 | 260 | 324 | 261 |
| Total taxes and royalties revenue | 1 095 | 1 094 | 1 005 | 1 097 | 1 065 |

Further discussion on material differences between updated revenue projections contained in the 2025-26 Budget and those projected at the time of the 2024 PEFO is provided in Chapter 6 *Territory taxes and royalties*.

# Chapter 2
# Fiscal outlook

## Overview

The information provided in this chapter meets the requirements of section 10(1)(a) of the FITA for each fiscal outlook report to contain updated financial projections for the budget year and following three financial years, along with the revised budget estimate for the preceding budget year for the general government and non financial public sectors.

The full set of financial statements is presented in Chapter 8 *Consolidated financial statements*, with this chapter providing a comparison of projections in the 2025-26 Budget (the Finocchiaro CLP Government's first budget) with those provided in the 2024 PEFO (containing the Territory's fiscal outlook prior to the Northern Territory Legislative Assembly General Election) and the 2024-25 Mid-Year Report.

For 2025-26, the general government net operating balance is expected to be a deficit of $265 million, and the non financial public sector fiscal balance a deficit of $1.31 billion. Net debt for the non financial public sector is estimated at $12.19 billion in 2025-26, with the net debt to revenue ratio forecast at 121%.

Total revenue in the non financial public sector is estimated to be $10.04 billion in 2025-26, increasing to $10.55 billion in 2028-29, with a total expenditure (including net capital investment) estimate of $12.19 billion in 2025-26, moderating to $11.9 billion by 2028-29.

## General government sector net operating balance

The net operating balance represents total revenue less total operating expenses, with capital spending only recognised in the fiscal balance. For the 2025-26 Budget, the general government sector net operating balance is projected to be a deficit of $265 million in 2025-26 and forecast to return to surplus from 2027-28.

Table 2.1 highlights the movements in the general government sector net operating balance and compares updated projections with those published in the 2024 PEFO and 2024-25 Mid-Year Report.

Table 2.1: General government sector – net operating balance

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| 2024 PEFO | - 415 | 35 | 35 | 219 | n/a |
| 2024-25 Mid-Year Report | - 360 | - 34 | - 67 | 135 | n/a |
| 2025-26 Budget | - 707 | - 265 | - 101 | 17 | 52 |
| Variation from 2024 PEFO | - 292 | - 300 | - 136 | - 202 | n/a |

n/a: not available at the time of publishing the 2024 PEFO and 2024-25 Mid-Year Report

Since the 2024 PEFO, net operating balance outcomes over the budget cycle are projected to weaken in aggregate by $930 million. This variation mainly reflects:

- the effect of government operating commitments detailed later in this chapter
- increased depreciation and amortisation expense largely associated with revised useful life assumptions combined with new completed works
- higher estimated interest expenses in line with increased borrowing requirements, partially offset by
- improvements in the Territory's GST revenue estimates as a result of an increase in the Territory's GST relativity, combined with upward revisions to forecast growth in the national GST collections pool
- additional taxation and royalty revenue
- increased Commonwealth revenue for capital purposes where expenditure is recognised in the fiscal balance only, largely for road projects.

## Non financial public sector fiscal balance

The fiscal balance is influenced by the same factors affecting the general government sector net operating balance, however the fiscal balance also includes net capital investment and excludes depreciation. The fiscal balance is assessed at the non financial public sector to ensure the financial performance of government trading entities is incorporated in the fiscal aggregates.

As shown in Table 2.2, the fiscal balance is expected to remain in deficit over the budget cycle, peaking at $1.65 billion in 2024-25, and is forecast to improve over the budget and forward estimates to a deficit of $531 million in 2028-29. Table 2.2 highlights the movements in the non financial public sector fiscal balance and compares the updated projections with those published in the 2024 PEFO and 2024-25 Mid-Year Report.

Table 2.2: Non financial public sector – fiscal balance

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| 2024 PEFO | - 1 746 | - 696 | - 519 | - 187 | n/a |
| 2024-25 Mid-Year Report | - 2 009 | - 732 | - 423 | - 194 | n/a |
| 2025-26 Budget | - 1 647 | - 1 308 | - 897 | - 529 | - 531 |
| Variation from 2024 PEFO | 99 | - 612 | - 378 | - 342 | n/a |

n/a: not available at the time of publishing the 2024 PEFO and 2024-25 Mid-Year Report

When compared with the 2024 PEFO, fiscal balance deficits are projected to increase in aggregate by $1.23 billion over the budget cycle. This increase largely reflects the same variations affecting the net operating balance, as detailed earlier, combined with increased Territory capital investment and the revised operating and capital requirements of government owned corporations.

# Reconciliation with previous fiscal projections

Section 10(1)(f) of the FITA requires the Territory Government to explain factors and considerations that contributed to any material differences between the updated financial projections and equivalent projections published in the last fiscal outlook report.

The most recent budget fiscal outlook report published under the FITA is the 2024 PEFO, although updated information was published in the 2024-25 Mid-Year Report. Accordingly, the analysis in the remainder of this chapter reflects policy and non-policy changes since the 2024 PEFO. Policy variations are the result of government decisions to implement new or expand existing agency programs, and savings and revenue measures. Non-policy variations are the result of influences outside government's control, such as the timing of payments or changes in external economic conditions.

## Policy and non-policy changes since 2024 PEFO

Table 2.3 summarises the effect of policy and non-policy changes on the non financial public sector's fiscal balance since the 2024 PEFO and 2024-25 Mid-Year Report.

Table 2.3: Non financial public sector fiscal balance – policy and non-policy changes since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|
| | Revised | Budget | Forward estimate | |
| | $M | $M | $M | $M |
| 2024 PEFO | - 1 746 | - 696 | - 519 | - 187 |
| Policy changes | 1 | - 10 | - 19 | - 22 |
| Non-policy changes | - 264 | - 26 | 115 | 15 |
| 2024-25 Mid-Year Report | - 2 009 | - 732 | - 423 | - 194 |
| Policy changes | - 376 | - 792 | - 585 | - 456 |
| Non-policy changes | 738 | 216 | 111 | 121 |
| 2025-26 Budget | - 1 647 | - 1 308 | - 897 | - 529 |

Details of policy and non-policy changes are discussed in further detail below.

## Policy changes since 2024 PEFO

Table 2.4 outlines the effect of policy changes on the non financial public sector's fiscal balance since the 2024 PEFO, incorporating changes published in the 2024-25 Mid-Year Report. It shows that a total of $2.26 billion was approved in new policy commitments over the budget cycle to 2027-28. The majority of these commitments continue time-limited funding allocations to prevent frontline service delivery reductions, respond to courts and corrections demand pressures exacerbated by previous investment in additional police, and rebasing the infrastructure budget.

Table 2.4: Non financial public sector fiscal balance – policy changes since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|
| | Revised | Budget | Forward estimate | |
| | $M | $M | $M | $M |
| Revenue measures | - 2 | 13 | 14 | 14 |
| Expenditure commitments | - 420 | - 530 | - 540 | - 539 |
| Savings measures | 53 | 65 | 73 | 47 |
| Total operating commitments | - 369 | - 452 | - 453 | - 478 |
| Capital commitments | - 6 | - 350 | - 151 | nil |
| Total policy changes | - 375 | - 802 | - 604 | - 478 |

(+) reflects an improvement; (-) reflects a worsening

## Revenue measures

New revenue measures since the 2024 PEFO have resulted in additional revenue totalling $39 million over the budget cycle to 2027-28 and largely reflect new reforms resulting in increases to gaming tax, offset by lower stamp duty conveyances and payroll taxes. The reforms forecast higher Territory tax income averaging $14 million per annum ongoing from 2025-26. Further detail on revenue measures is provided in Chapter 6 *Territory taxes and royalties*.

## Expenditure commitments

Since the 2024 PEFO, a total of $2.03 billion in new expenditure commitments over the budget cycle to 2027-28 have been approved. These are summarised below.

Expenditure commitments reflected in the 2024-25 Mid-Year Report:

- $16 million in 2025-26 and $36 million ongoing from 2026-27 for domestic, family and sexual violence prevention, early intervention, response and healing, including ongoing funding to establish the Circuit Breaker Program to support young people at risk
- $18 million in 2024-25 to boost construction and home ownership through new HomeGrown and FreshStart grants providing $50,000 for first home buyers to put towards building their first home, and $30,000 to build a new home for applicants who are not first home buyers
- other expenditure commitments totalling $63 million over the budget cycle to 2027-28 including funding to support urgent legislative amendments to reduce crime and operational costs associated with developing whole of government ICT systems.

Key new expenditure commitments approved in the 2025-26 Budget include:

- reducing crime:
  - $86 million in 2025-26 and $126 million per annum ongoing from 2026-27 for costs associated with high and rising prisoner numbers
  - $40 million in 2025-26 and $50 million per annum ongoing from 2026-27 to address expected further corrections demand pressures
  - $13.5 million in 2024-25 and $21.5 million per annum ongoing from 2025-26 to address justice system demand
  - $10 million over 2024-25 to 2026-27, and $2 million ongoing from 2027-28 to support digital upgrade of the Joint Emergency Services Communications Centre

- rebuilding the economy:
  - $130 million in 2024-25 to support the delivery of infrastructure projects
  - $20 million per annum ongoing from 2025-26 towards repairs and maintenance costs of Territory-owned assets
  - $8 million per annum ongoing from 2025-26 for continuation of visitor information centres, tourism cooperative campaigns and promotional activities in international and interstate markets
  - $2 million per annum in 2025-26 and 2026-27 to support skilled migrant and international student attraction and retention initiatives
- restoring our lifestyle:
  - $255 million from 2024-25 to 2027-28, $103 million in 2028-29, and thereafter $101 million per annum ongoing towards the regulated utility tariff subsidy to support cost of living pressures by constraining growth in utility price increases
  - $185 million in 2024-25 and $100 million in 2025-26 to support frontline demand and cost pressures
  - $100 million per annum ongoing from 2025-26 to address health and hospital demand pressures
  - $16 million per annum ongoing from 2025-26 to support operations of the new mental health in-patient ward at the Royal Darwin Hospital
  - $11.5 million per annum ongoing from 2024-25 to further increase the Territory's National Disability Insurance Scheme (NDIS) contribution
  - $2.5 million per annum ongoing from 2025-26 to support operational costs of the Museum and Art Gallery of the Northern Territory.

### Savings measures

The 2025-26 Budget incorporates savings measures to offset the impact of other policy commitments, totalling $238 million from 2024-25 to 2027-28. The savings measures relate to operational efficiencies and reprioritisation of existing initiatives.

### Capital commitments

The following outlines total additional capital commitments of $507 million over the budget cycle to 2027-28 since the 2024 PEFO.

Capital commitments reflected in the 2024-25 Mid-Year Report:

- $6.5 million over 2024-25 and 2025-26 in reprioritised funding for upgrades to the motocross GP track
- $1.5 million in 2024-25 for capital development costs associated with whole of government ICT systems.

Key new capital commitments approved in the 2025-26 Budget include:

- restoring our lifestyle:
  - $8 million over 2025-26 and 2026-27 to support costs associated with continued development of health ICT systems and equipment purchases
- rebuilding the economy:
  - $305 million over 2025-26 and 2026-27 to support continued development of the Darwin ship lift facility
  - $180 million in 2025-26 to progress works on the infrastructure program.

## Non-policy changes since 2024 PEFO

Table 2.5 highlights the effect of non-policy changes on the non financial public sector's fiscal balance since the 2024 PEFO and incorporates changes published in the 2024-25 Mid-Year Report.

Table 2.5: Non financial public sector fiscal balance – non-policy changes since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|
| | Revised | Budget | Forward estimate | |
| | $M | $M | $M | $M |
| GST revenue | 117 | 215 | 136 | 130 |
| Taxation and royalties | 178 | 131 | 64 | 36 |
| Interest variations[1] | 39 | 7 | - 40 | - 71 |
| Government owned corporations | - 68 | 95 | - 21 | 55 |
| Leases | 38 | - 1 | - 33 | - 23 |
| Revised timing of Darwin ship lift facility | - 41 | - 103 | 126 | 18 |
| Timing and agency-related adjustments | 211 | - 154 | - 6 | - 9 |
| Total non-policy changes | 474 | 190 | 226 | 136 |

(+) reflects an improvement; (-) reflects a worsening

1 Excludes interest variations affecting government owned corporations as these are included with all other variations affecting government owned corporations.

Non-policy changes since the 2024 PEFO have resulted in a $1.03 billion net improvement to the non financial public sector fiscal balance across the budget cycle to 2027-28. Key variations include:

- increased GST revenue forecasts totalling $598 million, largely a result of an increase in the Territory's GST relativity, combined with upwards revisions to forecast growth in the national GST collections pool
- additional taxation and royalty revenue totalling $409 million, predominantly due to higher anticipated royalty revenue following revised estimations from miners and higher commodity prices; additional stamp duty on conveyances due to higher residential sale volumes combined with a small number of large one-off commercial transactions; and additional payroll tax in 2024-25 due to strength in private sector wages and employment
- interest variations across the budget cycle, reflecting higher estimated interest expenses in line with increased borrowing requirements, partially offset by higher than expected return on investments
- revised operating costs and capital investment assumptions for government owned corporations in their updated statements of corporate intent (SCIs), resulting in a net $61 million improvement over the budget cycle
- renewed and revised timing of leases relating to office accommodation
- revised timing of payments for the Darwin ship lift facility in line with estimated construction milestones, with no net impact across the budget cycle

- timing and agency-related adjustments, resulting in a projected net improvement of $42 million. Key variations include:
  - lower employee-related liability adjustments mainly relating to superannuation expenses as a result of lower accruing costs as schemes reach their peak
  - revised timing of expenditure commitments to reflect funding delivery schedules and contractual payments to suppliers. These timing variations have no net effect on the projected fiscal balance over the budget cycle, partially offset by
  - lower dividend and income tax equivalent income expected to be received from the Northern Territory Treasury Corporation (NTTC)
  - unspent Commonwealth funds in 2023-24 carried over into 2024-25 and forward years
  - higher fleet maintenance costs and capital acquisitions
  - revised estimates for industrial land sales.

# 2025-26 Budget and forward estimates

The analysis in this section addresses the requirements of section 10(1)(b) of the FITA that each fiscal outlook report is to provide an account of the fiscal and economic assumptions on which the updated financial projections are based. Accordingly, this section provides a summary of the assumptions used and material variations by revenue and expenditure categories.

## Revenue changes since 2024 PEFO

Table 2.6 shows the composition of Territory revenue in the non financial public sector for the 2024-25 revised estimate, 2025-26 budget and forward estimates. Total revenue is expected to be $9.13 billion in 2024-25, increasing by 10% in 2025-26 to $10.04 billion, with annual growth across the forward estimates averaging 1.7%.

Table 2.6: Non financial public sector – revenue components

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| Taxation revenue | 797 | 748 | 745 | 773 | 804 |
| GST revenue | 4 287 | 4 571 | 4 725 | 4 960 | 5 200 |
| Current grants | 1 733 | 1 924 | 1 752 | 1 712 | 1 725 |
| Capital grants | 535 | 679 | 765 | 662 | 656 |
| Sales of goods and services | 1 164 | 1 486 | 1 502 | 1 557 | 1 587 |
| Interest income | 160 | 143 | 146 | 150 | 154 |
| Dividend and income tax equivalent income | 30 | 45 | 59 | 60 | 59 |
| Mining and petroleum royalties | 298 | 346 | 260 | 324 | 261 |
| Other revenue | 126 | 99 | 97 | 99 | 104 |
| Total revenue | 9 131 | 10 042 | 10 051 | 10 297 | 10 550 |

Table 2.7 compares the revised revenue projections for the 2025-26 Budget with those published in the 2024 PEFO and 2024-25 Mid-Year Report.

Table 2.7: Non financial public sector – variation in revenue since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| 2024 PEFO | 8 972 | 9 052 | 9 102 | 9 395 | n/a |
| 2024-25 Mid-Year Report | 9 196 | 9 115 | 9 130 | 9 423 | n/a |
| 2025-26 Budget | 9 131 | 10 042 | 10 051 | 10 297 | 10 550 |
| Variation from 2024 PEFO | 159 | 990 | 949 | 902 | n/a |

n/a: not available at the time of publishing the 2024 PEFO and 2024-25 Mid-Year Report

As shown in Table 2.7, when compared with the 2024 PEFO, total revenue in 2024-25 is expected to be moderately higher, however from 2025-26 and across the forward estimates, total revenue is projected to be on average $947 million per annum higher than forecast in the 2024 PEFO. Table 2.8 identifies the variations in revenue components since the 2024 PEFO.

Table 2.8: Non financial public sector – variations in revenue components since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|
| | Revised | Budget | Forward estimate | |
| | $M | $M | $M | $M |
| Taxation revenue | 96 | 38 | 16 | 11 |
| GST revenue | 117 | 215 | 136 | 130 |
| Current grants | 93 | 563 | 377 | 349 |
| Capital grants | - 193 | - 29 | 277 | 259 |
| Sales of goods and services | - 70 | 87 | 62 | 91 |
| Interest income | 30 | 12 | 12 | 14 |
| Dividend and income tax equivalent income | - 24 | - 6 | 5 | 8 |
| Mining and petroleum royalties | 80 | 104 | 61 | 37 |
| Other revenue | 30 | 5 | 2 | 3 |
| Total variation | 159 | 990 | 949 | 902 |

(+) reflects an improvement; (-) reflects a worsening

## Taxation revenue

Taxation revenue represents the Territory's primary source of income that government can directly influence. It comprises payroll tax, stamp duty on conveyances, taxes on gambling, taxes on insurance, and motor vehicle fees and taxes. It represents about 7.7% of total revenue over the budget cycle.

Table 2.6 shows taxation revenue is expected to grow from $797 million in 2024-25 to $804 million by 2028-29 and represents average growth of 2.5% per annum from 2025-26 in line with expected economic activity.

As shown in Table 2.8, taxation revenue is projected to increase by $96 million in 2024-25, reducing to $38 million in 2025-26, before averaging $14 million per annum from 2026-27 when compared to the 2024 PEFO. This increase is largely attributable to improved stamp duty on conveyances due to higher residential sales volumes combined with a small number of large one-off commercial transactions; and improved taxes on employers (payroll tax) due to strength in private sector wages and employment, partially offset by the impact of payroll tax reforms.

Refer to Chapter 6 *Territory taxes and royalties* for detailed information on the economic and other assumptions used to forecast taxation revenue.

### GST revenue

GST revenue is the Territory's largest revenue transfer from the Commonwealth and represents about 47% of total revenue across the budget cycle. The primary factors that influence the amount of GST revenue the Territory receives are: growth in national GST collections pool; GST relativities as assessed by the Commonwealth Grants Commission (CGC); and the Territory's share of the national population.

As shown in Table 2.6, GST revenue is projected to increase from $4.29 billion in 2024-25 to $5.2 billion in 2028-29, at an average growth of 4.9% per annum.

When compared with the 2024 PEFO, Table 2.8 shows the Territory's GST revenue is expected to increase by a total of $598 million over the budget cycle to 2027-28, averaging $150 million per annum, mainly reflecting an increase to the Territory's GST relativity from 5.06681 in 2024-25 to 5.15112 in 2025-26 combined with higher forecast growth in the GST collections pool.

Refer to Chapter 5 *Commonwealth revenue* for detailed information on the economic and other assumptions used to forecast GST revenue.

### Current and capital grants

Each year there are significant changes in tied Commonwealth funding estimates as the timing of delivery is revised or funding agreements commence, are renewed or cease. Similar to the approach with major projects, tied funding is generally not included in the estimates unless a funding agreement has been signed with the Commonwealth. Tied funding agreements generally do not affect the Territory's fiscal balance as revenues are matched with corresponding expenditure.

As shown in Table 2.6, current grant revenue in 2025-26 is expected to be elevated, before reducing and remaining largely constant over the forward estimates, averaging $1.73 billion per annum. The higher revenue in 2025-26 is due to new and revised timing of Commonwealth funding, recognised in line with delivery milestones.

When compared with the 2024 PEFO, Table 2.8 shows current grants revenue is forecast to increase over the budget cycle to 2027-28 by a total of $1.38 billion, largely due to new Commonwealth funding of $336 million for Northern Territory Remote Aboriginal Investment Agreement; $240 million for National Health Reform; $193 million for National Access to Justice Partnership; $122 million for repairs and maintenance on the national roads network; $65 million for the Better Fairer Schools Agreement; $53 million for primary health care; $51 million for one-off public hospital funding in 2025-26; and $25 million for Housing Australia Future Fund.

As shown in Table 2.6, capital grants revenue is expected to be $535 million in 2024-25, peaking at $765 million in 2026-27, before moderating to an average of $659 million per annum over the remainder of the forward estimates. Revenue for capital projects is recognised when spent and not when the cash is received in accordance with accounting standards, therefore annual fluctuations largely reflect the timing of delivery of capital projects and includes national roads, Manton Dam return to service and remote housing.

As shown in Table 2.8, capital grants revenue is expected to be $193 million and $29 million lower in 2024-25 and 2025-26, respectively, when compared to the 2024 PEFO. These variations are mainly due to revised timing of Commonwealth-funded roads and housing projects into forward years, in line with expected delivery schedules. The increase from 2026-27 reflects Commonwealth funding of $100 million for national roads and $127 million for utility works to support defence and other Commonwealth facilities.

### Sales of goods and services

Sales of goods and services includes fees and charges, rent and tenancy income collected by various government agencies, and represents around 15% of total revenue over the budget cycle. The most significant component relates to gas sales, and electricity, water and sewerage charges collected by government owned corporations.

As shown in Table 2.6, sales of goods and services revenue is expected to increase from $1.16 billion in 2024-25 to $1.59 billion by 2028-29, with an average annual growth of 2.2% from 2025-26.

When compared with the 2024 PEFO, Table 2.8 shows a reduction in 2024-25 in sales of goods and services revenue, mainly due to lower forecast gas sales by Power and Water Corporation.

### Interest income

Interest income includes returns on short-term and fixed-interest investments combined with realised gains on Conditions of Service Reserve investments, and represents around 1.5% of total estimated revenue over the budget cycle. Table 2.6 shows interest income is expected to remain relatively stable, averaging $151 million per annum. As shown in Table 2.8, interest income is projected to increase by $30 million in 2024-25 and then by an average $13 million per annum from 2025-26 when compared with the 2024 PEFO, mainly due to higher than expected returns on investments.

### Dividend and income tax equivalent income

Dividend and income tax equivalent income recognised in the non financial public sector comprises estimated payments by NTTC, and is expected to average $38 million per annum over 2024-25 to 2025-26, before increasing to an average of $59 million per annum over the forward estimates period. The variations outlined in Table 2.8 mainly reflect anticipated NTTC profitability in line with the revised timing and value of government borrowing requirements.

### Mining and petroleum royalties

Mining and petroleum royalty forecasts are largely based on advice from mining companies and petroleum producers for estimated liability and related company estimates of commodity price movements, production levels and the value of the Australian dollar. Mining and petroleum royalties represent around 3% of total estimated revenue over the budget cycle.

As presented in Table 2.6, royalties are expected to be $298 million in 2024-25, increasing to $346 million in 2025-26, and average $282 million per annum for the remainder of the forward estimates. When compared with the 2024 PEFO, Table 2.8 shows royalties have been revised upwards in all years across the budget cycle to 2027-28, totalling $282 million. The higher royalty forecasts largely reflect higher commodity prices, combined with mines resuming operations following the effects of Cyclone Megan in March 2024.

### Other revenue

Other revenue includes miscellaneous revenue, such as reimbursements and research funding from non-government organisations. In 2024-25, other revenue is projected to be $126 million, $30 million higher when compared with the 2024 PEFO, predominantly due to insurance reimbursements relating to the Darwin Correctional Facility, and a GST refund from the Australian Taxation Office following a favourable tax ruling on the provision of disability housing. From 2025-26, other revenue is expected to remain relatively stable averaging $100 million per annum over the budget cycle.

## Expenditure changes since 2024 PEFO

Table 2.9 sets out the Territory's expenditure projections in the non financial public sector for the 2024-25 revised estimate, 2025-26 Budget and forward estimates.

Table 2.9: Non financial public sector – expenditure components

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| Employee and related expenses | 3 851 | 4 041 | 4 069 | 4 182 | 4 256 |
| Depreciation and amortisation | 929 | 897 | 893 | 879 | 872 |
| Other operating expenses | 2 882 | 2 881 | 2 781 | 2 842 | 2 847 |
| Interest expenses | 579 | 679 | 784 | 856 | 911 |
| Current grants | 1 246 | 1 301 | 1 312 | 1 336 | 1 387 |
| Capital grants | 246 | 196 | 131 | 48 | 34 |
| Subsidies and personal benefit payments | 70 | 74 | 78 | 78 | 79 |
| Total expenses | 9 804 | 10 069 | 10 049 | 10 222 | 10 385 |
| Net capital investment | 1 848 | 2 119 | 1 743 | 1 422 | 1 513 |
| Total expenditure | 11 652 | 12 188 | 11 792 | 11 644 | 11 898 |

As shown in Table 2.9, total expenditure is projected to peak in 2025-26 at $12.19 billion and then average $11.78 billion per annum over the forward estimates period.

Table 2.10 compares revised expenditure projections for the 2025-26 Budget with those published in the 2024 PEFO and 2024-25 Mid-Year Report.

Table 2.10: Non financial public sector – variation in expenditure since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| Total expenses | | | | | |
| 2024 PEFO | 9 280 | 8 898 | 9 050 | 9 198 | n/a |
| 2024-25 Mid-Year Report | 9 570 | 9 055 | 9 189 | 9 316 | n/a |
| 2025-26 Budget | 9 804 | 10 069 | 10 049 | 10 222 | 10 385 |
| Variation from 2024 PEFO | 524 | 1 171 | 999 | 1 024 | n/a |
| Net capital investment | | | | | |
| 2024 PEFO | 2 115 | 1 656 | 1 413 | 1 198 | n/a |
| 2024-25 Mid-Year Report | 2 333 | 1 649 | 1 267 | 1 182 | n/a |
| 2025-26 Budget | 1 848 | 2 119 | 1 743 | 1 422 | 1 513 |
| Variation from 2024 PEFO | - 267 | 463 | 330 | 224 | n/a |

n/a: not available at the time of publishing the 2024 PEFO and 2024-25 Mid-Year Report

Total expenses are expected to be $10.07 billion in 2025-26, increasing on average by 1% per annum over the forward estimates period. When compared with the 2024 PEFO, total operating expenses are on average $1.07 billion per annum higher, reflecting new government policy decisions as detailed earlier in this chapter, government owned corporation expense assumptions and expenditure associated with delivering new tied Commonwealth funding agreements.

## Parameters

Included in the total expense variations are adjustments to agency budgets as a result of parameters applied to Territory-funded expenses. Parameter factors are reviewed each budget, taking into consideration the latest policy and economic developments, for the purpose of providing agencies with additional financial capacity to deliver services at current pricing levels, offset by measures to repair the budget. The main parameters used to adjust forward estimates are:

- wages – inflator
- CPI – inflator
- budget repair measure (formerly known as efficiency dividend) – deflator.

The wages indexation factor of 3% is applied from 2025-26 and across the forward estimates, consistent with government's announced Public Sector Wages Policy 2025–2028 and is unchanged from the 2024 PEFO.

The CPI parameter for the budget year is generally adjusted to match the year-on-year change in the Darwin CPI for the latest December quarter to better reflect actual price trends. The CPI factor for 2025-26 was decreased from 2.8% to 1.7% to align with the December 2024 quarter annual Darwin CPI growth. CPI parameters for the forward estimates were adjusted to 2.4% in 2026-27 and 2.5% per annum thereafter.

An additional growth parameter of 1.4% is applied to all hospital-related expenditure in recognition of growth in demand for health services, remaining unchanged from the 2024 PEFO.

A budget repair measure is applied to agency budgets for operational costs, employee costs, and grants and subsidies premised on improving the budget position. The budget repair measure replaces and is applied in the same manner as the former efficiency dividend, and remains unchanged at 1% in all years.

For the following agencies and functions, a two-thirds discount is applied to the budget repair measure to recognise that a majority of their costs relate to frontline services, which are substantially fixed in nature:

- Department of Children and Families
- Department of Corrections
- Department of Education and Training
- hospital services function of the Department of Health
- Northern Territory Fire and Emergency Service
- Northern Territory Police Force.

For grants and subsidies budgets, a composite indexation factor is applied based on 75% of the wages factor and 25% of the CPI factor, less the applicable budget repair measure for that year.

As part of the 2025-26 Budget, repairs and maintenance expenditure has been indexed from 2026-27, consistent with the factor applied to grants and subsidies, to keep pace with the increasing cost of service delivery.

Government owned corporation forward estimates are based on forecasts provided by the corporations during the development of their SCIs. The forecasts reflect future expectations in revenue, contracted and regulated costs, capital investments, operational efficiencies and other factors agreed by the shareholding minister and each respective board.

### Employee and related expenses

Table 2.9 shows estimated employee and related expenses, which includes superannuation expenses, continues to account for about 41% of total expenses and represent the Territory's largest expenditure. Employee and related expenses are expected to grow by 4.9% in 2025-26 and remain largely constant over 2025-26 and 2026-27 at around $4.05 billion per annum, before resuming average growth of around 2.3% from 2027-28. The increase from 2025-26 reflects new Territory funding to support hospital and corrections demand pressures, expenditure associated with new Commonwealth funding under National Health Reform and the Better Fairer Schools Agreement, combined with year-on-year parameter indexation.

### Depreciation and amortisation

Depreciation and amortisation expenses represent the consumption of physical and intangible asset values over their expected useful life constituting around 9% of total expenses. These expenses will vary over the budget cycle as new assets are purchased or constructed and assets reach the end of their useful life, or are revalued in line with accounting standards. From 2025-26, depreciation and amortisation expenses are expected to average $885 million per annum across the budget cycle.

### Other operating expenses

Operating expenses largely comprise government's repairs and maintenance program, energy costs, property-related costs, medical supplies, ICT and communication charges, and motor accident compensation and related payments and represent around 28% of total expenses. As shown in Table 2.9, other operating expenses are expected to remain largely constant over the budget cycle, averaging $2.84 billion per annum. The stability of other operating expenses over the budget cycle is largely driven by significant time-limited funding in 2024-25 and 2025-26, including Territory funding set aside to address demand pressures and Commonwealth National Health Reform expenditure, combined with ceasing Commonwealth funding agreements over the forward estimates period, offset by annual parameter indexation.

### Interest expenses

Table 2.11 shows that from 2025-26 interest expenses are projected to increase across the budget cycle, and are higher in all years when compared with the 2024 PEFO. The increases are driven by higher borrowing requirements in line with the cumulative increase in fiscal balance deficits across the budget cycle.

Table 2.11: Non financial public sector – variation in interest expenses since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| 2024 PEFO | 586 | 663 | 719 | 761 | n/a |
| 2024-25 Mid-Year Report | 583 | 674 | 725 | 767 | n/a |
| 2025-26 Budget | 579 | 679 | 784 | 856 | 911 |
| Variation from 2024 PEFO | - 7 | 16 | 65 | 95 | n/a |

n/a: not available at the time of publishing the 2024 PEFO and 2024-25 Mid-Year Report

### Current grants

Table 2.9 shows current grant expenses are expected to be $1.3 billion in 2025-26 and grow moderately across the forward estimates period. Current grants represents around 13% of total expenses and primarily comprise Territory and Commonwealth-funded grants to schools, non–government health service providers, cultural and sporting organisations, local government councils, and delivery of children and family programs by non-government organisations.

### Capital grants

Capital grants comprise payments to local government councils and non-government organisations, for the purpose of acquiring or constructing new physical assets or upgrading existing physical assets. Capital grants tend to be ad hoc in nature and range between 1% to 3% of total expenses over the budget cycle. As highlighted in Table 2.9, capital grant expenses are projected to peak in 2024-25 at $246 million, before declining each year to $34 million by 2028-29. Elevated expenditure over 2024-25 to 2026-27 reflects the payment profile of Commonwealth-funded housing homelands and infrastructure upgrades, and social housing accelerator grant programs.

### Subsidies and personal benefit payments

Subsidies and personal benefits are payments aimed at reducing all or part of the costs of an activity and include debts owing to the Territory that are waived or extinguished, and constitute around 1% of total expenses. From 2025-26, subsidies and personal benefit payments are estimated to remain largely constant averaging $77 million per annum and comprise payments for early childhood and out of home care services, back-to-school payments, payments under the Territory senior's recognition and carer's concession schemes, and regulated utility tariff subsidies paid to private sector retailers.

### Net capital investment

Net capital investment comprises purchases and sales of non financial assets, such as vehicles, ICT and equipment, and includes the construction of assets under the Territory's capital works program. As shown in Table 2.9, net capital investment is expected to peak in 2025-26 at $2.12 billion, before declining to $1.51 billion by 2028-29.

As shown in Table 2.10, estimated net capital investment in 2024-25 is $267 million lower when compared with the 2024 PEFO, before increasing each year over the budget cycle by an average of $339 million per annum. The reduction in 2024-25 largely reflects the revised timing of works for the Darwin ship lift facility and Commonwealth-funded road projects from 2024-25 into future years. From 2025-26, increases reflect programs revised from 2024-25, increased capital replacement within government owned corporations totalling $151 million to 2027-28, additional Territory-funded initiatives as detailed earlier in this chapter, combined with new Commonwealth funding for road projects totalling $100 million to 2027-28.

## Key fiscal indicators – balance sheet

The key measures for the balance sheet are net debt and the resulting net debt to revenue ratio. Table 2.12 shows net debt is projected to be $12.19 billion in 2025-26, increasing to $13.97 billion by 2028-29. The net debt to revenue ratio is projected to be 121% in 2025-26, increasing to 132% in 2028-29.

When compared with the 2024 PEFO, net debt is projected to increase each year across the budget cycle, in line with the cumulative effect of projected fiscal balance deficits. While net debt projections are expected to increase, the net debt to revenue ratio is expected to be marginally improved from 2024-25 to 2026-27 and largely unchanged in 2027-28 , when compared to the 2024 PEFO. This variation is the result of revenue projections increasing at a greater rate than net debt.

Table 2.12: Non financial public sector – variation in net debt and net debt to revenue ratio since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| Net debt | | | | | |
| 2024 PEFO | 10 821 | 11 603 | 12 125 | 12 255 | n/a |
| 2024-25 Mid-Year Report | 11 136 | 11 944 | 12 349 | 12 493 | n/a |
| 2025-26 Budget | 10 548 | 12 191 | 13 107 | 13 506 | 13 966 |
| Variation from 2024 PEFO | - 273 | 588 | 982 | 1 251 | n/a |
| Net debt to revenue (%) | | | | | |
| 2024 PEFO | 121 | 128 | 133 | 130 | n/a |
| 2024-25 Mid-Year Report | 121 | 131 | 135 | 133 | n/a |
| 2025-26 Budget | 116 | 121 | 130 | 131 | 132 |
| Variation from 2024 PEFO | - 5 | - 7 | - 3 | 1 | n/a |

n/a: not available at the time of publishing the 2024 PEFO and 2024-25 Mid-Year Report

Factors affecting net debt are the net result of policy and non-policy changes. Policy changes outlined earlier in this chapter include government's operational and capital commitments, partially offset by savings and revenue measures. Non-policy changes include GST, taxation and royalty revenue, the effect of renewed and extended leases of office accommodation, operating and capital results of government owned corporations, and timing of Commonwealth and agency payments. Table 2.13 summarises the effect of policy and non-policy changes on net debt since the 2024 PEFO and demonstrates that policy changes are the main contributor to the projected increase.

Table 2.13: Non financial public sector – cumulative changes to net debt since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|
| | Revised | Budget | Forward estimate | |
| | $M | $M | $M | $M |
| Policy changes | 375 | 1 177 | 1 781 | 2 259 |
| Non-policy changes | - 648 | - 589 | - 799 | - 1 008 |
| Net cumulative change | - 273 | 588 | 982 | 1 251 |

(+) reflects a worsening; (-) reflects an improvement

Table 2.14 provides details on the cumulative factors contributing to the projected variation in net debt over the forward estimates since the 2024 PEFO.

Table 2.14: Non financial public sector – detailed cumulative changes to net debt since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|
| | Revised | Budget | Forward estimate | |
| | $M | $M | $M | $M |
| Revenue measures | 2 | - 11 | - 25 | - 39 |
| Expenditure commitments | 420 | 950 | 1 490 | 2 029 |
| Savings measures | - 53 | - 118 | - 191 | - 238 |
| Capital commitments | 6 | 356 | 507 | 507 |
| GST revenue | - 117 | - 332 | - 468 | - 598 |
| Taxation and royalties | - 178 | - 309 | - 373 | - 409 |
| Interest variations[1] | - 39 | - 46 | - 6 | 65 |
| Government owned corporations | 68 | - 27 | - 6 | - 61 |
| Leases | - 38 | - 37 | - 4 | 19 |
| Revised timing of Darwin ship lift facility | 41 | 144 | 18 | nil |
| Timing and agency-related adjustments[2] | - 385 | 18 | 40 | - 24 |
| Net cumulative changes | - 273 | 588 | 982 | 1 251 |

(+) reflects a worsening; (-) reflects an improvement

1 Excludes interest variations affecting government owned corporations as these are included with all other variations affecting government owned corporations.

2 Includes items discussed in Table 2.5 combined with the use of Commonwealth capital funding received in 2023-24, now spent over the budget cycle.

# Chapter 3
# Economic outlook

## Overview

The information provided in this chapter meets the requirements of sections 10(1)(b) and 10(1)(c) of the FITA that each fiscal outlook report contains an account of the economic assumptions and analysis of the effects of their changes on the updated financial projections. This chapter also addresses the requirements under section 10(1)(f) of the FITA and provides explanations of material differences between the updated economic projections and those published in the 2024 PEFO.

This chapter provides a summarised assessment of the Territory's economic outlook. More detailed commentary is in the *Northern Territory Economy* book, the online *Industry Outlook* publication and on the website at nteconomy.nt.gov.au.

Table 3.1: Territory key economic indicators (%)

| | 2023-24a | 2024-25e | 2025-26f | 2026-27f | 2027-28f | 2028-29f |
|---|---|---|---|---|---|---|
| Gross state product[1] | 4.6 | - 2.6 | 7.8 | 5.9 | 1.7 | 3.0 |
| State final demand[1] | 4.5 | 4.0 | - 1.8 | - 0.6 | 1.1 | 2.6 |
| Employment[1] | 1.5 | 1.2 | 0.8 | 1.2 | 1.6 | 1.6 |
| Unemployment rate[2] | 4.4 | 4.5 | 5.0 | 4.7 | 4.6 | 4.5 |
| Consumer price index[3] | 3.0 | 1.7 | 2.9 | 2.4 | 2.5 | 2.5 |
| Wage price index[1] | 4.1 | 3.2 | 3.0 | 3.1 | 3.2 | 3.3 |
| Population[3] | 0.8 | 0.7 | 1.0 | 1.1 | 1.2 | 1.2 |

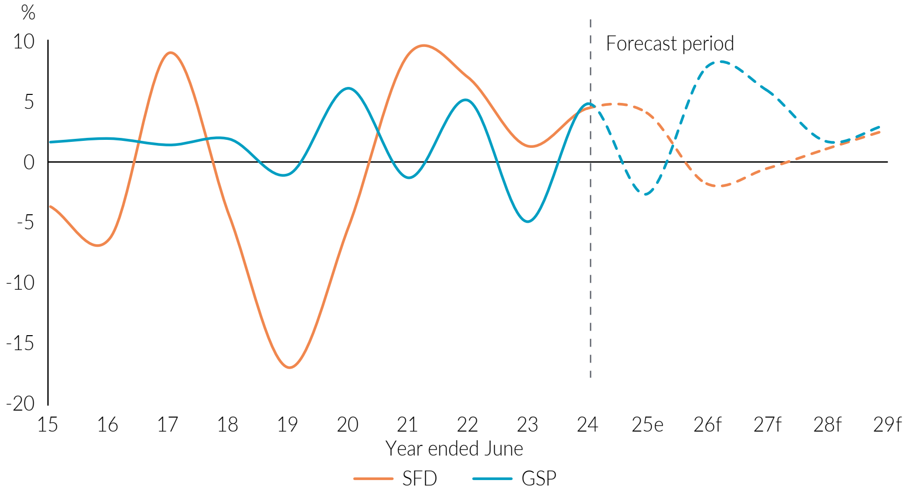
a: actual; e: estimate; f: forecast
1 Year-average percentage change.
2 Year average.
3 Year-ended percentage change.
Source: Department of Treasury and Finance, ABS

## Economic growth

### Gross state product and state final demand

The Territory's domestic economy is growing solidly in 2024-25 with SFD expected to grow by 4%. This growth is largely driven by strong public investment and construction activity on the Barossa project, together with modest household consumption growth as household budgets and real household disposable income improve. However, Territory GSP is expected to decline by around 2.6%, reflecting a contraction in exports due to unexpected maintenance at the Ichthys LNG plant (Chart 3.1).

Chart 3.1: Territory gross state product and state final demand[1]




e: estimate; f: forecast; GSP: gross state product; SFD: state final demand
1 Year-average percentage change.
Source: ABS, *Australian National Accounts: State Accounts*, *Australian National Accounts: National Income, Expenditure and Product*, *Balance of Payments and International Investment Position, Australia*; Department of Treasury and Finance

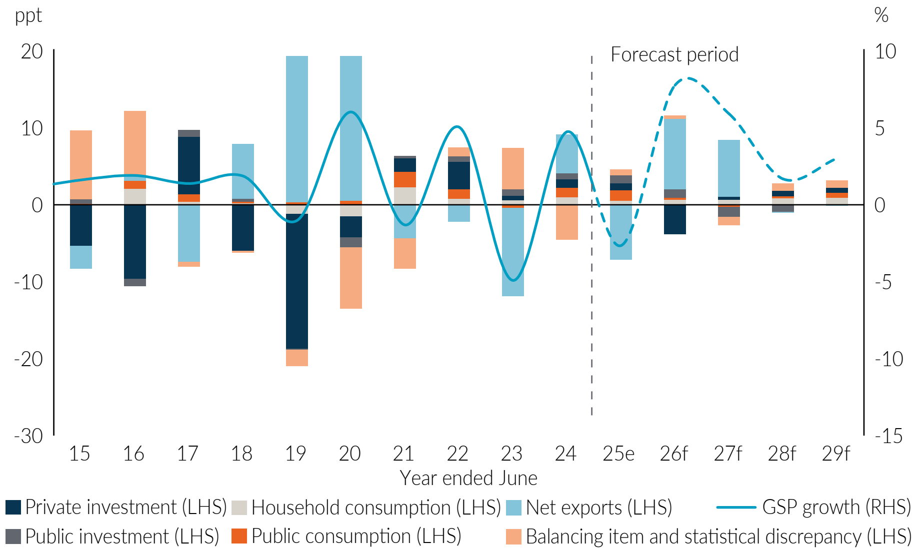
In 2025-26, Territory GSP is forecast to rebound with growth of 7.8% as exports commence from the Barossa project from September 2025. In addition, the Groote Eylandt Mining Company (GEMCO) manganese mine will resume production following completion of repairs from Cyclone Megan. SFD is forecast to decline during this period as construction works of the Barossa project are completed, resulting in reduced private investment. This will be partially offset by strong public investment spending and growth in dwelling investment, driven by the HomeGrown Territory and FreshStart housing initiatives (Table 3.1 and Chart 3.2). Household spending will improve modestly as real incomes rise, noting this may be tempered by recent declines in confidence relating to financial market uncertainty around the impact of tariffs on the economic outlook. Public consumption will continue to support growth in 2025-26.

In 2026-27, GSP is forecast to grow by 5.9% with both the Ichthys and Darwin LNG plants assumed to be operating at around full capacity. SFD is forecast to detract from growth in 2026-27 as public investment eases from record levels. This follows a period of significant increases in spending on large projects like the Darwin ship lift. Growth in public consumption is also expected to ease as staffing levels plateau in line with government's investment to meet elevated demand for services in health and community safety. This will be partially offset by continued solid growth in household consumption and modest growth in private investment as the impact of the Barossa project's completion diminishes and new projects get underway.

In 2027-28, GSP is forecast to grow by 1.7% following strong growth in the previous two years, largely supported by stable exports, improving household and public consumption and private investment. Similarly, in 2028-29 GSP growth is expected to return to trend level of around 3% as major export facilities maintain stable production, and consumption and private investment contribute steadily to economic growth.

The Territory economic growth projections do not factor in potential or planned projects yet to reach final investment decision. Some of these projects may reach final investment decision during the forecast period but are not currently reflected in the outlook (see *Northern Territory Economy* publication, Box 1).

Chart 3.2: Contributions to Territory gross state product growth




e: estimate; f: forecast; GSP: gross state product; LHS: left-hand side; ppt: percentage points; RHS: right-hand side
Source: Department of Treasury and Finance; ABS, *Australian National Accounts: State Accounts*, *Australian National Accounts: National Income, Expenditure and Product*, *Balance of Payments and International Investment Position, Australia*

## Household consumption

Household consumption growth is forecast to steadily increase from 1.5% in 2024-25 to 1.7% in 2026-27, as inflation continues to moderate, monetary policy eases and real household disposable incomes improve. Over the forward estimates period, growth is expected to trend upwards, consistent with the forecast for improving employment and real wage growth.

## Private investment

Private investment is forecast to grow 5.2% in 2024-25 before contracting 20.1% in 2025-26. This is largely driven by business investment, with the Barossa project nearing construction completion and targeting production in the first quarter of 2025-26. While business investment is expected to decline in 2025-26, there remains a steady pipeline of projects supporting activity, such as the Newmont's Tanami Expansion 2 and rehabilitation of the Ranger mine. Dwelling investment is also expected to support private investment over this period as the HomeGrown Territory and FreshStart grants incentivise the construction of new houses and land release.

As the impact of the Barossa project passes, private investment growth is expected to resume from 2026-27, consistent with growth in the capital stock and depreciation spending to maintain capital, supporting investment returning to growth at around trend estimates.

## Public consumption

Public consumption growth is forecast to remain strong in the near term at 4.2% in 2024-25 and 0.9% in 2025-26, largely reflecting greater demand across frontline services such as health and community safety, as well as revised timing of various programs from 2024-25 to 2025-26. Public consumption is expected to decline in 2026-27 by 0.9% as these spending pressures ease, before returning to modest growth over the rest of the forecast period, in line with growth in population in the local economy.

## Public investment

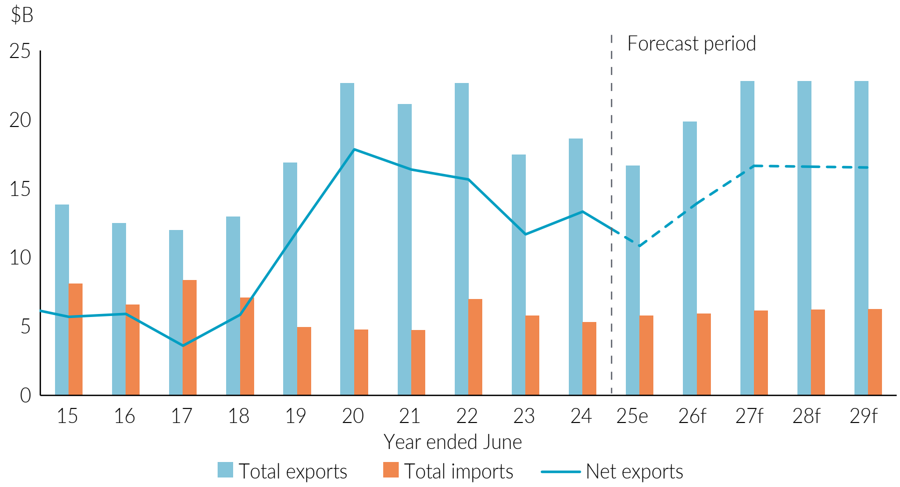
Public investment is forecast to remain strong, growing by 14.3% and 12.9% in 2024-25 and 2025-26, respectively, as works progress across a number of large infrastructure projects such as the Darwin ship lift and Northern Territory Art Gallery, as well as investment in roads and public housing programs. Public investment growth is expected to ease as significant investment activity on large projects progress towards completion, declining by 14.8% in 2026-27 and 13.1% in 2027-28. Public investment is then expected to stabilise in line with a steady pipeline of infrastructure works across national, state and local government projects in the medium term.

## International trade

The Territory's balance of trade is forecast to narrow in 2024-25, before recovering in 2025-26 and stabilising over the forward estimates period (Chart 3.3). These estimates mainly reflect disruptions in the Territory's goods exports, which is forecast to decline by 10.7% in 2024-25 as an unplanned maintenance shutdown at the Ichthys LNG plant reduced gas exports before rebounding by 19.2% in 2025-26. The increase in exports in 2025-26 is driven by production commencing from the Barossa project and exports resuming from GEMCO, offset by large-scale planned maintenance activities at the Ichthys LNG plant, scheduled for the September quarter 2025. Export growth is expected to stabilise from 2027-28 as these facilities return to production at around full capacity.

Imports are estimated to grow by 8.9% in 2024-25 due to work associated with the Barossa project. In 2025-26, imports are expected to continue to grow, driven by higher service imports related to the Barossa floating, production, storage and offloading vessel service contract. Imports are expected to continue growing in 2026-27, reflecting improving household consumption spending. Thereafter, the Territory's imports are forecast to grow in line with investment activity and economic growth.

Chart 3.3: Territory net exports




e: estimate; f: forecast
Source: ABS, *Australian National Accounts: State Accounts*; Department of Treasury and Finance

## External economic environment

National and international factors influence the Territory economy through financial markets, exchange rates, commodity prices, population and trade flows, tourist visitation and availability of workers to meet the Territory's labour requirements. Monetary policy, set by the RBA, influences household consumption, business confidence and investment decisions in the Territory. The international economic backdrop is highly uncertain. This is likely to have direct and indirect impacts on the national and Territory economies.

The tariffs announced by the United States (US) administration were more significant than expected. The potential magnitude and persistence of the economic effects of these announcements has resulted in uncertainty around the national economic outlook. On 3 April 2025, the US administration announced across-the-board tariffs on goods imports into the US, ranging from 10% to 50%. In response, China announced a range of countermeasures, including imposing tariffs on all goods imports from the US. By 17 April, tariffs between the two largest economies in the world stood at 145% on US imports of Chinese goods and 125% on Chinese imports of US goods. These tariffs, and other retaliatory responses, will weigh on international trade, investment and growth, and disrupt supply chains. There will be direct and indirect effects on the national economy and the Territory economy, which is more significantly weighted towards mining.

The Commonwealth *Pre-election Fiscal Outlook* (Commonwealth PEFO) published in April 2025 outlines the direct impact from Australia's bilateral trade with the US is expected, in aggregate, to be limited given the US accounted for 4.6% of Australia's goods exports in 2024. For the Territory, direct trade with the US is significantly less at 0.1% of Territory goods exports. Particular sectors will be more affected than others, with mining expected to see the largest impact. The indirect effects on Australian exports through Australia's other major trading partners, particularly China, will be larger. Ongoing uncertainty in relation to trade hostilities and associated volatility in financial markets may weaken consumer and business confidence, which will have implications for consumption and business investment, including in Australia and the Territory, as commodity prices fall.

Prior to the tariff announcements, growth in the Australian economy was expected to gradually pick up over 2025–26. The gains in employment made over the past few years have, to date, been preserved as inflation has moderated and returned to the RBA's target band. Wages are expected to grow over the forecast period, as is employment, which will support growth in household incomes and household consumption.

Given the mining industry's share of the economy in the Territory is around twice that (25% of GSP) of the national economy (12% of gross domestic product (GDP)), the impact of changes to global tariff regimes would be felt more acutely in the Territory economy. This may manifest in the Territory through the more marginal mining projects, particularly those requiring large capital raising, being less likely to proceed in the near term if they cannot access capital. However, it is likely to be highly project dependent. For example, longer term project expansion plans in LNG are less likely to be influenced by near-term market disruption from tariffs.

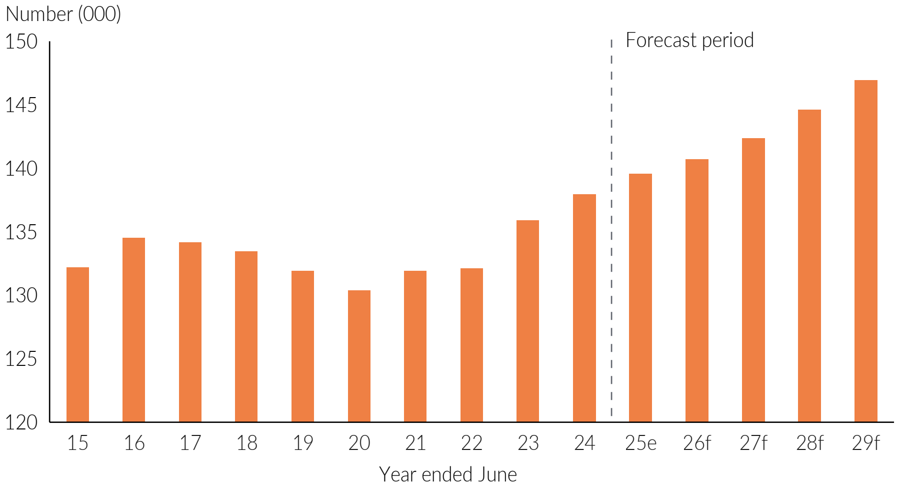
In recent weeks, there have been significant falls in oil prices and volatility in the Australian dollar. Both developments will have implications for activity and inflation if they persist. The RBA will meet on 20 May and markets are estimating around 100 basis points in interest rate cuts for Australia in 2025. Interest rate cuts in 2025 will provide important support to households and businesses in the Territory.

## Labour market

Employment growth is forecast to moderate in the near term to 1.2% in 2024-25 and 0.8% in 2025-26. This largely reflects construction activity on the Barossa project coming to an end, offset by ongoing elevated public investment activity. Employment growth is forecast to improve over the forward estimates in line with domestic activity and stable wages growth, and supported by improved Designated Area Migration Agreement (DAMA) conditions.

The unemployment rate is expected to increase to 5% in 2025-26, reflecting the transition of the Barossa project from construction to production (with a smaller workforce), before moderating over the forward estimates period as employment growth strengthens in line with population growth and demand for labour from public and private investment.

Chart 3.4: Territory employment




e: estimate; f: forecast
Source: ABS, *Labour Force, Australia*; Department of Treasury and Finance

## Prices and wages

CPI growth is expected to be 1.7% in 2024-25, following a strong decline in electricity prices from the Commonwealth Energy Bill Relief Fund and lower automotive fuel prices. CPI growth is expected to pick up to 2.9% in 2025-26 as energy relief ends, before tracking lower towards 2.5% in line with the mid-point of the RBA target band.

Both goods and services inflation have been weak in the year to March 2025, but are expected to grow as real incomes improve, interest rates ease and demand normalises.

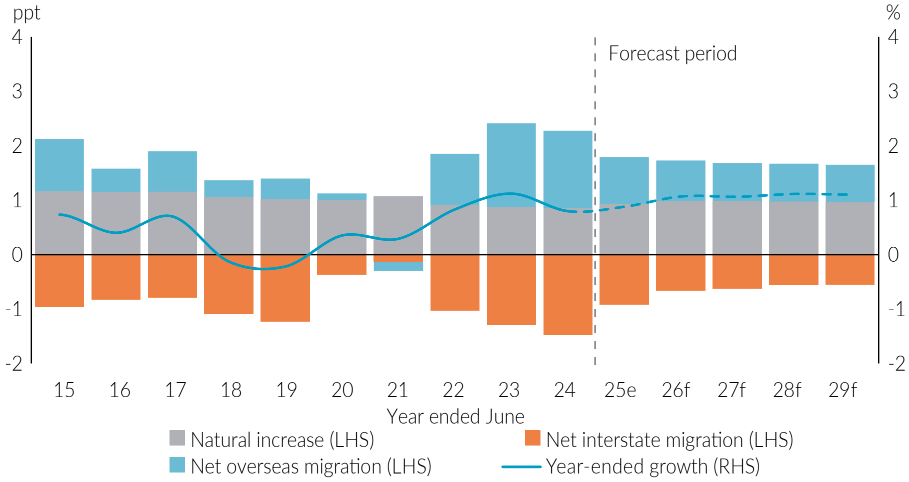
Wage growth is forecast to continue moderating towards 3.2% in 2024-25 and 3% in 2025-26, driven by easing private sector wage growth. Wage growth is expected to increase to 3.3% over the forward estimates, driven by a stronger national wage growth outlook flowing through to wage decisions in Territory businesses that need to compete to attract labour.

## Population

The Territory's population growth is estimated to be 0.7% in 2024-25 (Table 3.1) as natural increase remains flat and net migration flows continue to ease from elevated levels. Population is forecast to grow by 1% in 2025-26, largely driven by improving net interstate migration outcomes being supported by elevated public final demand and economic activity, and recovering natural increase as cost of living pressures ease.

Population growth is expected to continue improving across the forward estimates from 1.1% in 2026-27 to 1.2% in 2028-29, as migration flows continue to normalise towards longer-term levels. Changes to the Territory's DAMA to support the Territory's ability to access and retain labour are expected to improve longer-term migration outcomes in the Territory (Chart 3.5).

Chart 3.5: Population growth




e: estimate; f: forecast; LHS: left-hand side; ppt: percentage point; RHS: right-hand side
Source: ABS, *Australian Demographic Statistics*; Department of Treasury and Finance

Chapter 4

# Fiscal strategy statement

## Overview

Information provided in this chapter meets requirements under sections 9(1)(d) and 9(1)(e) of the FITA to provide an assessment of expected outcomes for key fiscal indicators and explain how government's fiscal objectives and strategic priorities relate to principles of sound fiscal management. This section also complies with section 10(1)(g) of the FITA that states each fiscal outlook report is to contain an explanation of the factors and considerations contributing to any material differences between updated financial projections and government's fiscal objectives and targets.

## Government's fiscal strategy

A fiscal strategy is an essential element of budget planning and accountability, and provides the basis against which policy decisions can be assessed at a whole of government level. The strategy articulates government's fiscal objectives and targets.

Section 5(1) of the FITA requires the Territory Government to publish a fiscal strategy based on principles of sound fiscal management, where government must:

- formulate and apply spending and taxing policies, having regard to the effect of these policies on employment, economic development and growth of the Territory economy
- formulate and apply spending and taxing policies to give rise to a reasonable degree of stability and predictability
- ensure funding for services is provided by the current generation
- prudently manage financial risks faced by the Territory (having regard to economic circumstances), including the maintenance of Territory debt at prudent levels.

Section 9(1)(c) of the FITA requires government to specify the key fiscal indicators it considers important and against which fiscal policy will be set and assessed. The key fiscal indicators on which the fiscal strategy is premised include the general government sector's net operating balance and the non financial public sector's fiscal balance, net debt and net debt to revenue ratio. The fiscal strategy also comprises other fiscal measures that support the key fiscal indicators.

## 2025-26 Budget fiscal strategy

The FITA requires public release and tabling of a particular government's first fiscal strategy statement at or before the time of the government's first budget and is typically reset every four years in line with election cycles. Accordingly, the 2025-26 Budget represents the Finocchiaro CLP Government's first budget to set its fiscal strategy objectives and targets.

The government's new fiscal strategy has been simplified to six fiscal objectives and targets, with an emphasis on debt management and reduction. The targets represent what would need to be achieved to return the Territory to a financially sustainable position, with regard to the current fiscal and economic conditions and comparable jurisdictional performance. Jurisdictional comparison represents a benchmark for the economic and fiscal conditions and pressures being faced by each state government.

As the Territory releases its budget ahead of all the states, the state average is premised on lagging budget data for each state. Accordingly, the Territory may present higher projected outcomes until state budgets are released. State averages updated for 2025-26 Budget projections will be published in the 2024-25 Treasurer's Annual Financial Report where actual performance against targets are assessed.

Detailed assessment of expected outcomes for fiscal strategy objectives and key fiscal targets follows.

## Assessment of the fiscal strategy

### Principle 1: Spending and taxing policies for employment, economic prosperity and development of the Territory

#### Ongoing objective: Maintain a competitive tax environment that encourages investment, creates jobs and attracts business to the Territory

#### Target: Territory taxation effort for the last assessed year by the Commonwealth Grants Commission to be equal or lower than the state average of 100%

Taxing policies can significantly influence private business investment and employment decisions. Consequently, competitive taxing policies play a critical role in pursuing the FITA principle of maintaining employment, economic development and growing the Territory economy.

Relative tax competitiveness is complex to assess due to inherent differences in respective economies and taxation regimes across jurisdictions. A nationally recognised measure of the competitiveness of each jurisdiction's tax system is taxation effort, as assessed by the CGC. This measure is a lagging indicator as the CGC updates information annually based on the actual outcome of the previous year.

Taxation effort assesses the extent to which a jurisdiction's actual revenue collections are above or below its assessed capacity to raise revenue if it imposed national average tax settings. A ratio above 100 indicates a state is collecting more revenue than it would if it applied state average policy settings, whereas a ratio below 100 indicates it collects less revenue than it would if it applied state average policies. This fiscal strategy objective and target aims to maintain taxation at levels competitive with other jurisdictions to encourage increased levels of business activity in the Territory.

Table 4.1 shows the Territory is the lowest taxing jurisdiction with an assessed taxation effort of 81.9% for 2023-24, the latest year assessed by the CGC. Accordingly, this fiscal strategy target has been achieved as the Territory's taxation effort is below the state average of 100%.

Table 4.1: Taxation effort by jurisdiction, 2023-24

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Average | Target met |
|---|---|---|---|---|---|---|---|---|---|---|
| | % | % | % | % | % | % | % | % | % | |
| Total taxation effort | 97.2 | 113.5 | 91.9 | 93.0 | 95.1 | 85.9 | 134.0 | 81.9 | 100 | yes |

Source: CGC 2025 Methodology Review

The Territory generally demonstrates below-average taxation effort as it does not impose land tax and levies lower than average motor vehicle taxes. The Territory's taxation effort in 2023-24 marginally decreased from the updated assessment for 2022-23 of 84%, largely due to lower stamp duty effort between years. It is anticipated the Territory's taxation effort for 2024-25 will increase following improved stamp duty collections in 2024-25.

## Principle 2: Spending and taxing policies for stability and predictability of service provision

### Objective and target: Maintain a general government sector net operating balance surplus (excluding capital revenue) in every year over the budget cycle to provide stability and predictability of government service provision and lower reliance on debt for service provision

The stability and predictability of a government's revenue-raising effort and expenditure base are assessed by credit rating agencies to determine the fiscal flexibility of a government to deliver on its future objectives, respond to changing needs and support long-term financial strength.

The general government sector net operating balance reflects total government revenue less total operating expenses and is reported by all jurisdictions as a measure of sustainable service provision. While capital revenue is recognised in the net operating balance, capital spending is not. Unlike most of the states, a higher proportion of the Territory's tied funding received from the Commonwealth is for capital purposes, due to the Territory's high infrastructure requirements to support its geographically dispersed population. This fiscal strategy measure adjusts the net operating balance to exclude capital revenue to more appropriately reflect the net cost of delivering core public services. It aims to fund government services from operating revenues, reducing reliance on debt to fund service provision, and surpluses giving rise to stability and predictability of current and future government service provision, a key principle of the FITA.

A positive balance reflects that government is generating sufficient revenue to fund its operating activities, with surpluses providing capacity to fund capital investment. Negative balances provide no capacity to fund capital investment beyond depreciation levels without further borrowings. While short-term deficits may be appropriate during periods of economic downturn, persistent negative balances indicate structural deficit.

Table 4.2 shows that while the general government sector net operating balance is projected to be a surplus from 2027-28, after excluding capital revenue, the adjusted net operating balance is estimated to be a deficit in each year across the budget cycle, therefore not meeting this fiscal strategy objective and target. Although this measure has not been met, deficits are largely consistent with annual depreciation expense averaging $630 million, indicating the Territory can largely fund its operating expenses but has no capacity to fund capital investment from revenues. Furthermore, the adjusted net operating balance deficit is estimated to improve across the budget cycle, indicating this measure may be met over the medium to long term.

Table 4.2: General government sector – net operating balance (excluding capital revenue)

| | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|
| | Budget | Forward estimate | | |
| | $M | $M | $M | $M |
| Net operating balance | - 265 | - 101 | 17 | 52 |
| *Less*: capital revenue | 539 | 695 | 614 | 586 |
| **Adjusted net operating balance** | **- 804** | **- 796** | **- 597** | **- 534** |
| Target on track | no | no | no | no |

## Principle 3: Funding for current services is to be provided by the current generation

### Objective and target: Interest expense as a percentage of revenue at the non financial public sector to be equal or lower than the average of the states in each year over the budget cycle to lower the Territory's reliance on debt to fund service provision

Interest burden is a measure used by credit rating agencies to assess a jurisdiction's ability to service its debt. The relative share of revenue consumed by interest payments is important in determining whether a jurisdiction can continue to fund its service provision at current levels.

High interest expense relative to revenue indicates an over reliance on borrowed funds and provides less capacity to fund service provision as funds are redirected to interest payments. A low interest expense to revenue ratio indicates the Territory can effectively finance its debt and has greater capacity to fund or increase service provision, as less funds are set aside for interest payments.

This fiscal strategy objective and target compares the Territory's reliance on borrowed funds with the average of the states to take into consideration financial market conditions affecting all states. It aims to lower the Territory's reliance on debt to fund service provision, supporting the FITA principle of not passing debt onto future generations, in addition to facilitating stability and predictability of government service provision.

As shown in Table 4.3, the Territory's interest expense to revenue ratio is expected to be on average 1.1 percentage points above the state average in each year over the budget cycle, therefore not meeting this fiscal strategy target.

Table 4.3: Non financial public sector – interest expense to revenue ratio

| | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|
| | Budget | Forward estimate | | |
| | % | % | % | % |
| **2025-26 Budget** | **6.8** | **7.8** | **8.3** | **8.6** |
| State average | 5.8 | 6.6 | 7.3 | n/a |
| Variation | 1.0 | 1.2 | 1.0 | n/a |
| Target on track | no | no | no | n/a |

n/a: not available at the time of publishing the 2025-26 Budget

The higher ratio relative to state peers is largely influenced by:

- the Territory's credit rating being the lowest of all semi-government entities at Aa3 (stable), combined with issuing longer dated bonds, resulting in higher returns paid to investors to compensate for higher perceived risk
- Territory bonds not as liquid as state counterparts, as they cannot be easily sold in secondary markets, with investors expecting higher returns
- the Territory's small population base and high reliance on Commonwealth funding constraining revenue growth.

Furthermore, as the Territory releases its budget ahead of all the states, the state average is premised on lagging budget data for each state and therefore does not reflect the impact of any new borrowings or recent financial market impacts.

## Principle 4: Financial risks and Territory debt managed at prudent levels

### Objective: To ensure the Territory's debt levels remain serviceable when compared to revenue and at prudent levels

### Target: The Territory's net debt to revenue ratio at the non financial public sector be equal or lower than the average of the states in any year over the budget cycle

This fiscal strategy objective and target aims at maintaining the Territory's debt at prudent levels. During periods of low economic growth and constrained revenues, it may be prudent to raise higher levels of debt to maintain government expenditure and support the economy. When there is strong revenue growth and private sector investment, lower borrowings are justified as they present an opportunity to reduce debt. Consequently, prudent debt management is difficult to explicitly define and requires borrowings to be assessed in the context of prevailing economic and fiscal conditions.

The net debt to revenue ratio is a recognised measure of a jurisdiction's ability to repay borrowings, with a higher ratio indicating a lower ability to repay debt and a lower ratio indicating a stronger ability to repay debt. The net debt to revenue ratio is calculated as gross debt liabilities less select liquid financial assets as a proportion of total revenue for the non financial public sector.

This fiscal strategy objective and target compares the Territory's debt servicing capacity relative to the average of the states, representing the benchmark of the economic and fiscal conditions affecting all states, to assess whether debt is being managed prudently.

As shown in Table 4.4, the non financial public sector's net debt to revenue ratio is projected to be 121% in 2025-26, increasing to 132% by 2028-29, and above the state average in all years. Therefore, this fiscal strategy objective and target is not met. While the Territory's ratio is anticipated to increase over the budget cycle, when compared to the state average, the variation declines. This improvement indicates the Territory's ratio is likely to converge with the state average over the medium term. The Territory's higher net debt to revenue ratio is influenced by the same factors affecting the interest expense to revenue ratio as detailed earlier.

While this fiscal strategy measure was not met, when compared on an individual state basis against lagging state budget projections, the Territory is expected to have the third highest net debt to revenue ratio for 2025-26, with Victoria being the highest at 179% followed by New South Wales at 124%. By 2027-28, the Territory is expected to have the third lowest net debt to revenue ratio, with five states reporting ratios in excess of the Territory's projected ratio of 131%.

Table 4.4: Non financial public sector – net debt to revenue ratios

| | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|
| | Budget | Forward estimate | | |
| | % | % | % | % |
| **2025-26 Budget** | **121** | **130** | **131** | **132** |
| State average | 106 | 116 | 123 | n/a |
| Variation | 15 | 14 | 8 | n/a |
| Target on track | no | no | no | n/a |

n/a: not available at the time of publishing the 2025-26 Budget

### Ongoing objective: Maintain or improve the Territory's credit rating to lower risks of higher borrowing costs and improve the Territory's credit strength

### Target: Territory's credit rating of Aa3 (stable) or better

Excessive debt can restrict government's capacity to maintain appropriate service levels through increased borrowing costs and impact investor confidence, resulting in negative effects on the Territory economy.

Moody's Investors Service (Moody's) assigns long-term issuer and debt ratings to the NTTC, the entity that issues debt on behalf of the Territory and its government owned corporations. NTTC's debt is guaranteed by the Territory and the rating reflects the Territory's credit quality.

Credit ratings provide an independent assessment of a government's fiscal strength and ability to fulfil its financial commitments and repay debt. Higher ratings indicate a strong fiscal and economic position, and result in the ability to borrow at lower interest rates. Lower ratings indicate credit challenges, such as revenue or policy weaknesses and increasing debt levels, and result in higher interest rates on borrowings to compensate investors for elevated credit risk. Negative outlooks reflect a potential downgrade within the next six months to two years.

This fiscal strategy objective and target aims at maintaining or improving the Territory's credit strength and attractiveness to potential investors, lowering the risk of higher borrowing costs and improving overall debt composition. The Territory's credit rating was last reviewed in March 2025 by Moody's on the 2024-25 Mid-Year Report, resulting in an unchanged credit rating for the Territory at Aa3 with a stable outlook. Accordingly, this fiscal strategy target has been met. Moody's is expected to reassess the Territory's credit rating, based on the 2025-26 Budget projections, in the last quarter of 2025.

### Objective: Ensure government owned corporations are commercially sustainable

### Target: Power and Water Corporation and Territory Generation to maintain an average return on assets equal to or greater than 6% over the budget cycle, Jacana Energy to maintain an average operating margin equal to or greater than 2.5% over the budget cycle

Government owned corporations operate on a commercial basis with the ability to recover most of their costs through charging consumers for the use of services. The Territory's government owned corporations are Power and Water Corporation, Territory Generation and Jacana Energy. Government owned corporations are governed under the *Government Owned Corporations Act 2001* and make up most of the public non financial corporation sector.

The Territory's debt levels and fiscal targets are materially impacted by the financial performance of government owned corporations. Maintaining commercially sustainable government owned corporations reduces reliance on government support, increases returns to government that can be used to fund service delivery or retire debt, reducing the impact on the Territory's debt levels.

Return on assets is a financial ratio that indicates how profitable an entity is relative to its assets and is a widely used commercial measure to assess how efficient an entity uses its assets to generate returns. Return on assets is calculated as earnings before interest and tax, excluding impairment losses, profit or losses from the sale of fixed assets, capital contributions and grants, gifted assets and interest income, as a proportion of its average opening and closing asset base. A high ratio indicates greater efficiency, with an entity generating greater returns with a smaller capital investment. A low ratio indicates an entity is generating less returns relative to its assets.

Operating margin is a financial ratio that indicates the returns an entity generates relative to its costs. Given Jacana Energy does not utilise or hold assets to generate revenue, this measure is more appropriate in assessing its commercial sustainability.

Consequently, this fiscal strategy objective and target aims to strengthen government owned corporation commercial sustainability, increase accountability for financial performance and reduce their reliance on government support. It satisfies the FITA principles of ensuring funding for services is provided by the current generation and prudent debt management.

Table 4.5 shows that two of the three government owned corporations are expected to meet this fiscal strategy objective and target. Power and Water Corporation's lower return on asset ratio largely reflects a projected decline in gas sales revenue over the budget cycle.

Table 4.5: Government owned corporations – return on assets/operating margin

| | 2025-26 | 2026-27 | 2027-28 | 2028-29 | | |
|---|---|---|---|---|---|---|
| | Budget | Forward estimate | | | Average | Target on track |
| | % | % | % | % | % | |
| Power and Water Corporation – return on assets ≥6% | 5.9 | 3.8 | 4.2 | 5.8 | **4.9** | no |
| Territory Generation – return on assets ≥6% | 5.5 | 6.3 | 6.1 | 6.3 | **6.1** | yes |
| Jacana Energy – operating margin ≥2.5% | 2.5 | 2.9 | 3.2 | 3.5 | **3.0** | yes |

# Chapter 5

# Commonwealth revenue

## Overview

The information provided in this chapter meets the requirements of sections 10(1)(b), 10(1)(c) and 10(1)(f) of the FITA in respect of Commonwealth revenues, both tied and untied. It includes the Territory's forecasts of Commonwealth revenues and the assumptions on which they are based, and explanations of material differences between the revised forecasts and those published in the 2024 PEFO.

Table 5.1 sets out the components of total Territory revenue for the non financial public sector for the 2024-25 revised estimate, 2025-26 budget and forward estimates. It shows the Territory expects to receive $7.14 billion in Commonwealth revenue in 2025-26, comprising untied revenue of $4.57 billion and tied revenue of $2.57 billion. In 2025-26, Commonwealth revenue is estimated to represent about 71% of total Territory revenue.

Table 5.1: Non financial public sector – components of total revenue

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| Untied Commonwealth revenue | 4 287 | 4 571 | 4 725 | 4 960 | 5 200 |
| Tied Commonwealth revenue | 2 213 | 2 568 | 2 499 | 2 362 | 2 369 |
| Total Commonwealth revenue | 6 500 | 7 139 | 7 224 | 7 322 | 7 569 |
| Other non-Commonwealth grants[1] | 56 | 34 | 18 | 13 | 13 |
| Territory own-source revenue | 2 575 | 2 869 | 2 809 | 2 962 | 2 968 |
| Total revenue | 9 131 | 10 042 | 10 051 | 10 297 | 10 550 |

1 Includes grants from the private sector, non-government entities and other states, territories and local governments.

Analysis of variations in Commonwealth revenue over the budget and forward estimates period is provided later in this chapter.

Table 5.2 compares the revised projections for total Commonwealth revenue from those published in the 2024 PEFO and shows total Commonwealth revenue has been revised upwards from 2025-26.

Table 5.2: Non financial public sector – variation in total Commonwealth revenue since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| 2024 PEFO | 6 500 | 6 396 | 6 440 | 6 585 | n/a |
| 2025-26 Budget | 6 500 | 7 139 | 7 224 | 7 322 | 7 569 |
| Variation from 2024 PEFO | nil | 743 | 784 | 737 | n/a |

n/a: not available at the time of publishing the 2024 PEFO

Table 5.3 presents variations in untied and tied Commonwealth revenue forecasts compared with the 2024 PEFO.

Untied funding comprises GST revenue and is expected to increase in all years, mostly due to a higher Territory GST relativity from 2025-26 and growth in the national GST collections pool.

Tied Commonwealth revenue is expected to increase from 2025-26, largely reflecting additional funding for the following agreements: National Health Reform, Northern Territory Remote Aboriginal Investment, Comprehensive Primary Health Care Delivery, National Access to Justice Partnership, and Land Transport Infrastructure Projects.

Table 5.3: Non financial public sector – variations in Commonwealth revenue components since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|
| | Revised | Budget | Forward estimate | |
| | $M | $M | $M | $M |
| Untied Commonwealth revenue – GST revenue | 117 | 215 | 136 | 130 |
| Tied Commonwealth revenue | - 117 | 528 | 648 | 607 |
| National federation funding agreements | 21 | 96 | 93 | 95 |
| Federation funding agreement schedules | - 78 | 373 | 459 | 481 |
| National specific purpose payments[1] | - 10 | 8 | 1 | - 1 |
| Other tied Commonwealth revenue[2] | - 50 | 51 | 95 | 32 |
| Total variation | nil | 743 | 784 | 737 |

1 The National Skills Agreement, which commenced on 1 January 2024 and replaced the National Agreement for Skills and Workforce Development specific purpose payment (SPP), is continuing to be reported as an SPP until Commonwealth legislation is amended to replace the SPP with a national partnership payment.
2 Includes Disaster Recovery Funding Arrangements and Commonwealth own-purpose expenses.

# GST revenue

## Overview

GST revenue is the largest revenue transfer from the Commonwealth to the Territory, accounting for around 64% of Commonwealth payments and about 46% of total Territory revenue in 2025-26.

GST revenue is dependent on four parameters:

- the national GST collections pool
- the Territory's share of the national population
- the Territory's GST relativity as determined by the Commonwealth Treasurer based on the recommendation of the CGC
- the impact of Commonwealth-legislated GST distribution reforms that commenced in 2021-22.

GST in the revised year (2024-25) will be paid to states and territories in line with the Commonwealth's 2025-26 Budget GST forecasts. Actual GST entitlements will be determined in the Commonwealth 2024-25 *Final Budget Outcome* with any differences reconciled through a balancing adjustment in the following financial year.

The Territory's GST revenue forecasts are detailed in Table 5.4, which shows GST revenue is expected to be higher in all years compared with the 2024 PEFO.

Table 5.4: Territory GST revenue

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| 2024 PEFO | 4 170 | 4 356 | 4 589 | 4 830 | n/a |
| 2025-26 Budget | 4 287 | 4 571 | 4 725 | 4 960 | 5 200 |
| Variation from 2024 PEFO | 117 | 215 | 136 | 130 | n/a |
| Annual change in 2025-26 Budget forecast | | 6.6% | 3.4% | 5.0% | 4.8% |

n/a: not available at the time of publishing the 2024 PEFO

Table 5.5 details the contribution of each GST parameter to the revised Territory GST revenue forecast since the 2024 PEFO. It shows that growth in the national GST collections pool and a higher relativity are the main contributors of the upward revisions.

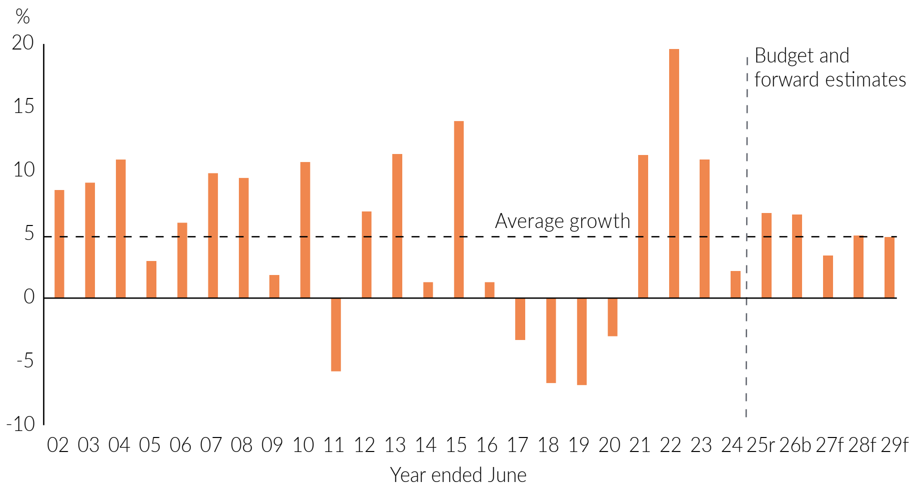
Table 5.5: GST revenue variations by parameter since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|
| | Revised | Budget | Forward estimate | |
| | $M | $M | $M | $M |
| Change caused by: | | | | |
| GST collections pool | 61 | 49 | 19 | 1 |
| GST relativity[1] | 2 | 141 | 115 | 122 |
| Population share | 2 | - 1 | 2 | 6 |
| Payment timing[2] | 30 | - 19 | nil | nil |
| No-worse-off guarantee | 23 | 43 | nil | nil |
| Interactions[3] | - 1 | 2 | nil | 1 |
| Total variation | 117 | 215 | 136 | 130 |

1 Relativity differences in 2024-25 are due to updated population data impacting final relativity calculations.
2 Payment timing reflects differences between Territory forecasts, Commonwealth budget GST advances and final entitlements, which are reconciled through balancing adjustments.
3 Interactions are the combined impacts of GST collections pool, population and relativity, which are different to these changes in isolation.

Chart 5.1 shows actual annual GST revenue growth for the Territory from 2001-02 to 2023-24, and estimates across the budget cycle to 2028-29. It highlights the volatility of Territory GST revenue, mainly due to fluctuations in the national GST collections pool and Territory relativity, with actual annual growth rates ranging from -6.9% to 19.7% across 2001-02 to 2023-24. Since the introduction of GST, the Territory's GST revenue has averaged annual growth of about 5%.

Chart 5.1: Territory GST revenue annual growth[1]




b: budget; f: forecast; r: revised

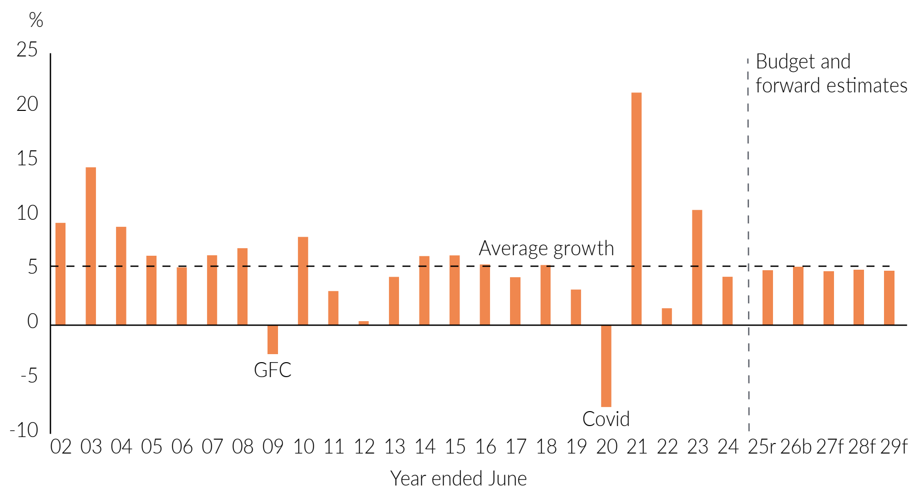
1 GST revenue amounts include balancing adjustments for the over or under payment of GST revenue to the Territory from preceding financial years. Includes no-worse-off guarantee payments from 2022-23. Excludes GST top-up payment in 2017-18 and 2019-20.

Source: Commonwealth *Final Budget Outcome* 2001-02 to 2023-24, Department of Treasury and Finance estimates for 2024-25 to 2028-29

## GST collections pool

The national GST collections pool determines the total amount of GST revenue available to be distributed to states and territories. It is heavily influenced by the broader performance of the national economy. Chart 5.2 shows the growth in the GST collections pool since 2001-02.

Chart 5.2: Growth in the GST collections pool




b: budget; f: forecast; GFC: global financial crisis; r: revised

Source: Commonwealth Final Budget Outcome, 2001-02 to 2023-24, Department of Treasury and Finance estimates for 2024-25 to 2028-29

In 2024-25, the Territory expects the GST collections pool to increase by 5% from 2023-24. This is 1.5 percentage points higher than the 2024 PEFO forecast. The GST collections pool is expected to grow by 5.3% in 2025-26, reflecting updated nominal consumption and private dwelling investment outlooks. Factors impacting revised GST collections pool forecasts are set out below.

The national GST collections pool is mostly driven by national consumption and private dwelling investment. As GST is imposed on the nominal price of goods and services, collections are dependent on both the volume of consumption and investment, as well as the price of goods and services. GST is also impacted by the proportion of consumption related to non-taxable goods and services, such as fresh food, rent, and health and education services.

As shown in Table 5.5, when compared with the 2024 PEFO, GST collections pool forecasts have been revised upward in all years, particularly in 2024-25 and 2025-26. However, the rate of growth has been revised down across the forward estimates, leaving the forecast pool largely unchanged in 2027-28.

The 2024-25 and 2025-26 revised forecasts reflect stronger than expected year-to-date actual collections and current economic indicators, particularly consumption, which has slightly exceeded expectations due to strength in the national labour market. Growth over the forward estimates is slightly weaker than 2024 PEFO forecasts due to a moderating inflation outlook, particularly for housing construction, which affects the nominal price on which GST is imposed, and relative weakness in private dwelling investment. High household debt combined with a softer outlook for household wealth growth are also expected to contribute to lower consumption growth in the near term. The assumed path for interest rates is largely unchanged from the 2024 PEFO.

## GST relativity

The GST relativity is a key parameter used to determine a state's GST revenue. The relativity determines whether a state will receive more or less than its population share of the GST collections pool.

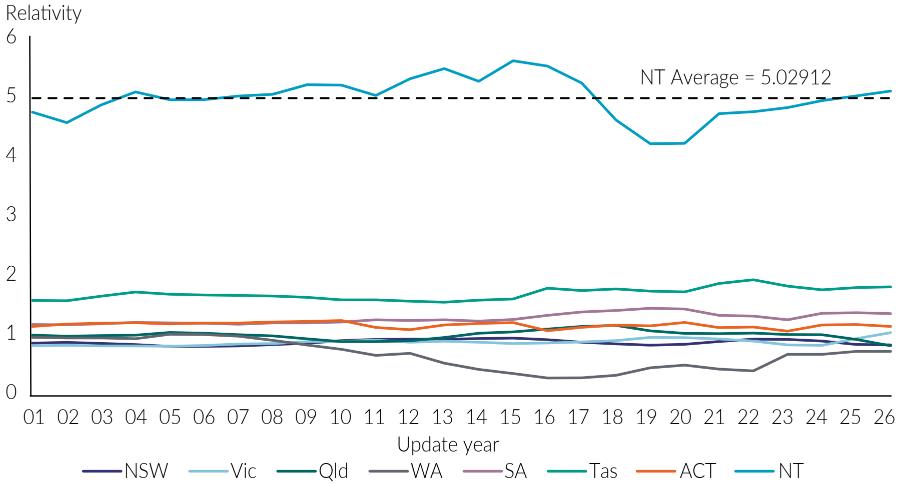
GST relativities are determined annually by the Commonwealth Treasurer based on CGC recommendations. The CGC calculates relativities based on data over a three-year rolling period to derive a distribution of GST revenue that allows all states to provide services and infrastructure to a similar standard across the nation, having regard to differences in each jurisdiction's revenue-raising capacities, cost of service delivery and underlying service delivery needs.

The CGC's assessed revenue-raising capacity and assessed expenditure needs for the Territory differ from actual revenue or expenditure incurred by the Territory. The CGC does not make recommendations on how states should allocate budgets, nor does the CGC consider all factors affecting the cost of delivering services in each state or territory. The Territory has consistently been assessed as requiring significantly more than its population share in GST funding to provide a national average level of government services due to high costs of and demand for services.

Every five years the CGC reviews the methods used to determine state and territory relativities, which are otherwise updated annually. The most recent five-yearly review was published in March 2025 (2025 Review) and sets relativity methodology for the next five years from 2025-26.

The 2025 Review recommended increasing the Territory's GST relativity to 5.15112 in 2025-26, from 5.06681 in 2024-25. Chart 5.3 illustrates the Territory's relativity over time and its greater volatility compared with other states.

Chart 5.3: Territory GST relativity, 2000-01 to 2025-26




Source: Commonwealth Grants Commission

The 2025-26 Budget GST forecasts adopt the 2025 Review Territory GST relativity for 2025-26. The Territory's GST relativity forecasts for the forward estimates are based on a three-year average relativity held constant over the forecast period, adjusted for GST distribution reforms.

The primary reasons for the increase in the Territory's relativity in the 2025 Review were due to changed state circumstances, including higher remote health activity and costs relative to major cities, increased number and cost of Aboriginal persons interacting with justice services, and higher Aboriginal student schooling costs, partly offset by the Territory receiving a higher share of Commonwealth payments.

Methodology changes had, in aggregate, a small impact on the Territory's GST relativity, estimated by the CGC to be a decrease of about $6 million. However, this reflects the net result of a large range of changes, including to the treatment of Commonwealth own-purpose payments, land tax valuations, homelessness service assessments, housing costs, roads investment needs, relative wage costs, utilities services to remote communities and health changes. A significant change was to include past covid-related expenses, which increased New South Wales and Victoria's assessed GST needs relative to other states.

Nationally, the largest change to GST relativities was from coal price increases in 2022-23 and 2023-24, which substantially increased Queensland's assessed capacity to raise coal royalty revenues, reducing its assessed GST entitlement. This had a positive impact on most other jurisdictions' relativities, including the Territory.

## Population share

A jurisdiction's national population share affects its GST revenue. Shares are influenced by the level of population growth in each state and territory relative to national population growth.

The Territory uses its own estimates of Territory population growth, given its local knowledge regarding major projects and other events that may affect migration levels. Estimates of other states' populations are based on Commonwealth population projections prepared by the Centre for Population. Chapter 4 of the *Northern Territory Economy* publication provides more detail on the Territory's population characteristics and forecast growth patterns.

The Territory's forecast share of the national population for GST purposes is around 0.93% across the forward estimates, largely in line with the 2024 PEFO.

## Payment timing

Annual GST payments to the states are made in line with Commonwealth budget forecasts. As the Commonwealth budget is prepared prior to final GST entitlements being determined, the amount paid by the Commonwealth as a GST advance may be more or less than a state's actual entitlement, which is determined in the Commonwealth's *Final Budget Outcome*. Any differences between the Commonwealth's GST advances and the *Final Budget Outcome* entitlements are reconciled through balancing adjustments in the subsequent year's GST payments to the states and territories.

The Territory adopts the most recent Commonwealth forecast of GST advances plus the *Final Budget Outcome* balancing adjustment when forecasting current-year GST revenue as this reflects the most likely payment outcome. Over time, balancing adjustments do not impact total Territory GST revenue, but rather change the period in which the revenue is received.

The Territory's 2024-25 GST revenue is aligned to the Commonwealth 2025-26 Budget estimate, less the 2023-24 *Final Budget Outcome* balancing adjustment decrease of $30.8 million. This reflects the actual GST payments the Territory will receive in 2024-25. As this is slightly higher than the Territory 2025-26 Budget forecasts for national GST collections pool and population share parameters, the Territory expects a decrease of $19 million from payment timing adjustments in 2025-26.

## GST distribution reforms

Changes to the way GST revenue is distributed among states came into effect in 2021-22 following passage of the Commonwealth's *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018*.

GST relativities are calculated by the CGC in accordance with horizontal fiscal equalisation (HFE). The principle of HFE is to provide each state with the fiscal capacity to deliver the same or similar standard of services and associated infrastructure if each made the same effort to raise revenue from own sources and operated at the same level of efficiency. The GST distribution reforms, which have introduced a relativity floor, alter this fundamental principle with the effect that most states would be funded to a lower standard of services and infrastructure without the Commonwealth's no-worse-off guarantee payments.

The GST distribution reforms are being transitioned in stages, from 2021-22 to 2026-27, and comprise four elements:

- staged implementation from 2021-22 to 2026-27 of a new equalisation standard, being the stronger of New South Wales or Victoria
- a minimum GST relativity floor of 0.75 from 2024-25
- Commonwealth-funded top-ups to the GST pool of $600 million per annum ongoing from 2021-22, increasing by a further $250 million per annum ongoing from 2024-25, and indexed in line with GST pool growth
- a temporary no-worse-off guarantee to the end of 2029-30.

These reforms mostly benefit Western Australia, which has had a relativity below the minimum floor in each year since the floor has applied, largely due to exceptionally high own-source revenue capacity associated with mining royalties.

As of the CGC's 2025 Review, Queensland is now the second state to benefit from the GST distribution reforms, due to large coal price rises that have substantially increased its capacity to raise coal royalty revenue. This means Queensland's relativity is now below the minimum benchmark, triggering an increase under the GST distribution reforms. The CGC estimates that Queensland is still net worse off overall, as the amount required to raise Western Australia to the minimum relativity floor decreased Queensland's GST by more than the increase it received from being benchmarked to New South Wales. Nonetheless, this is the first time a state other than Western Australia has received a relativity increase from the GST distribution reforms.

The Territory and other states are currently protected from the negative impacts of these reforms due to the Commonwealth's temporary no-worse-off guarantee payments.

The Territory forecasts $171 million in no-worse-off guarantee payments over 2024-25 to 2027-28, compared to $104 million over this period in the 2024 PEFO. The change is the result of the relativity, pool and population forecasts set out in this Chapter, including the change to Queensland's relativity.

The GST distribution reforms are scheduled to be reviewed by the Productivity Commission before the end of 2026.

## Tied Commonwealth revenue

The majority of tied Commonwealth funding to the Territory is provided under the Intergovernmental Agreement on Federal Financial Relations (IGA FFR) through national federation funding agreements and Federation Funding Agreement (FFA) schedules. Tied funding is also provided outside the IGA FFR through Commonwealth own-purpose expense (COPE) funding arrangements.

National federation funding agreements are bespoke, complex arrangements that contain significant policy intent, and act as sources of longer-term funding. FFAs cover five sectors, including:

- health
- education and skills
- infrastructure
- environment
- affordable housing, community services and other agreements.

Funding arrangements are detailed in FFA schedules.

In 2024-25 and 2025-26, the Territory expects to receive $2.2 billion and $2.6 billion, respectively, in tied Commonwealth funding payments. A further $7.2 billion is expected to be received over the forward estimates. Table 5.6 sets out tied Commonwealth revenue estimates for the Territory.

Table 5.6: Tied Commonwealth revenue components

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| National federation funding agreements | 1 018 | 1 151 | 1 212 | 1 280 | 1 354 |
| Better and Fairer Schools Agreement | 532 | 588 | 649 | 716 | 789 |
| National Health Reform Agreement | 429 | 505 | 505 | 505 | 505 |
| National Agreement on Social Housing and Homelessness | 56 | 57 | 58 | 59 | 60 |
| National Mental Health and Suicide Prevention Agreement | 1 | 1 | | | |
| Federation funding agreement schedules | 1 023 | 1 200 | 1 071 | 933 | 855 |
| Land Transport Infrastructure Projects | 213 | 274 | 433 | 453 | 450 |
| Remote Housing Northern Territory | 193 | 173 | 178 | 185 | 193 |
| Northern Territory Remote Aboriginal Investment | 95 | 132 | 116 | 115 | 118 |
| National Legal Assistance Partnership/National Access to Justice Partnership | 37 | 62 | 63 | 65 | 66 |
| National Water Grid Fund | 113 | 140 | 57 | 40 | |
| Comprehensive Primary Health Care Delivery | 46 | 48 | 49 | 51 | |
| Restoring Funding for Northern Territory Homelands | 69 | 66 | 40 | | |
| National Critical Care and Trauma Response Centre | 16 | 21 | 19 | | |
| Central Australia Plan: A Better, Safer Future for Central Australia | 25 | 15 | 15 | | |
| Hospital and related health services | | 51 | | | |
| Social Housing Accelerator | 15 | 31 | 4 | | |
| Mine remediation | 40 | 2 | | | |
| Other federation funding agreement schedules | 161 | 185 | 97 | 24 | 28 |
| National specific purpose payments/National Skills Agreement[1] | 25 | 38 | 32 | 31 | 26 |
| Other tied Commonwealth revenue[2] | 147 | 179 | 184 | 118 | 134 |
| Total tied Commonwealth revenue | 2 213 | 2 568 | 2 499 | 2 362 | 2 369 |

1 The National Skills Agreement, which commenced on 1 January 2024 and replaced the National Agreement for Skills and Workforce Development SPP, is continuing to be reported as an SPP until Commonwealth legislation is amended to replace the SPP with national partnership payments.
2 Includes Disaster Recovery Funding Arrangements and COPEs.

Year-on-year variances in tied funding payments mostly reflect program completions, agreement expiry, expected delivery timeframes and payment schedules. Unlike national federation funding agreements, FFA schedules and other tied Commonwealth revenue arrangements can include shorter term, program-specific funding commitments with less ongoing funding certainty.

Table 5.7 shows the variance in tied funding payments forecasts compared to the 2024 PEFO.

Table 5.7: Tied Commonwealth revenue – variations since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|
| | Revised | Budget | Forward estimate | |
| | $M | $M | $M | $M |
| Northern Territory Remote Aboriginal Investment | - 23 | 128 | 116 | 115 |
| National Health Reform Agreement | 3 | 79 | 79 | 79 |
| Comprehensive Primary Health Care Delivery | 46 | 48 | 49 | 51 |
| National Legal Assistance Partnership/National Access to Justice Partnership | 3 | 62 | 63 | 65 |
| Land Transport Infrastructure Projects | - 98 | - 115 | 149 | 229 |
| Better and Fairer Schools Agreement | 20 | 15 | 14 | 16 |
| National Water Grid Fund | 10 | 46 | 2 | |
| Hospital and related health services | | 51 | | |
| Mine remediation | 35 | - 1 | | |
| Housing Australia Future Fund | | 25 | | |
| Strengthening Community Safety in Central Australia | 13 | 6 | | |
| National Firearms Register | 6 | 6 | 4 | 2 |
| Other agreements[1] | - 132 | 178 | 172 | 50 |
| Total variation | - 117 | 528 | 648 | 607 |

1 Includes all other minor variations across tied funding agreements, including national agreements, FFAs, SPPs and COPEs.

Variances in 2024-25 and 2025-26 mostly reflect actual program delivery including revisions to project timing, release of funding in line with milestone completion, or other revisions to individual projects. Changes over the forward estimate period are generally driven by new or extended agreements being entered into since the last publication. Significant changes include:

- $336 million for the new Northern Territory Remote Aboriginal Investment Agreement commencing from July 2025
- $240 million in new funding for the National Health Reform Agreement, reflecting a one-year uplift and rebased Commonwealth funding rates for Territory hospitals to equal the next lowest jurisdiction in 2025-26, as well as annual price and activity growth. Future funding arrangements for public hospitals remain under negotiation and will be taken up when negotiations are finalised.
- $194 million for the new Comprehensive Primary Health Care Delivery Agreement signed in October 2024, offset by a reduction of $141 million formerly delivered as a COPE
- $193 million in new funding for the National Access to Justice Partnership Agreement signed in November 2024
- $165 million variation to the Land Transport Infrastructure Agreement, including revised timing of Commonwealth funding and construction milestones
- $65 million in additional funding for the Better Fairer Schools Agreement based on updated Commonwealth forecasts
- $58 million for new projects, predominantly Better Bores for Communities, under the National Water Grid Fund
- $51 million in 2025-26 for hospital and related health services as part of the National Health Reform Agreement one-year funding arrangement

- $34 million for mine remediation projects. Future payments are not for publication at this time to allow competitive tender processes
- $25 million for the new Housing Australia Future Fund Agreement signed in October 2024
- $19 million for the new Strengthening Community Safety in Central Australia Agreement signed in October 2024
- $18 million in new funding for the National Firearms Register Agreement signed in October 2024.

The Territory budget typically incorporates Commonwealth funding when agreements are signed, with agreements under development or negotiation generally excluded. Where agreements contain sufficiently specific performance obligations, revenue is recognised by the Territory as services are delivered. Where agreements do not contain sufficiently specific performance obligations, the Territory recognises revenue upon receipt of funds. Accordingly, timing variations will occur between revenue recognised by the Territory and payments specified in individual funding agreements.

The following provides more information on the key agreements in Table 5.6.

## National federation funding agreements

### Better and Fairer Schools Agreement

The Territory expects to receive $3.3 billion over the budget cycle to 2028-29 for government and non-government schools.

The Better and Fairer Schools Agreement (BFSA) commenced in January 2025, replacing the National School Reform Agreement. The agreement is the Commonwealth's main schooling funding arrangement for states and territories and contains a range of national priorities and reform directions, which aim to improve education outcomes. Funding is largely calculated based on student enrolments and agreed contributions to the national Schooling Resource Standard.

The Territory and Commonwealth governments have bilaterally agreed to achieving a Schooling Resource Standard of 100% for Territory government schools over the life of the BFSA. The BFSA contains a funding schedule to achieve a Territory contribution of 60% and a Commonwealth contribution of 40% by 2029. BFSA funding projections generally reflect the bilateral BFSA schedule, as well as projected changes in the Schooling Resource Standard and student enrolments.

### National Health Reform Agreement

The Territory expects to receive $2.45 billion over the budget cycle to 2028-29 for public hospitals.

The National Health Reform Agreement (NHRA) is the Commonwealth's primary funding mechanism for public hospitals and is determined based on hospital activity and price outcomes. The NHRA is subject to a range of conditions, currently including a national funding growth cap of 6.5% annually.

In February 2025, the Territory signed a one-year funding extension to the 2020–2025 NHRA Addendum, which rebased Commonwealth funding rates for Territory hospitals to equal the Commonwealth funding rate for next lowest jurisdiction. This is estimated to provide an additional $52 million per annum ongoing from 2025-26 to the Territory above annual activity and price growth.

The extension also provided a one-off payment in 2025-26 of $51 million for use on public hospitals or related services, to go into effect according to a FFA schedule. NHRA funding will also increase in line with expected hospital activity and price growth between 2024-25 and 2025-26.

NHRA arrangements from 2025-26 are subject to negotiations between the Commonwealth and all states and territories aiming to determine a new five-year funding agreement.

### National Agreement on Social Housing and Homelessness

The Territory expects to receive $290 million over the budget cycle to 2028-29 to support people who are experiencing or at risk of homelessness, and support the social housing and homelessness services sectors.

The National Agreement on Social Housing and Homelessness Agreement commenced on 1 July 2024, replacing the National Housing and Homelessness Agreement. Timing variations are discussed at the end of the prior section.

## Federation funding agreement schedules

### National Partnership Agreement on Land Transport Infrastructure Projects

Across the budget cycle to 2028-29, the Territory expects to receive $1.8 billion for land transport infrastructure projects.

The agreement contributes to a national transport system that is safe, sustainable, drives economic growth and supports a competitive infrastructure market. The agreement has several components, including roads of strategic importance, black spot projects, heavy vehicle safety, bridges renewal, and the developing Northern Australia roads program. The agreement is routinely revised in line with project delivery outcomes.

### Remote housing Northern Territory

The Territory expects to receive $922 million over the budget cycle to 2028-29 to deliver and manage remote housing to reduce overcrowding.

The remote housing Northern Territory agreement commenced in 2024 and is a $4 billion jointly funded Commonwealth and Territory 10-year commitment to deliver up to 270 homes each year in remote communities across the Territory, or 2,700 homes over the life of the arrangement. The agreement operates under a formal partnership with the Aboriginal community sector.

### Northern Territory Remote Aboriginal Investment

The Territory expects to receive $576 million across the budget cycle to 2028-29 to invest in Aboriginal self-determination to close the gap.

On 7 February 2025, the Territory and Commonwealth governments signed a new six-year partnership agreement with the Aboriginal Peak Organisations Northern Territory to strengthen remote services from 2025-26. Specific initiatives and funding schedules are currently under development with programs to be determined in consultation with the Aboriginal community sector and include transition to community control consistent with the National Agreement on Closing the Gap.

Some funding announced in the partnership agreement is expected to be retained by the Commonwealth or provided directly to the Aboriginal community sector.

### National Legal Assistance Partnership/National Access to Justice Partnership

The Territory expects to receive $37 million in 2024-25 for the National Legal Assistance Partnership (NLAP) and $256 million over the budget and forward estimates under the National Access to Justice Partnership Agreement (NAJP) to provide a range of community legal services.

The NAJP will commence from 1 July 2025, replacing the current NLAP that expires on 30 June 2025. The NAJP will provide funding for essential legal services to people unable to afford private legal services, services for women and children experiencing family and domestic violence, and culturally appropriate legal services to Aboriginal and Torres Strait Islander people. The NAJP includes an uplift in funding compared to the NLAP as well as a transfer of services from Commonwealth to Territory delivery models.

### National Water Grid Fund

The Territory expects to receive $113 million in 2024-25, $140 million in 2025-26, $57 million in 2026-27, and $40 million in 2027-28. The fund aims to develop nationally important water infrastructure projects that support primary industries and unlock potential, promote growth and sustainability of regional economies, build resilience, and improve water reliability and security.

The fund includes support for community bores, the Manton Dam return to service project and project development for the Adelaide River off-stream water storage, as well as water-related studies, strategies and plans.

### Comprehensive primary health care delivery

The Territory expects to receive $46 million in 2024-25, $48 million in 2025-26, $49 million in 2026-27, and $51 million in 2027-28.

The agreement was signed in October 2024 and provides funding for the delivery of culturally appropriate primary health care services to Aboriginal and Torres Strait Islander people in the Territory.

### Restoring funding for Northern Territory homelands

The Territory expects to receive $69 million in 2024-25, $66 million in 2025-26 and $40 million in 2026-27 to deliver housing and essential infrastructure on Territory homelands. Budget forecasts reflect the Territory's allocation under the agreement, with some funding carried forward for expected program delivery timeframes.

### National critical care and trauma centre

The Territory expects to receive $16 million in 2024-25, $21 million in 2025-26 and $19 million in 2026-27 to support the continued operation and development of the national critical care and response centre as Australia's centre of excellence for health disaster response.

### Central Australia Plan – a better, safer future for Central Australia

The Territory expects to receive $25 million in 2024-25, and $15 million per annum in 2025-26 and 2026-27 through A Better, Safer Future for Central Australia (Central Australia Plan) investment package.

The Central Australia Plan is focused on improving community safety and cohesion, job creation and better health services. It includes funding for on-country learning to support improved student enrolment, engagement, wellbeing and learning outcomes, and a community infrastructure package to support projects that improve regional development, economic, social and cultural outcomes.

### Social Housing Accelerator

The Territory has budgeted to receive $15 million in 2024-25, $31 million in 2025-26 and $4 million in 2026-27 to deliver additional social housing in the Territory. This reflects the recognition of revenues in line with project delivery timeframes following an upfront payment in 2022-23.

### Mine remediation

The Territory has budgeted to receive $40 million in 2024-25 and $2 million in 2025-26 to deliver mine remediation projects. Total funding for mine remediation is not for publication at this time to allow competitive tender processes.

### Other federation funding agreement schedules

The Territory expects to receive $161 million in 2024-25, $185 million in 2025-26, $97 million in 2026-27, $24 million in 2027-28 and $28 million in 2028-29 under a number of other FFA schedules including funding for health, education, housing, and environmental services and programs.

The decline in other FFA funding over the budget and forward estimates is mostly due to the expiry of agreements, some of which are expected to be renegotiated.

## National Skills Agreement (specific purpose payments)

The Territory expects to receive $152 million over the budget cycle to 2028-29 to support vocational education and training.

The National Skills Agreement includes payment streams for baseline vocational education and training sector services, as well as TAFE centres of excellence, vocational education and training workforce, national TAFE networks, closing the gap, improved completions, foundational skills, and data and evidence reporting.

## Other tied Commonwealth revenue

The Territory receives other tied revenue from the Commonwealth, including COPE and contingent payments. COPEs are primarily payments made by the Commonwealth directly to a Territory agency to provide specific services or for on-passing to non-government or local government organisations. Contingent payments include funding under Disaster Recovery Funding Arrangements.

It is estimated revenue for these agreements will total $147 million in 2024-25, $179 million in 2025-26, $184 million in 2026-27, $118 million in 2027-28, and $134 million in 2028-29. The forecast decline over the forward estimates is largely attributable to the expiry of health-related COPE agreements, some of which are currently under negotiation and expected to be renewed.

## Other Commonwealth commitments for the Territory

The Commonwealth has announced a number of funding arrangements for the Territory that are still under negotiation and have not yet been incorporated in the Territory's budget as business cases and agreements are still to be finalised. These agreements include:

- $1.5 billion to support the construction of common-user marine infrastructure within the Middle Arm Sustainable Development Precinct, providing a pathway to a decarbonised economy by helping emerging clean energy industries
- $840 million to kick-start a rare earths mining industry through an enhanced commitment to Arafura's Nolans rare earths project
- $440 million to support the development of regional logistic hubs.

Chapter 6

# Territory taxes and royalties

## Overview

In accordance with sections 10(1)(c) and 10(1)(f) of the FITA, this chapter includes forecasts of the Territory's tax and royalty revenues, and explanations for material variations between the current forecasts and those published in the 2024 PEFO. It also includes a comparison of taxes and royalties with other jurisdictions to demonstrate Territory tax policies are based on the FITA principles of sound fiscal management. In accordance with section 10(1)(d), this chapter also contains an overview of the Territory's forecast tax expenditure as a result of concessions and exemptions for 2024-25 through to 2028-29.

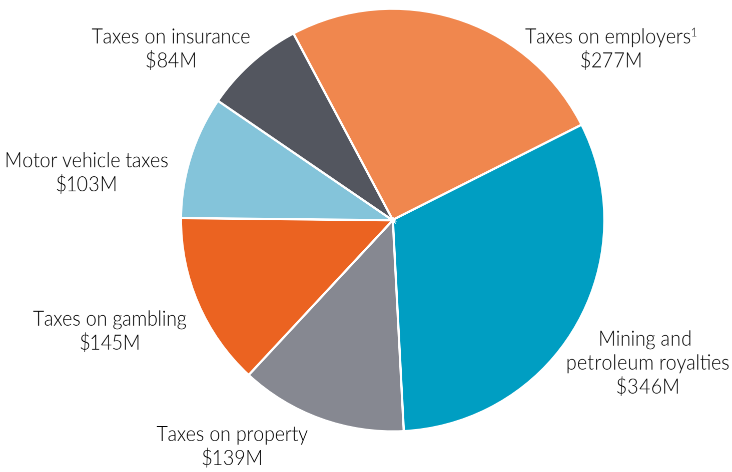
Own-source revenue provides the Territory with a degree of fiscal autonomy to support the delivery of infrastructure and services. The Territory's own-source revenue includes taxes, mining and petroleum royalties, fees and charges, rent and tenancy income, interest and dividend revenue, and profit and loss on the disposal of assets. As taxation and royalty revenue forms one of the Territory's largest own-source revenue stream, comprising 38% of own-source revenue in the non-financial public sector in 2025-26, this chapter focuses on own-source revenue from taxes and royalties.

The Territory's sources of revenue are broadly comparable with other states, with the exception of land tax, which the Territory does not levy. The Territory is more reliant on revenue from the Commonwealth compared to other states, as own-source revenue is expected to only comprise 29% of non financial public sector revenue in 2025-26. This compares to an average of 60% in other jurisdictions. The difference mainly reflects the Territory's lower revenue-raising capacity than other states, driven by a small population of just over 250,000 people, and a relatively narrower industry base and private sector.

## Analysis of Territory taxes and royalties

In 2025-26, revenue from taxes and royalties is estimated to total $1.09 billion, mainly consisting of mining and petroleum royalties at 32%, taxes on employers (payroll tax) at 25%, taxes on gambling at 13% and property (stamp duty) also at 13%. Chart 6.1 summarises the breakdown of taxes and royalties.

Chart 6.1: Territory taxes and royalties, 2025-26




1 Excludes internal payroll tax payments within the non financial public sector.

Table 6.1 provides forecasts for Territory taxes and royalties by category for current and future financial years. Revenue from taxes and royalties is expected to remain stable at $1.09 billion in both 2024-25 and 2025-26, and average $1.05 billion per annum over the forward estimates period.

Table 6.1: Territory taxes and royalties components

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| Taxation revenue | 797 | 748 | 745 | 773 | 804 |
| Taxes on employers | 320 | 277 | 277 | 292 | 309 |
| Taxes on property | 179 | 139 | 126 | 128 | 130 |
| Taxes on gambling | 115 | 145 | 146 | 147 | 150 |
| Motor vehicle taxes | 104 | 103 | 107 | 110 | 113 |
| Taxes on insurance | 78 | 84 | 90 | 96 | 103 |
| Mining and petroleum royalties | 298 | 346 | 260 | 324 | 261 |
| Total taxes and royalties revenue | 1 095 | 1 094 | 1 005 | 1 097 | 1 065 |

Table 6.2 highlights the variation in the overall tax and royalty revenue forecasts since the 2024 PEFO. Overall, revenue forecasts have been revised upward by $176 million in 2024-25 and $142 million in 2025-26, with smaller upward revisions expected over the forward estimates period. As discussed in further detail below, the variations mainly reflect a combination of stronger than expected growth, particularly mining royalties, as well as the impact of gambling and payroll tax reforms.

Table 6.2: Territory taxes and royalties – variation since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $M | $M | $M | $M | $M |
| 2024 PEFO | 919 | 952 | 928 | 1 048 | n/a |
| 2025-26 Budget | 1 095 | 1 094 | 1 005 | 1 097 | 1 065 |
| Variation from 2024 PEFO | 176 | 142 | 77 | 49 | n/a |

n/a: not available at the time of publishing the 2024 PEFO

Table 6.3 highlights the variation in tax and royalty forecasts since the 2024 PEFO by category. Analysis of significant variations is provided later in this chapter.

Table 6.3: Territory taxes and royalties – variations in revenue components since 2024 PEFO

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|
| | Revised | Budget | Forward estimate | |
| | $M | $M | $M | $M |
| Taxation revenue | 96 | 38 | 16 | 12 |
| Taxes on employers | 31 | - 7 | - 9 | - 9 |
| Taxes on property | 54 | 15 | - 3 | - 4 |
| Taxes on gambling | 7 | 34 | 32 | 30 |
| Motor vehicle taxes | 7 | 2 | 3 | 3 |
| Taxes on insurance | - 3 | - 6 | - 7 | - 8 |
| Mining and petroleum royalties | 80 | 104 | 61 | 37 |
| Variation from 2024 PEFO | 176 | 142 | 77 | 49 |

## Revenue initiatives in 2025-26

### Payroll tax threshold and annual deduction increase

From 1 July 2025, the payroll tax tax-free threshold and maximum annual deduction will increase from $1.5 million to $2.5 million. The new annual deduction will reduce at a rate of $1 for every $2 of taxable wages above the tax-free threshold, instead of $1 for every $4 of taxable wages. This change means the level of taxable wages at which the deduction is exhausted remains at $7.5 million.

As a result of these changes, employers with taxable wages of $2.5 million or below will be exempt from payroll tax, while those with taxable wages between $2.5 million and $7.5 million will pay reduced tax. Employers with taxable wages of $7.5 million or more will continue to receive no annual deduction and must pay tax on their entire taxable Territory wages. These measures are expected to result in forgone revenue of $12 million per annum from 2025-26. However this does not factor in potential business and economic stimulus arising from the tax reforms.

### Payroll tax apprentice and trainee exemption

From 1 July 2025, wages paid to apprentices and eligible trainees will be exempt from payroll tax. To qualify, the employee must meet the definition of an 'apprentice' or 'trainee' contained in the *Training and Skills Development Act 2016*. Furthermore, trainee wages are only exempt if the trainee was employed by the employer for less than three months (in the case of full-time employees) or less than 12 months (for part-time or casual employees) immediately before commencing the traineeship. This is to incentivise hiring of new apprentices and trainees. This measure is expected to result in forgone revenue from 2025-26 of $5 million per annum, before any broader stimulus impact is accounted for.

### Payroll tax and stamp duty exemptions for charities and not-for-profit entities

From 1 July 2025, the payroll tax and stamp duty exemptions available for charities and not-for-profit entities will be simplified and broadened by removing the 'commercial and competitive' restrictions on those exemptions.

For the payroll tax exemption, charities and not-for-profit entities are no longer required to substantiate that wages excluded staff engaging in commercial or competitive activities. For the stamp duty exemption, these entities are no longer required to substantiate that acquired property is used solely in a manner that is not commercial or competitive.

From 2025-26, these measures are expected to result in forgone revenue of $1.3 million per annum.

### Gambling tax changes

The *Gaming Control Act 1993* is being amended to set a minimum 50% tax rate for activities conducted under an internet gaming licence effective from 1 July 2025. The legislated tax rate will override existing agreement-based tax settings for current internet gaming licences.

This measure is expected to generate additional revenue of $17.7 million per annum from 2025-26.

A minor amendment to the *Taxation Administration Act 2007* ensures administration of internet gaming tax continues to be aligned with other Territory taxes, such as subjecting internet gaming tax to the same administrative mechanisms related to collection, refunding and payment of tax (including interest and penalty tax regime), as well as extending objection and appeal rights to licensees.

The *Racing and Wagering Act 2024* is also being amended to double the annual tax cap applicable to licensed corporate bookmakers and betting exchanges from 1,000,000 revenue units to 2,000,000 revenue units effective from 1 July 2025. This measure is expected to generate additional revenue from 2025-26 of $13.1 million per annum.

# Taxation revenue

The Territory's taxation revenue comprises taxes on employers (payroll tax), property (stamp duty), gambling, insurance and motor vehicles. Taxation revenue for 2024-25 is expected to total $797 million, before moderating to $748 million in 2025-26, largely due to expected declines in payroll tax and stamp duty, partly offset by increases in taxes on gambling. Taxation revenue is expected to remain mostly flat in 2026-27, before rising steadily over the remainder of the forward estimates, underpinned by stable growth across most tax categories in line with the broader Territory economy.

As reported in Table 6.3, total taxation revenue for 2024-25 is $96 million higher than forecast in the 2024 PEFO, mainly due to higher than expected payroll tax and stamp duty. Taxation revenue for 2025-26 is expected to be around $38 million higher than forecast in the 2024 PEFO, mainly reflecting higher than expected stamp duty and taxes on gambling, partly offset by expected moderation in payroll tax and taxes on insurance.

## Taxes on employers

### Payroll tax

Payroll tax is payable in the Territory when the total annual Australian wages of an employer (or group of employers) exceed $2.5 million. Payroll tax is imposed at a rate of 5.5% on taxable Territory wages less an annual deduction of up to $2.5 million.

The amount of the deduction is based on a sliding scale starting at $2.5 million and reducing by $1 for every $2 in wages paid by an employer over $2.5 million. This means an employer paying wages of $4.5 million receives a deduction of $1.5 million, whereas an employer paying wages of $7.5 million or more receives no deduction and payroll tax is calculated on the total taxable Territory wages paid by that employer.

As shown in Table 6.1, payroll tax revenue is expected to total $320 million in 2024-25, $31 million higher than forecast in the 2024 PEFO, reflecting stronger than expected wages and employment outcomes. Payroll tax is expected to moderate to $277 million in 2025-26, partly reflecting the impact of the increased payroll tax threshold and annual deduction as well as the apprentice and trainee exemption. It also partly reflects the Barossa offshore LNG facility transitioning from the construction to operational phase, resulting in reduced employment. Steady growth is expected from 2027-28 in line with broader economic activity.

## Taxes on property

### Conveyance and related duty (stamp duty)

Tax on property in the Territory consists of conveyance and related duty, more commonly known as stamp duty. Stamp duty is derived from direct and indirect conveyances of dutiable property in the Territory. Dutiable property consists of land and chattels acquired with land.

The imposition of stamp duty in the Territory differs depending on the dutiable value of the property. There are four tax brackets. For property in the lowest tax bracket (dutiable value not exceeding $525,000), a formula-derived rate is applied. Otherwise, a fixed rate applies determined by the value of the asset being conveyed, as outlined in Table 6.4.

Table 6.4: Stamp duty rates on assets

| | Stamp duty rate |
|---|---|
| Value range of asset being conveyed: | % |
| – less than $525,000 | ≤ 4.95 |
| – $525,000 to less than $3,000,000 | 4.95 |
| – $3,000,000 to less than $5,000,000 | 5.75 |
| – $5,000,000 or greater | 5.95 |

The Territory's stamp duty regime is different to other states, which levy stamp duty based on marginal rates. A comparison of the Territory's stamp duty regime with other states is provided later in this chapter.

As reported in Table 6.1, the Territory is expected to collect $179 million in stamp duty in 2024-25, moderating to $139 million in 2025-26 and averaging around $128 million per annum over the forward estimates. Large commercial transactions are a significant source of variability to this profile, varying greatly in scale and being sporadic in nature.

Table 6.3 shows that stamp duty revenue for 2024-25 is expected to be $54 million greater than forecast in the 2024 PEFO due to a number of large commercial property transactions combined with increased residential sales volumes. In 2025-26, revenue is expected to be $15 million higher than forecast in the 2024 PEFO due to an expected increase in residential conveyance transaction volumes and prices.

## Taxes on the provision of goods and services

### Taxes on gambling

Gambling taxes in the Territory consist of community gaming machine tax, bookmaker tax, lotteries tax, community benefit levy, casino/internet tax, betting exchange tax and wagering tax. Gambling tax revenue is a consistent and relatively stable contributor to Territory own-source revenue.

As shown in Table 6.1, gambling taxes are forecast to total $115 million in 2024-25, before averaging $147 million per annum from 2025-26. Table 6.3 shows gambling taxes are expected to moderately increase in 2024-25, before increasing on average by $32 million per annum from 2025-26. This increase reflects policy changes to apply a uniform 50% tax rate for internet gaming licensees and doubling of the corporate bookmaker and betting exchange tax cap, effective from 1 July 2025. Table 6.5 provides the revenue forecast for gambling taxes by category.

Table 6.5: Gambling tax components

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $000 | $000 | $000 | $000 | $000 |
| Community gaming machine tax | 51 592 | 48 845 | 49 220 | 49 595 | 51 520 |
| Bookmaker tax | 19 834 | 32 619 | 33 141 | 33 663 | 34 185 |
| Lotteries tax | 18 601 | 19 882 | 19 882 | 19 882 | 19 882 |
| Community benefit levy | 16 792 | 15 753 | 15 879 | 16 006 | 16 528 |
| Casino/internet tax | 7 234 | 24 934 | 24 934 | 24 934 | 24 934 |
| Betting exchange tax | 1 416 | 2 913 | 2 993 | 3 073 | 3 154 |
| Wagering tax | 29 | 29 | 29 | 29 | 29 |
| Total | 115 498 | 144 974 | 146 078 | 147 182 | 150 232 |

Community gaming machine tax is levied on gross profits (that is, net player losses) from electronic gaming machines in Territory clubs and pubs. In 2024-25, revenue is estimated to total $51.6 million, exceeding the 2024 PEFO forecast by $7.2 million. In 2025-26, revenue is expected to moderate to $48.8 million, representing a return to historical trend levels, and steadily increase over the forward estimates in line with overall population growth and economic activity.

Bookmaker tax is expected to total $19.8 million in 2024-25, which is $2.6 million lower than forecast in the 2024 PEFO. In 2025-26, revenue is expected to increase to $32.6 million and average $33.6 million per annum over the forward estimates period, reflecting the doubling of the bookmaker tax cap from 1 July 2025.

Lotteries tax revenue is expected to total $18.6 million in 2024-25, around $1.3 million lower than forecast in the 2024 PEFO. Revenue is expected to total $19.9 million per annum ongoing from 2025-26.

Revenue from the community benefit levy largely correlates with community gaming machine tax receipts. The community benefit levy is expected to yield revenue of around $16.8 million in 2024-25, $2.4 million higher than forecast in the 2024 PEFO due to higher than expected community gaming tax receipts. Receipts of $15.8 million are expected in 2025-26, with a return to trend growth over the forward estimates.

Casino/internet tax revenue is expected to total $7.2 million in 2024-25, around $1.6 million higher than the 2024 PEFO. From 2025-26, receipts are forecast to increase to $24.9 million per annum due to policy changes to internet gaming tax settings.

Betting exchange tax revenue is expected to total $1.4 million in 2024-25, in line with the 2024 PEFO forecast, increasing to $2.9 million in 2025-26 due to doubling of the betting exchange tax cap from 1 July 2025.

Wagering tax revenue is expected to total $29,000 in 2024-25 and across the budget and forward estimates, a $46,000 decline from the 2024 PEFO forecast, reflecting an ongoing shift in gambling practices and behaviours as wagering activity increasingly takes place online and physical betting venues close.

### Taxes on insurance

Territory insurance tax presently consists of stamp duty on general insurance policies. Stamp duty on general insurance is calculated at a rate of 10% of the premium paid on all general insurance products relating to property or risk in the Territory. Where the policy also relates to a risk or property outside the Territory, the premium is apportioned.

Table 6.1 shows that insurance duty is estimated to total $78 million in 2024-25 and is expected to total $84 million and grow by around 7% per annum over the forward estimates, around $3 million lower than forecast in the 2024 PEFO. When compared to the 2024 PEFO, insurance duty is expected to be lower in all years. While this outcome is lower than expected, growth in recent years has been strong and is expected to remain above historical trends due to premium growth and the effects of inflation.

## Taxes on use of goods and performance of activities

### Motor vehicle taxes

Motor vehicle taxes comprise stamp duty on initial registration and transfer of motor vehicles, motor vehicle registration fees and the passenger service levy.

As reported in Table 6.1, motor vehicle taxes are expected to total $104 million in 2024-25, with growth in 2025-26 offset by the Territory Government's light vehicle registration fee freeze until 1 July 2026 and an expected moderation in motor vehicle stamp duty revenue. Moderate growth is expected across the forward estimates period in line with fee indexation. As Table 6.3 illustrates, current projections slightly exceed the 2024 PEFO forecasts for all years.

Stamp duty is levied on the purchase price of a vehicle at a rate of $3 per $100 or part thereof. In 2024-25, revenue is estimated to total $33.5 million, around $8.2 million higher than forecast in the 2024 PEFO, reflecting higher than expected transaction volumes. Revenue is expected to moderate to $31.2 million in 2025-26 and increase at a long-term trend rate of 1.1% per annum over the forward estimates period.

Motor vehicle registrations comprise heavy and light vehicle registrations. Fees for registering motor vehicles are set out in Motor Vehicles (Fees and Charges) Regulations 2008. Light vehicle registration fees are calculated by reference to a differential rate scale based on the engine capacity of the vehicle. Fees are defined in revenue units, with the monetary value of a revenue unit indexed on 1 July each year in accordance with the *Revenue Units Act 2009*. Heavy vehicle registration fees are set based on a vehicle type, tonnage and axles.

In 2024-25, the Territory is forecast to collect $67.7 million in motor vehicle registration fees, which is around $2 million below the 2024 PEFO forecast. In 2025-26, revenue is expected to increase to $68.9 million, partly offset by the Territory Government's light vehicle registration fee freeze, and grow by an average of 3.5% per annum from 2026-27, in line with revenue unit indexation and vehicle registration growth consistent with the economic outlook.

Since inception in July 2022, government has exempted $1.3 million in stamp duty in respect of certificates of registration for electric vehicles. This initiative ceases on 30 June 2027.

A passenger services levy of $1 is imposed on every trip taken in a taxi, minibus, private hire car or rideshare vehicle. From 2024-25 ongoing, revenue from the passenger services levy is expected to total $2.7 million per annum, a $0.7 million increase from the 2024 PEFO, reflecting increased use of passenger services in the Territory.

# Mining and petroleum revenue

The Territory levies royalties on the extraction of mineral commodities from mining activities and onshore petroleum production. Mining and petroleum royalties are a charge for resource extraction, payable to the Territory as the owner of the resources.

Royalties are currently levied in the Territory on gold, silver, bauxite, iron ore, manganese, lead, zinc, ilmenite, magnetite, oil and gas. Royalties have also been imposed in the past on commodities such as copper, lithium, limestone, vermiculite and mineral sands, and the Territory is highly prospective for several other minerals, including phosphate and rare earths.

Mineral royalties are payable in accordance with the *Mineral Royalty Act 1982* and *Mineral Royalties Act 2024*. New mines now pay royalties under the 2024 Act, however mines that were producing during the 2023 calendar year are grandfathered under the 1982 Act.

The 2024 Act imposes an ad valorem royalty featuring four categories of rates, 7.5%, 5%, 3.5% and 2.5%, assigned to minerals depending on cost intensity/complexity/value-add through processing in the Territory.

The 1982 Act imposes a royalty based on 20% of the net value or profit from mining activities after deductions for allowable costs. A minimum royalty rate of 1% to 2.5% applies to the gross production value of commodities extracted where the operator would otherwise pay less than that amount under the net value calculation.

For petroleum royalties, the Territory imposes an ad valorem royalty of 10% on the value of production at the wellhead, which is generally consistent with other Australian jurisdictions. The wellhead value is important for royalty purposes as it is the point at which ownership of the resource transfers from the Territory to the producer. As most petroleum is not sold at the wellhead, the value is calculated by recognising certain post-wellhead costs incurred in transforming the raw product to its first saleable point.

Mining and petroleum royalty projections use a range of information from mining companies and petroleum producers, including estimates of commodity price movements, production levels and the value of the Australian dollar, as well as the Department of Treasury and Finance's internal commodity price and market outlook.

As shown in Table 6.1, mining and petroleum royalties are expected to total $298 million in 2024-25, increasing to $346 million in 2025-26, and average $282 million over the forward estimates.

Certain commodities have seen a substantial escalation in market price mainly driven by geopolitical tensions, anticipated rate cuts by the US Federal Reserve, demand for safe-haven assets and ongoing supply shortages for some commodities due to the suspension of mining operations following Cyclone Megan. Further, a decline in the Australian dollar reduced the impact of inflation on Territory mine costs, resulting in higher profitability for established mines notwithstanding increased expenses due to suspended operations and associated repairs in some cases. From 2026-27, royalty revenue is expected to fluctuate in line with an anticipated moderation in mineral production as some mines prepare to conclude operations and commodity markets stabilise.

## Interstate tax comparison

The composition of the Territory's taxes is broadly similar to other jurisdictions, with the main difference being the rates, exemptions and thresholds set by each state. The Territory is also the only jurisdiction that does not have a land tax. The ability of states to determine their own tax policy promotes competition between jurisdictions and provides autonomy in calibrating tax systems to achieve a jurisdiction's specific fiscal, economic and social aims.

There are various approaches to measuring tax competitiveness. Two common approaches are CGC measures of taxation effort and capacity, and the representative taxpayer model.

### Commonwealth Grants Commission

#### Revenue effort

The CGC assesses each state's revenue-raising effort on an annual basis. Revenue effort is the ratio of the actual amount of revenue a state raises compared to the amount of tax revenue the CGC assesses could be raised if the state applied national average tax rates to its tax base.

Average revenue effort is assessed as 100%. A state with an above-average revenue effort will score more than 100%, while a below-average effort scores less than 100%.

Table 6.6 provides a comparison of the CGC's assessment of taxation and own-source revenue-raising effort in 2023-24 (the most recent year for which an assessment is available). Total own-source revenue effort includes taxation and mining revenue, contributions by trading enterprises (government owned corporations) and user charges for some government services, including waste management levies, road charges and registry services.

Table 6.6: Revenue effort by jurisdiction, 2023-24

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT |
|---|---|---|---|---|---|---|---|---|
| | % | % | % | % | % | % | % | % |
| Total taxation effort | 97.2 | 113.5 | 91.9 | 93.0 | 95.1 | 85.9 | 134.0 | 81.9 |
| Total own-source revenue effort | 89.7 | 111.8 | 103.5 | 95.3 | 101.4 | 97.9 | 145.3 | 108.6 |

Source: CGC 2025 Methodology Review

The Territory generally demonstrates the lowest taxation effort as it does not impose land tax and levies lower than average motor vehicle taxes. However, total own-source revenue effort is above the national average, mostly due to the Territory's mineral royalty arrangements.

The 2022-23 taxation and own-source revenue outcomes differ from those published at the time of the 2024-25 Budget (82% and 118.2%, respectively) due to subsequent updates made by the CGC. The Territory's total taxation and own-source revenue efforts for 2023-24 are lower when compared to the 2022-23 updated outcomes, 84% and 123%, respectively. The Territory's reduced taxation effort over this period largely reflects a lower stamp duty effort in 2023-24 relative to 2022-23 (122.4% versus 132%), though it is noted the Territory's stamp duty effort remains significantly above the national average of 98.5%, reflecting relatively higher stamp duty rates. The reduced own-source revenue effort reflects a significant decline in royalties due to mining disruptions caused by Cyclone Megan.

## Revenue capacity

States are limited to growing their own-source revenues by either replacing current taxes with a new growth tax or expanding existing tax bases. States are unable to raise excise or customs duties under the Australian Constitution, while the Commonwealth has long assumed the collection of income tax.

Over the budget cycle, the Territory's taxation and royalty own-source revenue averages 11% of total revenue for the non financial public sector.

Optimally, state taxation policy balances the aims of raising sufficient revenue to fund government services, minimising the tax burden and imposition of red tape for taxpayers, cultivating conditions for business growth, and creating a tax environment that is competitive with other jurisdictions and attracts private investment.

Although all states face similar constraints in raising own-source revenue, the Territory's capacity to raise revenue is further limited by its relatively small resident and business tax base. This is illustrated in Table 6.7, which reports the CGC's assessments of revenue-raising capacity for major state taxes and mining revenue. Revenue-raising capacity is the ratio of the per capita amount a state could raise if it applied the national average policy to its tax base, compared to actual per capita average revenue raised on the national tax base. This measure removes differences in state policies such as the Territory's decision not to impose land tax. A ratio close to 100 means the Territory's actual revenue-raising capacity for that tax category matches the state average (for example, payroll tax).

Table 6.7: Assessed revenue-raising capacity, 2023-24

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT |
|---|---|---|---|---|---|---|---|---|
| | % | % | % | % | % | % | % | % |
| Total taxation revenue | 113.8 | 98.4 | 91.4 | 102.4 | 80.5 | 72.9 | 83.7 | 78.3 |
| Land tax | 152.8 | 112.1 | 55.9 | 56.3 | 56.1 | 42.6 | 41.1 | 46.1 |
| Payroll tax | 103.9 | 95.6 | 93.3 | 134.8 | 73.4 | 71.3 | 95.4 | 102.5 |
| Stamp duty | 123.9 | 93.3 | 95.9 | 86.4 | 72.4 | 58.1 | 91.0 | 48.0 |
| Insurance tax | 104.6 | 94.8 | 100.7 | 92.4 | 121.5 | 77.5 | 84.0 | 82.3 |
| Motor vehicle tax | 91.6 | 99.5 | 106.5 | 114.3 | 102.5 | 112.1 | 73.7 | 91.0 |
| Mining and petroleum revenue | 50.6 | 2.5 | 182.5 | 396.8 | 24.5 | 22.2 | 0.0 | 82.4 |

Source: CGC 2025 Review

The Territory is assessed as having a relatively low capacity to raise taxes, particularly land tax and stamp duty, where the Territory's capacity is significantly below the national average of 100%. This reflects the Territory's geographical composition, a relatively small number of very high value commercial and residential properties, a resident population just over 250,000 and large areas of the Territory with very little private property ownership.

## Representative taxpayer model

The representative taxpayer model compares the amount of tax payable in each jurisdiction by a representative household or firm. This approach takes into account the different circumstances of each state by applying each state's tax rate to a representative or average standard.

### Land tax

This category comprises taxes on the ownership of land and includes any metropolitan land planning, development, and fire and emergency service levies. Land taxes are usually based on the assessed unimproved value of the land.

Land tax is an important source of income for other states, generating more than $14.8 billion in revenue in 2023-24. Land tax is levied on the landowner's total holdings of commercial land and residential investment property, although an exclusion is generally provided for land used for primary production. Land tax rates are usually progressive and most jurisdictions have tax-free thresholds.

The Territory does not impose a land tax. However, in its 2025 Review, the CGC assessed the Territory could raise about $79 million per annum if it adopted average state policy on land tax.

### Payroll tax

Table 6.8 compares payroll tax rates and thresholds for each jurisdiction. The table shows the Territory's payroll tax annual threshold is equal second highest in Australia, meaning its payroll tax rate is slightly above the national average, and the majority of small local businesses are excluded from the tax base.

Table 6.8: State and territory payroll tax rates and annual thresholds for 2024-25

| | NSW | Vic[1] | Qld[2] | WA[3] | SA[4] | Tas[5] | ACT | NT[6] | Average |
|---|---|---|---|---|---|---|---|---|---|
| Threshold ($M) | 1.20 | 0.90 | 1.30 | 1.00 | 1.50 | 1.25 | 2.00 | 1.50 | 1.33 |
| Rate (%) | 5.45 | 4.85 | 4.75 | 5.50 | 4.95 | 4.00 | 6.85 | 5.50 | 5.23 |

1 Rate is 1.2125% for regional employers. Mental health and wellbeing surcharge of 0.5% applies to annual taxable wages where an employer's Australian wages exceed $10 million. Additional 0.5% surcharge (covid debt temporary surcharge) applies to annual taxable wages where Australian wages exceed $100 million. The surcharges only apply to wages in excess of those thresholds. The tax-free threshold of $1 million is in effect in 2025-26.
2 Rate is 4.75% for wages between $1.3 million and $6.5 million, and 4.95% for wages over $6.5 million. The tax-free threshold reduces as an employer's Australian wages increases, with no deduction provided for employers with wages over $6.5 million. A mental health levy applies a 0.25% surcharge to annual taxable wages, where an employer's Australian taxable wages exceed $10 million, and an additional 0.5% surcharge to annual taxable wages where an employer's Australian wages exceed $100 million. Surcharges only apply to wages in excess of those thresholds.
3 Threshold reduces as an employer's wages increase, with no deduction for employers with wages over $7.5 million. Where annual Australian taxable wages exceed $100 million, a tax rate of 6% applies to taxable wages. Similarly, a rate of 6.5% applies where annual Australian taxable wages exceed $1.5 billion.
4 Rate increases from 0% to 4.95% for employers with wages between $1.5 million and $1.7 million. A maximum deduction of $600,000 is available to employers.
5 Rate is 4% for wages between $1.25 million and $2 million, and 6.1% for wages over $2 million.
6 Threshold reduces as an employer's payroll increases, with no deduction for employers with payrolls over $7.5 million. The tax-free threshold of $2.5 million is in effect in 2025-26.
Source: State legislation and information available at 7 March 2025

Table 6.9 provides the effective payroll tax rate at various wage levels for each jurisdiction after considering individual state tax-free thresholds and payroll tax rates. For businesses with wages of $2 million and below, the Territory has a competitive payroll tax scheme with effective tax rates either around or below the national average, and no tax payable when taxable wages are $1.5 million or less. For very large businesses with annual wage costs of $20 million or more, the Territory has a more favourable effective payroll tax rate than the Australian Capital Territory and Tasmania, and is comparable to Western Australia. From 2025-26, the tax-free threshold in the Territory will increase to $2.5 million, making the Territory more competitive for businesses with wages of $5 million and below compared to the national effective tax rate.

Table 6.9: Effective state and territory payroll tax rates at various annual payroll levels for 2024-25

| Annual payroll | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Average |
|---|---|---|---|---|---|---|---|---|---|
| $M | % | % | % | % | % | % | % | % | % |
| 1 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| 2 | 2.2 | 2.7 | 1.9 | 3.2 | 3.5 | 1.5 | 0.0 | 1.7 | 2.1 |
| 3 | 3.3 | 3.4 | 3.1 | 4.2 | 4.0 | 3.0 | 2.3 | 3.4 | 3.3 |
| 4 | 3.8 | 4.4 | 3.7 | 4.8 | 4.2 | 3.8 | 3.4 | 4.3 | 4.0 |
| 5 | 4.1 | 4.9 | 4.0 | 5.1 | 4.4 | 4.3 | 4.1 | 4.8 | 4.5 |
| 10 | 4.8 | 4.9 | 4.9 | 5.5 | 4.7 | 5.2 | 5.5 | 5.5 | 5.1 |
| 20 | 5.1 | 5.4 | 5.1 | 5.5 | 4.8 | 5.6 | 6.2 | 5.5 | 5.4 |
| 50 | 5.3 | 5.7 | 5.2 | 5.5 | 4.9 | 5.9 | 6.6 | 5.5 | 5.6 |
| 100 | 5.4 | 5.8 | 5.2 | 5.5 | 4.9 | 6.0 | 6.7 | 5.5 | 5.6 |

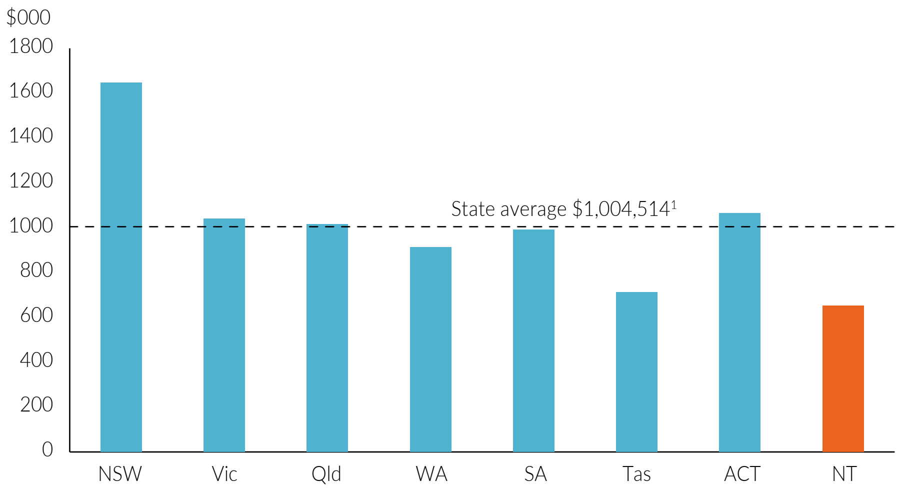
Source: State legislation and information available at 7 March 2025

## Stamp duty on residential conveyances

Stamp duty receipts on residential properties are impacted by house prices, transaction volumes, the rate of stamp duty and availability of stamp duty concessions.

The Territory's below-average capacity to raise stamp duty revenue as shown in Table 6.7 is mainly due to having the lowest house and unit prices, being well below the state average. Chart 6.2 compares the median house price of each capital city.

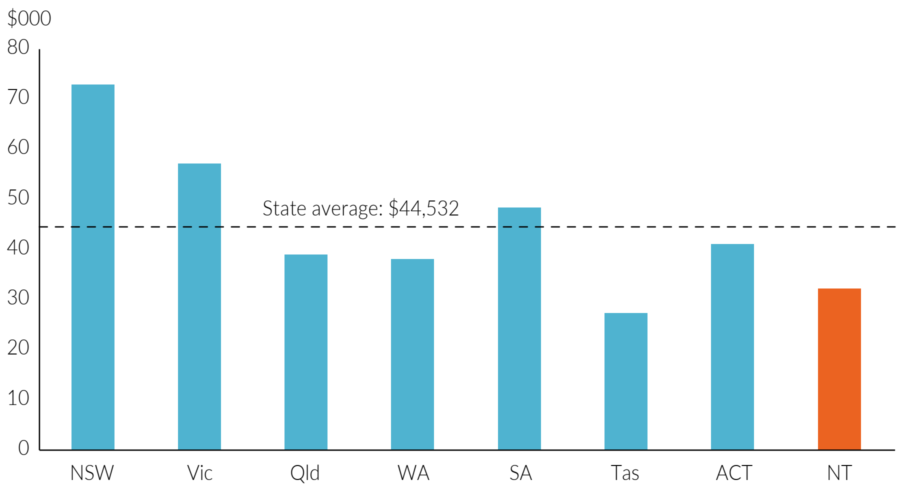
Chart 6.2: Median capital city house prices, December quarter 2024




1 The state average is 54% higher than the Darwin median house price.
Source: Australian Property Monitor for December quarter 2024

Chart 6.3 compares the amount of stamp duty payable on the purchase of a residential property in each jurisdiction based on the median house price in that jurisdiction's capital city, excluding stamp duty concessions. The comparison shows the amount payable in the Territory is generally comparable to jurisdictions such as Tasmania, Western Australia and Queensland. However, the Territory's overall property tax impost is lower than other jurisdictions as the Territory does not impose a land tax.

Chart 6.3: Stamp duty payable on purchase of a median-priced house in each capital city, exclusive of any concessions



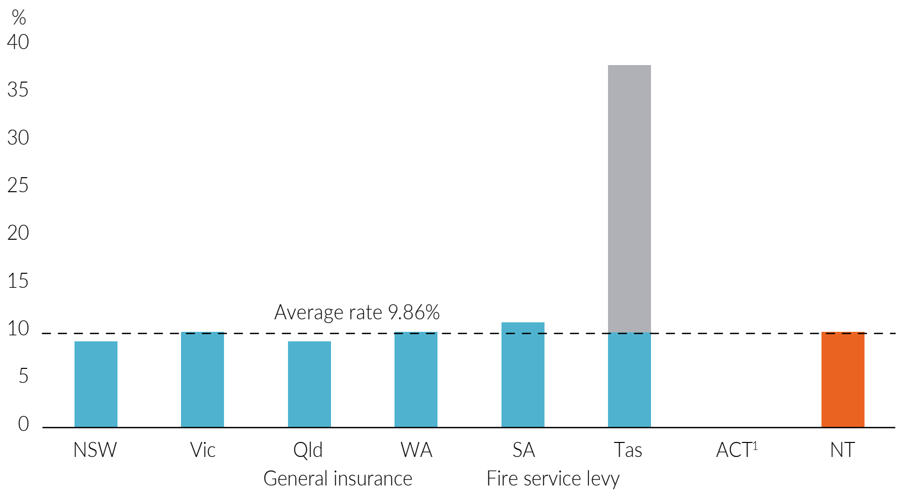

Source: Australian Property Monitor for December quarter 2024; state legislation and information available at 7 March 2025

## Insurance duty

All states impose taxes on general insurance premiums at rates between 9% and 11%, with New South Wales, Queensland and Tasmania imposing special rates on particular classes of general insurance. The only exception is the Australian Capital Territory where insurance duty was abolished on 1 July 2016. The Australian Capital Territory, Victoria, Western Australia and the Northern Territory do not collect taxes on life insurance policies.

As shown in Chart 6.4, compared with the other states (excluding the Australian Capital Territory), the Territory is an average-taxing jurisdiction.

Chart 6.4: Average state tax rate on general insurance premiums

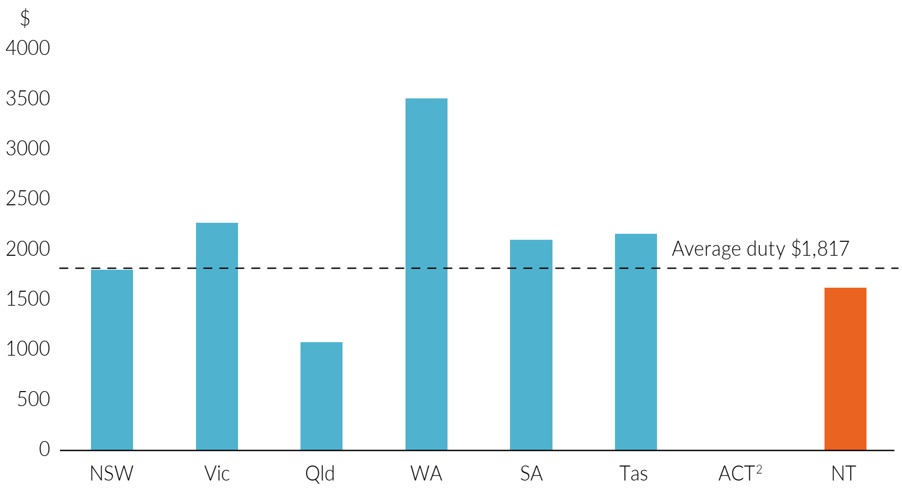



1 The Australian Capital Territory does not impose insurance duty.
Source: State legislation and information available at 7 March 2025

## Stamp duty on motor vehicles

Chart 6.5 compares stamp duty payable for a new motor vehicle, represented by a 4-cylinder 2025 Toyota Camry SL sedan 2.5L automatic valued at $53,990. The chart shows stamp duty payable in the Territory is below the national average and third-lowest in Australia. The Australian Capital Territory does not impose stamp duty on environmentally friendly new motor vehicles but applies duty similar to the Territory on motor vehicles that have average environmental performance or are secondhand. Similarly, Queensland applies a comparable rate of motor vehicle stamp duty to the Territory but offers a concessional rate for hybrid vehicles (such as the comparison car).

Chart 6.5: Stamp duty on purchase of a medium-sized passenger vehicle[1]

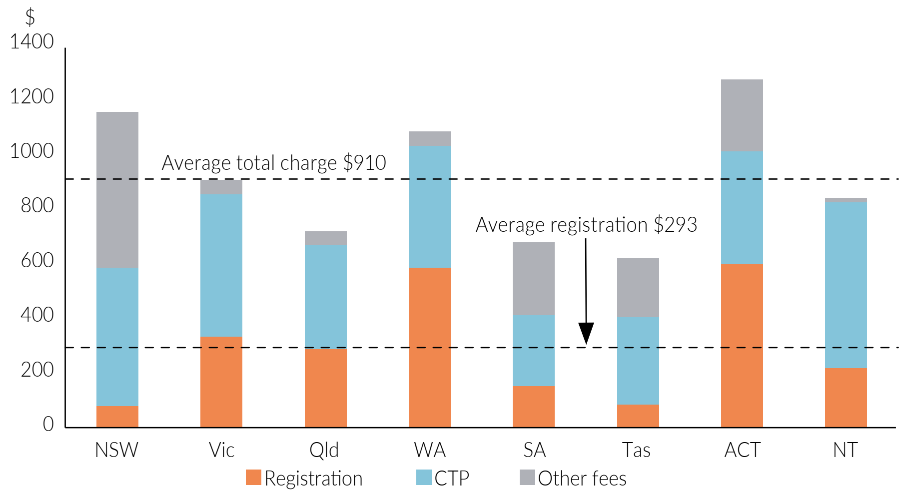



1 Based on a 4-cylinder 2025 Toyota Camry SL sedan 2.5L automatic with carbon dioxide emissions of 91g/km.
2 The Australian Capital Territory's Vehicle Emission Reduction Scheme allocates vehicles a performance rating based on their carbon dioxide emissions, and the stamp duty payable is reduced or increased based on that rating. The vehicle used for this comparison achieves a rating of A, which means no stamp duty is payable.
Source: State legislation and information available at 7 March 2025

### Motor vehicle registration

Motor vehicle registration fees comprise registration, compulsory third-party or similar insurance and other fees, and vary significantly between jurisdictions. Chart 6.6 compares the costs of registering a 4-cylinder 2025 Toyota Camry SL sedan 2.5L automatic. A registration fee of $219 and total registration cost of $841.25 demonstrates the Territory's registration fees and total registration costs are below the average cost Australia-wide.

Chart 6.6: Annual registration fees and charges for a medium-sized passenger vehicle[1]




CTP: compulsory third-party insurance or equivalent
1 Based on a 4-cylinder 2025 Toyota Camry SL sedan 2.5L automatic with carbon dioxide emissions of 91g/km.
Source: State legislation and information available at 7 March 2024

Higher than average Motor Accidents Compensation (MAC) Scheme insurance premiums in the Territory reflect higher costs associated with the Territory's small population and relatively high incidence of road accident casualties, and the no-fault nature of the Territory's compensation scheme. MAC Scheme premiums aim to ensure likely compensation claims for the upcoming year can be met and the scheme maintains a prudent solvency margin.

Despite MAC premiums being higher than average compulsory third-party insurance premiums, total registration and administrative costs in the Territory remain below the national average due to relatively low registration fees, and because the Territory does not include ancillary taxes and levies in the cost of registration. Additional levies imposed in other jurisdictions include fire and emergency service levies, motor taxes, traffic improvement levies and road safety contributions.

## Tax expenditure statement

The tax expenditure statement details revenue estimated to be forgone by the government or financial benefits obtained by taxpayers as a result of tax exemptions or concessions. Identifying this expenditure (or forgone revenue) assists in providing a more accurate picture of the government's contribution by way of taxation concessions to assist various groups or industries.

Tax concessions are often provided to benefit a specified activity or class of taxpayer. They are expenditures in the sense the impact on budget outcomes is similar to direct expenditure outlays and could be used to achieve similar goals to grant programs.

Tax expenditure can be provided in a variety of ways, including by way of tax exemption, waiver, deduction, rebate or a concessionary tax rate.

The tax expenditure identified in this statement relates to the major concessions available in the Territory. In accordance with section 10(1)(d) of the FITA, the tax expenditure statement provides an estimate of expenditure (or forgone revenue) in 2024-25, and estimates for 2025-26 and the following three financial years.

Table 6.10 details the total estimated tax expenditure across payroll tax, stamp duty and motor vehicle fees.

Table 6.10: Total tax expenditure[1]

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| Tax expenditure ($M) | 204.6 | 212.8 | 222.8 | 234.5 | 247.2 |

1 Does not include forgone land tax.

## Methodology

Tax expenditure has been estimated by applying a benchmark rate of taxation to forecast volume of activities or assets exempted by a particular concession. Only future events certain or highly likely to affect assumed tax bases or tax rates have been included when estimating future tax expenditure. Otherwise, existing taxation arrangements are assumed to apply for future years.

Measuring tax expenditure requires the identification of:

- a benchmark tax base
- concessionary taxed components of the benchmark tax base, such as specific activity or class of taxpayer
- a benchmark tax rate to apply to concessionary taxed components.

The establishment of a benchmark tax base provides a basis against which each tax concession can be evaluated. The aim of the benchmark is to determine which concessions are tax expenditures rather than structural elements of the tax.

By definition, tax expenditure comprises those tax concessions not included as part of the benchmark tax base.

## Payroll tax

The benchmark tax base for payroll tax is assumed to be all wages (as defined under payroll tax legislation) paid in the Territory. The benchmark tax rate is 5.5%.

Table 6.11: Payroll tax expenditure

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| Tax expenditure ($M) | 160.0 | 166.1 | 173.2 | 181.5 | 190.4 |

As data is not generally collected by the Territory Revenue Office from employers with no payroll tax liability, tax expenditure in relation to payroll tax concessions must be estimated. The tax expenditure in Table 6.11 has been calculated by adding actual tax concessions to an estimate of concessions. The estimate is derived by comparing the average of Australian Taxation Office data reporting wages paid by employers in the Territory and ABS data on employment and wages in the Territory, to data reported by employers registered for payroll tax in the Territory. The difference provides a reasonable estimate of wages paid by employers that are not subject to Territory payroll tax because of the small business exclusion (detailed below) or for being an exempt body.

Payroll tax expenditure estimates over the budget cycle have reduced slightly in comparison to forecasts in the 2024 PEFO. The number of employed persons in the Territory and per capita average weekly earnings continued to increase. This contributes to an aggregate decrease in the value of payroll tax expenditure as a larger number of existing businesses no longer fall under the tax-free threshold. The reported estimated tax expenditure in relation to payroll tax mainly comprises the following exemptions.

### Small business exclusion

From 2025-26, employers with total Australian wages below $2.5 million are not required to pay payroll tax, saving them up to $68,750 per annum compared to the $1.5 million tax free threshold in prior years. The payroll tax liability for employers with payrolls above $2.5 million a year is calculated on taxable wages less a deduction based on a sliding scale of up to $2.5 million. This category comprises the majority of estimated payroll tax revenue forgone.

### Charities and other exempt bodies

Certain charitable and not-for-profit organisations receive payroll tax exemptions for wages paid to employees who engage in non-commercial activities that support the organisation's charitable purpose. In addition, employment agencies providing temporary staff to exempt organisations are able to claim payroll tax exemptions for these wages.

## Stamp duty on conveyances

Tax expenditure estimates in Table 6.12 are based on actual stamp duty data.

Table 6.12: Stamp duty on conveyances expenditure

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| Tax expenditure ($M) | 3.8 | 3.0 | 2.7 | 2.7 | 2.8 |

Forecast expenditure (forgone revenue) is anticipated to decline from 2024-25 and remain stable over the forward estimates. This accords with the variation in stamp duty on conveyance revenue in 2025-26 and over the forward estimates.

The relative stability in total tax expenditure in this category over the forward estimates period is due to the absence of home owner stamp duty concessions in the Territory, which would typically introduce a degree of volatility in expenditure in this area.

The tax expenditure estimates mainly comprise the following exemptions.

### Corporate reconstructions exemption

Corporate groups formed by commonly owned corporations are able to reorganise ownership of assets without incurring a stamp duty liability. The estimated tax expenditure is the actual stamp duty forgone for approved reconstruction exemptions.

### Other conveyance duty exemptions

Several other conveyance stamp duty exemptions are provided that together result in significant revenue forgone by the Territory, the largest of these being exemptions for:

- property transferred to charitable organisations having a sole or dominant purpose that is charitable, benevolent, philanthropic or patriotic
- an exemption under the *Commonwealth Family Law Act 1975* for instruments made pursuant to a court order that alter the interests of the parties to a marriage or de facto partnership
- the conveyance of property between partners of a de facto relationship on the breakdown of the relationship

- certain conveyances involving the administration of deceased estates
- conveyances from trustees to beneficiaries and to give effect to a change in trustees.

The estimated tax expenditure for these concessions is based on actual historical data collected in relation to the various exemptions granted and how these relate to overall conveyance stamp duty collections.

## Stamp duty on general insurance policies

The benchmark tax base is all classes of general insurance policies, excluding life insurance policies, which are treated differently for stamp duty purposes. The benchmark tax rate is 10% of the premium.

Table 6.13: Stamp duty on general insurance

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| Tax expenditure ($M) | 38.4 | 41.4 | 44.5 | 47.9 | 51.6 |

The Territory provides stamp duty concessions on certain insurance products to reduce the costs of such insurance, namely workers compensation insurance and private health insurance. Tax expenditure reported in Table 6.13 has been estimated using total work health insurance policy premiums paid during past years compared to total payroll data of employers in the Territory and data on private health insurance premiums obtained from the Australian Prudential Regulatory Authority.

Forecast tax expenditure over the budget cycle has decreased in comparison to forecasts made in the 2024 PEFO. This is due to a downward revision in expected work health insurance and private health insurance premiums over the forward estimates, which corresponds with overall lower than expected revenue from taxes on insurance over that period.

## Motor vehicle registration fees

Motor vehicle registration concessions are available under the Northern Territory Concession Scheme and Northern Territory Seniors Recognition Scheme. Table 6.14 shows motor vehicle registration fees expenditure is expected to remain stable at $2.4 million per annum over the budget cycle. Actual registration fee data has been used to estimate this item of tax expenditure.

Table 6.14: Motor vehicle registration fees expenditure

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| Tax expenditure ($M) | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |

Chapter 7

# Risks and contingent liabilities

Section 10(1)(e) of the FITA requires each fiscal outlook report to contain a statement of risks, quantified as far as practicable, that could materially affect updated financial projections, including any contingent liabilities and related agreements yet to be finalised.

This section meets the FITA requirements by outlining potential risks to the 2025-26 Budget due to changes in factors underpinning revenue and expenditure estimates, and the likelihood of contingent liabilities becoming actual liabilities.

Risks to the Territory are assessed and categorised in accordance with those identified in section 5(2) of the FITA, which requires government to manage financial risks faced by the Territory prudently (having regard to economic circumstances). The categories comprise risks from excessive debt, ownership of trading entities, erosion of the Territory's revenue base, managing assets and liabilities, and other risks.

More information on the Territory's risks and contingent liabilities can be found in the 2023-24 Treasurer's Annual Financial Report, Note 43 *Contingent assets and liabilities*.

## Sound fiscal management of risks

### Risks from excessive debt

Excessive debt levels could affect the Territory's ability to raise funds when required, or at a cost substantially higher than could be achieved under more sustainable debt levels, limiting government's capacity to maintain appropriate levels of service. Excessive debt could also impact investor and consumer confidence, resulting in negative effects on the broader Territory economy.

Risks associated with excessive debt are mitigated through Government's new fiscal strategy, which has been formulated with an emphasis on debt management and reduction. The new objectives and targets represent what would need to be achieved to return the Territory into a financially sustainable position, with regard to the current fiscal and economic conditions and comparable jurisdictional performance.

One of government's fiscal strategy objectives is to maintain or improve the Territory's credit rating. Credit ratings reflect an independent assessment of a government's credit worthiness and ability to fulfil its financial commitments and repay debt. A higher rating indicates a strong fiscal and economic position, and results in the ability to borrow at lower interest rates, while a lower rating indicates credit challenges and results in higher interest rates on borrowings.

The Territory's credit rating was last reviewed in March 2025 by Moody's on the 2024-25 Mid-Year Report, resulting in an unchanged credit rating for the Territory at Aa3 with a stable outlook. Since this assessment, government has repealed the legislated debt ceiling and has approved significant new operating and capital commitments, increasing fiscal balance deficits and debt levels in the 2025-26 Budget.

### Risks from ownership of trading entities

Poor financial performance of commercial entities can pose risks to government in the form of lower returns and dividend payments to government, or increased requirements for financial support, with the potential to materially affect the Territory's debt levels and fiscal targets.

The Territory's new fiscal strategy includes an objective and target specifically aimed at strengthening government owned corporations commercial sustainability, increasing accountability for financial performance and reducing reliance on government support.

Risks are also mitigated through the government owned corporations operating and accountability framework, comprising the Corporate Governance and Reporting Framework, *Government Owned Corporations Act 2001*, enabling legislation for each government owned corporation and the Territory's Policy Statement on Competitive Neutrality. The Corporate Governance and Reporting Framework sets out processes in line with best practice for strategic planning, monitoring and reporting performance targets, and accountability for performance set in the SCI.

The Territory's government owned corporations are the Power and Water Corporation, Territory Generation and Jacana Energy. Each corporation has an SCI, which is an annual performance agreement between the board and the shareholding minister, tabled in parliament and examined by the Estimates Committee. Each SCI details key financial and non-financial targets for the corporation and provides updated financial projections for the budget year and forward estimates period.

Each corporation is expected to include future efficiencies through operational and business improvements as part of their respective SCIs, and ensure proposed major capital investments are supported by a detailed business case and deliver an appropriate rate of return. Failure to achieve SCI targets presents a risk to the budget and forward estimates through reduced dividends and tax equivalent payments, and worsening of the Territory's fiscal outcomes.

Power and Water Corporation's gas business has significant market-related risks arising from long-term gas purchase, sales and transportation agreements. The corporation's board oversees a gas sales strategy to address future market opportunities and position the corporation to ensure costs are covered by revenue, and any risks are appropriately mitigated.

Further, strengthened oversight of the Territory's strategic energy security is provided through government's Energy Sub-Committee of Cabinet, Standing Committee on Rebuilding the Economy and related time-limited taskforces, including overseeing measures to mitigate immediate to long-term risks around gas supply.

## Risks from erosion of the Territory's revenue base

Erosion of revenue refers to the ongoing decline in or inability to generate sufficient revenue to cover expenses, and can occur as a result of policy and non-policy changes to Territory revenue streams. Policy changes are the result of government decisions to implement new or revise Territory taxation and own-source revenues that can result in either increases or decreases in revenue, depending on whether government is increasing taxes or providing tax cuts or concessions. Non-policy changes to revenue streams are those outside of government's control and include changes to Commonwealth funding or external economic and market conditions, or weather events that may affect the operations of tax payers.

### Reliance on Commonwealth funding

Australia's federal system is characterised by a high level of vertical fiscal imbalance, where the expenditure requirements of states under the Australian Constitution far outweigh their capacity to raise revenue. This imbalance is addressed through intergovernmental payments from the Commonwealth to the states to facilitate delivery of essential services.

In comparison to all other states, the Territory is more reliant on Commonwealth payments due to greater expenditure needs and a lower ability to fund expenditure through own-source revenue. In 2025-26, Commonwealth funding to the Territory is expected to account for 71% of the Territory's total revenue, with GST revenue and tied funding payments accounting for 46% and 25% of total revenue, respectively, in the non financial public sector. Due to the Territory's reliance on these funding sources, any changes will have a significant effect on Territory revenue. Risks include variations in national GST collections and changes to tied Commonwealth funding agreements, such as their amount, timing, deliverables and duration.

### GST revenue volatility

Volatility in GST revenue represents the largest revenue risk for the Territory, as GST revenue is estimated to account for 46% of the Territory's total revenue in 2025-26 in the non financial public sector.

The Territory's GST revenue entitlement is dependent on four parameters:

- national GST collections pool
- the Territory's share of the national population
- the Territory's GST relativity as determined by the Commonwealth Treasurer based on recommendation of the CGC
- the impact of Commonwealth-legislated GST distribution reforms that commenced in 2021-22.

There are variables that influence each of these parameters, adding to the complexity of forecasting GST revenue over the budget and forward estimates, as discussed in Chapter 5 *Commonwealth revenue*. The following analysis examines the effect of variations of each parameter in isolation. However, as these parameters interact with each other, variations can have a compounding or offsetting effect on GST revenue estimates.

### GST collections pool

The Territory's GST revenue is directly affected by variations in the national GST collections pool, with growth in the pool representing the second largest driver of change to the Territory's GST revenue forecasts since the 2024 PEFO.

Risks to the national GST collections pool forecasts relate to the outlook for national nominal consumption of goods and services subject to GST and private dwelling investment. Results may vary from forecasts if nominal prices or real economic activity is materially different to expectations.

National economic activity has broadly performed consistently with forecast expectations in 2024-25, meaning risks are largely unchanged from the 2024 PEFO. Some domestic uncertainty continues to persist around the timing and magnitude of the recovery of private dwelling investment, following a period of weakness due to elevated interest rates and construction costs. There is also uncertainty around how higher household debt and a softer outlook for household wealth could impact future consumption behaviour.

Recent Commonwealth policy announcements, such as income tax cuts, could have an impact on national consumption should they proceed. The outcomes of the 2025 Commonwealth election and any related policy changes have not been incorporated into the Territory's 2025-26 Budget forecasts. GST forecasts may also be sensitive to external global events, such as tariff policy changes, which may impact international trade or domestic economic confidence.

A ±1 percentage point change in national GST collections growth is estimated to have a ±$44 million impact on the Territory's GST revenue in 2025-26, all else being equal. If a variation of ±1 percentage point was applied to national GST collections growth in each of the budget and forward estimate years, the cumulative impact on Territory GST revenue would be around ±$473 million.

### Territory's share of the national population

Estimates of each state and territory's population growth relative to the national rate influence the Territory's share of the national population, affecting forecasts of the Territory's GST revenue.

The Territory uses its own estimates of Territory population growth, given its knowledge of local factors that may affect migration levels. Estimates of other states' populations are based on Commonwealth population projections. Accordingly, the Territory's GST revenue projections are sensitive to the Territory's forecasts of Territory population growth, as well as Commonwealth forecasts of interstate population growth. The Territory's population is expected to grow at a slower rate than the national population over 2025-26 and the forward estimates. A discussion on Territory population forecasts is provided at Chapter 3 *Economic outlook*.

Emerging risks to the Territory's population share largely relate to changes to Commonwealth international migration policies, as well as the distribution of overseas migrant inflows between states and territories.

The effect of a ±1,000 person variation in the Territory's population forecast is expected to have a ±$17 million impact in 2025-26, all else being equal. If a variation of ±1,000 persons were applied to population growth in each of the budget and forward estimate years, the cumulative impact on Territory GST would be around ±$179 million.

The effect of a ±0.01 percentage point movement in the Territory's share of the national population is expected to have a ±$47 million impact in 2025-26, all else being equal. If a variation of ±0.01 percentage points were applied to the Territory's forecast share of the national population in each of the budget and forward estimate years, the cumulative impact on Territory GST would be around ±$202 million.

### GST relativity

The distribution of GST revenue is based on the principles of horizontal fiscal equalisation that aim to equip all states and territories with the capacity to provide similar levels of services and infrastructure.

The CGC recommends GST relativities annually and incorporates new data and changes in state fiscal capacities. In the 2025 Review, the CGC recommended an increase in the Territory's GST relativity to 5.15112 for 2025-26, from 5.06681 in 2024-25.

Relativities are subject to calculations based on the financial and demographic circumstances of all states and territories in a rolling three-year assessment period, updated annually. As a result of the methodology associated with estimating GST relativities, the Territory forecasts relativities on a three-year average basis, held constant over the forward estimates period, adjusted for GST distribution reforms. In any relativity update, the Territory's GST relativity will be sensitive to changes in all jurisdictions' relativities, reflecting the fixed sum nature of the GST distribution process.

Risks to the Territory forecasts arise if any state's relativity circumstances vary significantly from its three-year average over the forecast period. Recent relativities have varied substantially due to changes in interstate circumstances, particularly coal prices impacting relativities in Queensland, and CGC methodology changes to temporarily recognise covid-related expenses, particularly in Victoria and New South Wales. The CGC has also published a forward works program that may impact the calculation of future relativities, particularly for justice-related expenses, which are expected to be reviewed as part of the 2026 Update.

The impact of a ±0.1 variation in the Territory's GST relativity is about ±$83 million in 2025-26, all else being equal. A ±0.1 variation in the Territory's GST relativity in each of the budget and forward estimate years would have a cumulative effect of about ±$357 million.

### GST distribution reforms

The Commonwealth has legislated changes to the GST distribution system through the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018*.

The reforms include a Commonwealth temporary no-worse-off guarantee that operates as a time-limited safety net for jurisdictions. This ensures jurisdictions receive, at a minimum, the cumulative amount of GST they would have received under the previous methodology. This guarantee temporarily mitigates the risks of GST distribution reforms to the Territory's GST.

The Territory expects to receive no-worse-off guarantee payments totalling $208 million over 2024-25 to 2028-29. Any change to relativities or GST collections pool growth may affect no-worse-off guarantee payments. The guarantee has been extended to the end of 2029-30, with any further policy changes posing a risk to forecasts.

The Commonwealth has committed to a Productivity Commission review of the GST distribution reforms by the end of 2026.

### Tied Commonwealth funding

Tied Commonwealth funding is provided under the IGA FFR through national federation funding agreements and schedules. Tied funding can also be provided outside IGA FFR payment arrangements through COPE arrangements.

Key risks to the Territory budget associated with tied Commonwealth funding include uncertainty as to the amount, timing, deliverables and duration of new and renegotiated funding agreements, expiry of agreements and the increasing inclusion of financial input controls.

Agreements that are short term in nature and subject to repeated short-term extensions upon expiry inhibit the ability of governments and other providers to plan for providing ongoing, reliable service delivery in key areas. Short-term funding arrangements can lead to heightened community expectations without providing associated Commonwealth funding certainty in the long run. Recently, Commonwealth funding has been increasingly short term, with a number of one-year extensions and agreements being renewed close to expiry, increasing Territory funding risks.

The Commonwealth is also increasingly including financial input controls in funding arrangements such as matched funding and maintenance of effort provisions. Input controls pose a significant risk to the Territory budget by reducing the Territory's autonomy and ability to efficiently allocate resources in a manner that best suits community needs.

Further risks may arise from the expiry of tied Commonwealth funding agreements including ceasing public services or assuming financial responsibility to continue the services previously funded by these agreements.

The most substantial agreement under negotiation over the budget and forward estimates is the NHRA, with a one-year agreement reached for 2025-26. A longer term arrangement remains under negotiation with states and the Commonwealth. This agreement is also linked to the NDIS and other disability service reforms, which could have a significant impact on state revenues and costs.

### Territory taxes and royalties

Territory taxes and royalty revenues mainly comprise revenue from mining and petroleum royalties, as well as payroll tax, and conveyance and related duties. For 2025-26, Territory taxes and royalties are expected to account for about 11% of total revenue and 38% of own-source revenue in the non financial public sector.

Forecasting tax and royalty revenue involves judgements and assumptions about the performance of various economic factors and indicators, such as growth in wages, employment, business investment, commodity prices, market conditions and activity, and exchange rates.

Mining royalty revenue has historically been the largest single contributor to Territory taxes and royalties, and forecasts are sensitive to mineral price outlooks, production levels, mine expansions or disruptions, as well as exchange rates and global trade conditions. Mining revenue forecasts are informed by independent assessments of commodity prices and market conditions, and advice from mining companies about their expectations of production, prices and royalty obligations over the budget and forward estimates period. Changes in commodity prices, mine end of life estimates, and production or exchange rates can materially impact these forecasts.

International economic conditions continue to contribute to significant volatility of key commodity prices. While supply-demand imbalances remain, the increasing use of tariffs in global trade policy by key market actors constitutes an emerging risk to mineral and petroleum production. The imposition of tariffs in key markets can reduce aggregate demand for raw minerals and refined mineral products, in turn placing downward pressure on prices and production, with ramifications for royalty revenue.

Further, inflationary pressures have increased operating costs for mines, potentially affecting profitability, which will flow through to mineral royalty forecasts over the forward estimates. The uncertainty of costs and duration of returning mines to normal operations following the impact of Cyclone Megan, which suspended mining operations in Borroloola and Groote Eylandt in March 2024, continues to pose a risk to the Territory's royalty revenue projections.

There is, however, upside potential over the forward estimates should petroleum be sold under an exploration permit (appraisal gas) in the Beetaloo sub-basin. While final investment decision is still pending for major proponents in the Beetaloo, including Empire Energy Group Limited and Tamboran Resources Corporation, both have announced plans to commence selling appraisal gas over the forward estimates period.

Payroll tax is the Territory's largest source of tax revenue in 2025-26 and from 1 July 2025, is imposed on businesses with total payroll above the tax-free threshold of $2.5 million per annum. Payroll tax forecasts are influenced by employment, wages and business investment projections.

Recent court cases in New South Wales and Victoria confirmed the applicability of payroll tax to amounts paid by medical centres to practitioners, and this has encouraged lobbying for tax relief by affected stakeholders and representative industry groups. Other jurisdictions have provided relief in the form of tax amnesties or exemptions, which hollows out the payroll tax base and applies pressure on jurisdictions that do not similarly amend their payroll tax settings. There is a risk that other industries with a sound social licence will seek similar industry-specific concessions, which further hollows the tax base and undermines payroll tax revenues.

The Territory's conveyance and related duty is derived from direct and indirect conveyances of property in the Territory. Forecasting for conveyance duty is linked to the outlook for the property market, with commercial transactions linked to economic conditions and sentiment more broadly. The extent and timing of any market changes in terms of property prices and transaction volumes can be volatile, and directly affects conveyance duty collections.

Conveyance duty forecasts are influenced by the size of the Territory's conveyance duty base, which includes valuable commercial properties such as pastoral properties, mining projects and commercial precincts. The duty collected in respect of large commercial transactions contributes significant volatility to conveyance duty collections.

Unlike tax revenue from property transactions or employment, gambling tax revenue is not as closely correlated with the economic or business cycle. On this basis, gaming activity in community venues and casinos is expected to remain steady over the forward estimates period.

In total, a variation of ±1% to the forecast of Territory taxes and royalties would affect revenue by about ±$10.9 million in 2025-26.

An emerging risk to state and territory taxes has arisen following the case of *Vanderstock & Anor versus the state of Victoria*. The High Court of Australia found that a road-user charge imposed by the state of Victoria, on registered owners of particular vehicles, was unconstitutional. The basis for the High Court decision has cast doubt on the validity of other state and territory taxes, with at least two states currently facing legal challenges. In the event similar legal challenges are upheld in relation to other state and territory taxes, levies or duties, Australian states and territories are at risk of further erosion of own-source revenue, and an increased reliance on Commonwealth funding.

## Risks arising from managing assets and liabilities

Assets and liabilities of the Territory are each subject to inherent risks that are managed through the Territory's fiscal strategy objectives.

The Territory's Financial Management and Accountability Framework governs the financial management of government resources (assets and liabilities) and comprises legislation, supplementary legislation (including Treasurer's Directions and Treasury Circulars), Australian accounting standards, whole of government and agency-specific policies and procedures, and resource materials. This framework specifies the practices, including risk assessment, to be observed by agencies in the fiscal management of their resources.

In addition to the framework, the Territory's financial investment assets and debt liabilities are administered by the NTTC, the central financing authority for the Territory Government. NTTC borrows, invests and lends on behalf of the Territory Government, and is governed by an extensive risk management framework.

### Equity investments

The Territory has entered into several arrangements that represent ownership in private sector projects, entities and enterprises. To date, these equity investments are in the form of shares and result in no significant influence or control over the entity or project. Accordingly, the Territory is not exposed to financial loss beyond the amount invested. Most of these investments have been approved through the Local Jobs Fund, which has a range of policies and governance statements, along with an expert investment committee to provide independent assessment and advice on investment proposals to mitigate financial risks associated with these investments. Furthermore, the Financial Management and Accountability Framework specifies conditions and limitations on the type of investments that can be entered into and mandates certain practices, including risk assessments, to mitigate risks associated with equity investments.

### Loans and concessional loans

The Territory has issued loans and concessional loans with the aim of funding particular enterprises or householders. These include amounts paid for assistance to farmers, businesses under the Local Jobs Fund and home ownership products. A number of these loans are on concessional terms, including low interest or interest-free terms. Default risks are considered small, and periodic reviews of issued loans have not resulted in a shift in levels of assessed risk. Similar to equity investments, loans are issued where criteria and limitations are met, and the Financial Management and Accountability Framework mandates certain practices to mitigate risks associated with loans.

## Risks to expenses and payments

Estimates for expenses are based on known policy decisions, with adjustments for non-policy changes. The most significant risks to expense estimates are budget pressures due to increased costs and demand for government services, and the inability to meet savings and efficiency measures factored into agency budgets.

The Territory's public service employee expense accounts for about 40% of the general government sector's total expenses and represents the Territory's largest expense. The primary risks to this expenditure are wages growth, number of employees and composition of the labour force. The 2025-26 Budget incorporates a wages parameter of 3% from 2025-26 onwards in line with expected economic growth. Enterprise agreements contain terms and conditions of employment that are negotiated through an enterprise bargaining process and apply to groups of public sector employees. Enterprise agreements pose a risk to the Territory's expenses to the extent the outcome exceeds indexation factored into the budget and forward estimates.

Demand for skilled labour nationally also poses a risk to the delivery of government services, as labour shortages may require the use of higher cost external providers to ensure service delivery is not compromised.

The effect of adverse weather events and natural disasters pose a risk to the Territory's expense projections due to the uncertainty of costs and timing of restoration works, evacuation costs, and costs and duration of providing temporary housing for evacuees. Although the Territory may be eligible for partial reimbursement from the Commonwealth under Disaster Recovery Funding Arrangements, the extent and timing of such reimbursements are also uncertain.

Further risks to the Territory's expense projections may arise if activities are continued beyond current funding profiles. Where elevated service delivery levels/costs or programs are continued beyond budgeted levels, and not managed through reprioritisation of other existing funding, the Territory's fiscal aggregates will be worse off.

Recently announced reforms to the Northern Territory's bail laws pose a risk to the 2025-26 Budget expenditure forecasts should the number of persons in custody increase more rapidly than projected and or exceed levels currently factored into forecasts. Furthermore, the timing of infrastructure requirements to support increased prisoner numbers may also be impacted.

Emerging risks to expenses and payments are mitigated through the Territory's fiscal strategy objectives, and supported by strengthened budget accountability, agency performance monitoring and reporting obligations within the Territory's Financial Management and Accountability Framework, enabling early identification and remediation of budget pressures where necessary.

## Risks to economic forecasts

The fiscal estimates are influenced by economic conditions of the Territory economy as well as national and global economies. Changes in economic conditions and assumptions to those presented in Chapter 3 *Economic outlook* can have wide-ranging impacts on the Territory's fiscal outlook, from its revenue raising capacity, expenditure requirements and debt servicing costs.

Currently, uncertainty is elevated around the Territory's economic forecasts. Tariff policies announced by the US administration on 3 April 2025 have created significant uncertainty around the global economic and financial outlook. The tariffs and any retaliatory responses will weigh on international trade, investment and growth, and disrupt supply chains, while associated volatility in financial markets is weakening consumer confidence and business sentiment, which if sustained will have implications for consumption and business investment. Quantitative estimates of risks to economic growth have been provided in Chapter 3 *Economic outlook*, however final impacts on the economy cannot be estimated until the US administration finalises tariffs following the end of the 90-day reprieve for tariffs over 10%.

While the Territory's direct trade with the US is relatively small, several of the Territory's major trading partners who have larger direct trade relationships with the US have been impacted. The ability of these economies to navigate the tariffs could have indirect impacts on the Australian and Territory economy.

In addition to the above, risks also remain around:

- ongoing geopolitical instability from conflicts in Europe and the Middle East, which pose a risk to global supply chains and inflation
- labour market tightness across Australia potentially affecting the Territory's ability to compete for labour and population growth
- adverse weather conditions, such as cyclones, floods and droughts, and agricultural pests and diseases, which can affect production and or put upwards pressure on prices and add potential risks to forecasts
- large projects that support economic growth over the forecast period do not proceed to the same level or in the same timeframes as planned, or projects without a final investment decision at the time of the budget proceed to final investment decision within the outlook period.

Uncertainty in economic forecasts are also driven by the reliance on economic data that is subject to reporting limitations, error and revisions, and methodological changes. The impact of this uncertainty is generally more pronounced in small jurisdictions, such as the Territory.

# Contingent liabilities

Contingent liabilities are potential future costs to government that may arise from guarantees, indemnities, and legal and contractual claims. Contingent liabilities pose a risk to the Territory's financial position and have the potential to materially affect the budget due to the likelihood of an actual liability arising, however most are considered low risk. The Territory continues to assess risks under these arrangements to determine if future disclosure is required and if there are any impacts on the Territory's financial position.

Details of significant contingent liabilities for the Territory are summarised below and have been classified as quantifiable (where the financial effect is estimated in excess of $5 million) or unquantifiable (where the financial effect cannot be reliably estimated, either due to the nature of the contingent liability or number of variables that could affect the financial estimates).

At the date of this report, no transaction or event of a material nature has occurred that would crystallise the contingent liabilities reported in this section.

## Quantifiable contingent liabilities

### Public Trustee Common Fund 1

Under section 97 of the *Public Trustee Act 1979*, the Treasurer indemnifies the Public Trustee Common Fund 1 against any deficiencies in money available to meet claims on it. At 30 June 2024 (the latest information available) the Common Fund 1 had a final balance of $39.3 million, which is government guaranteed (preliminary 2023-24: $38.5 million).

The Common Fund is a repository for all monies received by the Public Trustee on behalf of estates, trusts or persons, and earns interest. Money to the credit of the Common Fund is invested according to the directions issued by an investment board, comprising the Public Trustee or, in the absence of the Public Trustee, the Deputy Public Trustee, and two persons appointed by the Attorney-General. The board is responsible for acting prudently to obtain maximum return on the investments of Common Fund monies commensurate with sound investment practices and ensure estates and trusts receive commercial rates of return on their funds. Although a material contingent liability exists, the prospect of this contingent liability being called upon is low.

### Darwin ship lift and Marine Industry Park

The Territory has entered into a loan facility agreement with the Northern Australia Infrastructure Facility (NAIF) to borrow $300 million for the Darwin ship lift and Marine Industry Park. The project will enable maintenance and servicing of defence and Australian Border Force vessels, along with commercial and private vessels, including from the oil, gas and marine industries.

The Territory indemnifies NAIF and the Commonwealth against any loss related to the Territory's fulfilment of any condition precedent to the loan facility agreement. The conditions and obligations contained in the facility agreement are being monitored during development of the project to ensure the conditions are satisfied.

## Unquantifiable contingent liabilities

### Banking

The Territory's financial management framework is underpinned by centralised banking arrangements. The sole provider of banking-related services has been granted indemnities under the whole of government banking contract.

### Correctional facilities

The Territory has contingent liabilities related to indemnities and guarantees provided in support of the construction and ongoing property management of the Darwin Correctional Precinct under a public private partnership agreement and has indemnified the project company for losses arising from any uninsurable risks.

### East Point effluent rising main – environment protection and biodiversity conservation approval

The Territory has contingent liabilities relating to a potential breach of conditions associated with the East Point effluent rising main – *Environment Protection and Biodiversity Conservation Act 1999* approval. A formal determination in relation to the potential breach has not yet been received by the Environmental Regulator.

## Economic-enabling projects

### *Adelaide to Darwin railway project*

The Territory has contingent liabilities that relate to indemnities and guarantees provided in support of the Adelaide to Darwin railway. The AustralAsia Railway Corporation (AARC), and the Territory and South Australian governments entered into a concession arrangement for the Adelaide to Darwin railway on a build, own, operate and transfer-back basis.

Unquantifiable contingent liabilities of the Territory in relation to the Adelaide to Darwin railway comprise:

- joint guarantee of the obligations of AARC
- indemnities granted in relation to title over the railway corridor (title is secure but the indemnity continues).

AARC and the governments have comprehensive risk management procedures in place for all events that would give rise to liabilities.

As part of the long-term lease of the Darwin port, the railway corridor was transferred to the Territory and leased to the concession holder. There are contingent liabilities that arise out of any loss or claim incurred or suffered as a result of the Territory's failure to comply with its environmental obligations contained in the lease. The lease contains similar indemnities given by the lessee with respect to contamination caused by the lessee and a failure to comply with its environmental obligations.

### *East Arm Port*

The Territory has assumed the former Darwin Port Corporation's indemnity in relation to certain works at East Arm Port. The indemnity covers third-party claims, loss, damage, cost and expenses that may be incurred or sustained by parties arising out of any breach of the Territory's obligations under relevant agreements and licences. Comprehensive risk management procedures are in place to minimise risk exposure to the Territory.

### *Jabiru electricity supply project*

The Territory has entered into an agreement for the development and ongoing operation of the power station for the supply of electricity to Jabiru. The Territory has contingent liabilities that may arise if the agreement is terminated under specific circumstances.

### *Northern gas pipeline project*

The Territory has contingent liabilities in relation to gas transport for indemnities contained in the Northern Gas Pipeline Project Development Agreement.

### *Strategic gas agreements*

The Territory has entered into agreements to facilitate gas supply for the Territory. The agreements commit the Territory to pricing, volumes and timing of gas supply to meet forecast future requirements. The risks to the Territory are outweighed by the broader benefits of gas security and ability to mitigate risk by selling excess gas to the east coast gas market.

## Government administration

### *Legal proceedings*

Where the Territory is engaged in legal proceedings and disputes, due to the wide variety and nature of cases, and uncertainty of any potential liability, no value can be attributed to these cases. In addition, the attribution of a value to these cases has the potential to prejudice the outcome of the proceedings and disputes.

#### *Sponsorship*

Indemnities are granted to the Commonwealth and other entities involved in funding or sponsoring activities and programs initiated or undertaken by the Territory. Under these indemnities, the Territory generally accepts liability for damage or losses occurring as a result of the activities or programs, and acknowledges that, while the Commonwealth or another party has contributed financially or provided in-kind support, the Territory is ultimately liable for the consequences of the activity or program.

Although the resulting contingent liability, depending on the activity undertaken, may not always be low risk, the Territory's financial exposure is no greater than would have been the case without funding or sponsorship assistance.

#### *Territory appointed members of councils, boards and committees*

Where the Territory has invited the participation of private sector persons and government officers on boards of government-owned or funded companies, the Territory may grant indemnities to the board members to cover them for any losses that may result from good faith actions.

These indemnities are generally consistent with cover available through directors' and officers' insurance and issuing an indemnity rather than purchasing commercial insurance is in line with government's self-insurance arrangements.

In relation to corporations established in accordance with the *Government Owned Corporations Act 2001*, an indemnity given by the Territory to board members is limited to actions arising from compliance with a direction issued by the shareholding minister or portfolio minister.

The resulting contingent liabilities are considered low risk as board members are professionals, selected based on their expertise and knowledge. Further, the indemnities are restricted to good faith actions only.

#### *Workers compensation*

Government has indemnified private sector insurers that provide workers compensation insurance in the Territory for losses arising as a result of acts of terrorism.

### Health and community services

The Territory has granted a series of health-related indemnities for various purposes including indemnities to specialist medical practitioners employed or undertaking work in public hospitals, indemnities provided to medical professionals requested to give expert advice on inquiries before the Medical Board and indemnities to midwives.

Although risks associated with health indemnities are potentially high, the beneficiaries of the indemnities are highly trained and qualified professionals. The indemnities generally cannot be called upon where there is wilful or gross misconduct on the part of the beneficiary.

### Land development

The Territory has contingent liabilities that relate to guarantees provided by the Land Development Corporation in order to facilitate specific land release projects.

### National Disability Insurance Scheme Review

In October 2023, the final report of the Independent Review of the NDIS was released and provided 26 recommendations and 139 key actions to change the system that supports people with disability. A key recommendation was to include 'foundational supports' for people aged under 65 with a disability to reduce inequity between people who are in the NDIS and those who are not. The design of a foundational supports system is currently under development and negotiation between the Commonwealth and states, with costs and risk-sharing arrangements yet to be finalised. In the absence of appropriate risk sharing and funding support from the Commonwealth, this may result in increased costs to the Territory that are not yet quantifiable.

### Native title

The Territory has a contingent liability under the *Native Title Act 1993* relating to an obligation to pay compensation to native title holders where the Territory commits an action that extinguishes or impairs a native title holder's rights. There have been a number of claims filed with the Federal Court under the *Native Title Act 1993*, however, it is not possible to reliably estimate the Territory's liability in respect of these and any future claims.

### Property and business services

Agreements for leases or licences of property, plant or equipment generally contain standard indemnity provisions, similar to those commonly found in commercial leases, covering the lessor or licensor for any losses suffered as a result of the lease or licence arrangement.

The granting of a concession to Darwin Cove Convention Centre Pty Ltd gives rise to contingent liabilities associated with:

- discriminatory changes in law
- environmental clean-up costs
- incentive payments to the operator if performance targets established for the centre are exceeded
- negotiated payments to the operator during the centre's operation
- works being undertaken to facilitate a hotel and integration with the Darwin Convention Centre.

For the categories listed above, neither the probability nor the amount the Territory might be called upon to pay at some future date can be determined reliably. As a result, these items are regarded as contingent liabilities.

A contingent asset also arises as a consequence of the concession arrangement. The Territory Availability Payment is recognised as a liability on the general government sector and whole of government balance sheets. However, the Territory has the right to recover up to 75% of that liability should the operator not achieve certain performance criteria. Because neither the probability of such a recovery nor the amount that might be recovered can be determined reliably, the part of the Territory Availability Payment that may be subject to abatement is classified as a contingent asset.

### Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability

In November 2023, the Disability Royal Commission released an updated final report of the *Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability*. The report includes 222 recommendations to improve laws, policies, structures and practices to enhance the support, care and independence of people living with a disability. In August 2024, the Commonwealth accepted or accepted in principle 130 of the recommendations in its initial response to the Final Report and work is being undertaken to determine the additional funding implications to the Territory, which are not yet quantifiable.

## Chapter 8

# Consolidated financial statements

The financial statements in this chapter meet the requirements of the FITA, and have been prepared in accordance with relevant Australian accounting standards, including AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, and the UPF.

The UPF mandates that all Commonwealth, state and territory governments must comply with AASB 1049, and publish financial information in budget papers and fiscal outcome reports in a standard format, allowing for greater transparency and comparison of fiscal data between jurisdictions.

Each set of financial statements includes a comprehensive operating statement, balance sheet and cash flow statement for the following government sectors:

- general government sector
- public non financial corporation sector
- non financial public sector
- public financial corporation sector
- total public sector.

The financial statements for the general government, public non financial corporation and non financial public sectors include the 2024-25 revised budget, 2025-26 budget and 2026-27 to 2028-29 forward estimates. The statements for the public financial corporation and total public sectors present the 2024-25 revised budget only.

Also included in this chapter are supplementary tables, which present the 2024-25 revised budget and 2025-26 budget for the following items:

- taxes
- grant revenue and expenses
- dividend and income tax equivalent income
- operating expenses by function
- purchases of non financial assets by function
- total expenditure by function.

Details on changes to the revised projections since the 2024 PEFO can be found in Chapter 2 *Fiscal outlook*. For a list of entities included in each sector of government, refer to Appendix A *Classification of entities in the Northern Territory*.

# General government sector comprehensive operating statement

| | | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|---|
| | | Revised | Budget | Forward estimate | | |
| | | $000 | $000 | $000 | $000 | $000 |
| | REVENUE | | | | | |
| | Taxation revenue | 804 783 | 757 036 | 753 663 | 781 878 | 813 271 |
| | Current grants | 6 154 458 | 6 557 597 | 6 485 855 | 6 672 033 | 6 925 125 |
| | Capital grants | 412 596 | 539 377 | 695 173 | 613 922 | 586 152 |
| | Sales of goods and services | 445 976 | 448 576 | 432 033 | 435 254 | 440 365 |
| | Interest income | 151 900 | 136 194 | 139 055 | 142 902 | 146 766 |
| | Dividend and income tax equivalent income | 46 012 | 101 965 | 95 629 | 119 428 | 141 853 |
| | Other revenue | 425 987 | 421 057 | 330 910 | 396 700 | 335 169 |
| | **TOTAL REVENUE** | **8 441 712** | **8 961 802** | **8 932 318** | **9 162 117** | **9 388 701** |
| *less* | EXPENSES | | | | | |
| | Employee benefits expense | 3 204 285 | 3 360 532 | 3 383 678 | 3 477 471 | 3 550 666 |
| | Superannuation expenses | | | | | |
| | Superannuation interest cost | 128 730 | 125 800 | 122 592 | 118 932 | 114 913 |
| | Other superannuation expenses | 380 443 | 412 149 | 413 720 | 426 183 | 435 000 |
| | Depreciation and amortisation | 691 088 | 652 843 | 639 434 | 623 019 | 606 554 |
| | Other operating expenses | 2 257 645 | 2 180 775 | 1 988 674 | 2 014 124 | 2 048 386 |
| | Interest expenses | 473 882 | 545 205 | 629 277 | 697 615 | 752 498 |
| | Other property expenses | | | | | |
| | Current grants | 1 313 459 | 1 369 146 | 1 380 877 | 1 405 939 | 1 458 814 |
| | Capital grants | 445 232 | 295 361 | 176 968 | 70 061 | 56 790 |
| | Subsidies and personal benefit payments | 254 135 | 285 000 | 298 055 | 312 224 | 312 797 |
| | **TOTAL EXPENSES** | **9 148 899** | **9 226 811** | **9 033 275** | **9 145 568** | **9 336 418** |
| *equals* | NET OPERATING BALANCE | - 707 187 | - 265 009 | - 100 957 | 16 549 | 52 283 |
| *plus* | Other economic flows – included in operating result | 8 399 | 63 249 | 76 510 | 85 744 | 93 594 |
| *equals* | **OPERATING RESULT** | **- 698 788** | **- 201 760** | **- 24 447** | **102 293** | **145 877** |
| *plus* | Other economic flows – other comprehensive income | - 46 903 | 151 611 | 64 573 | 22 048 | 54 051 |
| *equals* | **COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners** | **- 745 691** | **- 50 149** | **40 126** | **124 341** | **199 928** |
| | **NET OPERATING BALANCE** | **- 707 187** | **- 265 009** | **- 100 957** | **16 549** | **52 283** |
| *less* | **Net acquisition of non financial assets** | | | | | |
| | Purchases of non financial assets | 1 383 239 | 1 564 889 | 1 329 805 | 1 133 529 | 1 152 520 |
| | Sales of non financial assets | - 27 687 | - 27 149 | - 26 149 | - 26 149 | - 26 149 |
| | *less* Depreciation | 691 088 | 652 843 | 639 434 | 623 019 | 606 554 |
| | *plus* Change in inventories | | | | | |
| | *plus* Other movements in non financial assets | 56 206 | 51 025 | 48 070 | 60 812 | 47 859 |
| | *equals* **Total net acquisition of non financial assets** | **720 670** | **935 922** | **712 292** | **545 173** | **567 676** |
| *equals* | FISCAL BALANCE | - 1 427 857 | - 1 200 931 | - 813 249 | - 528 624 | - 515 393 |

# General government sector balance sheet

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $000 | $000 | $000 | $000 | $000 |
| ASSETS | | | | | |
| Financial assets | | | | | |
| Cash and deposits | 902 054 | 739 373 | 655 626 | 658 436 | 656 432 |
| Advances paid | 163 967 | 162 967 | 161 967 | 160 967 | 159 967 |
| Investments, loans and placements | 3 056 103 | 3 260 813 | 3 463 266 | 3 701 613 | 3 933 083 |
| Receivables | 523 008 | 528 095 | 543 711 | 524 142 | 521 918 |
| Equity investments | | | | | |
| Investments in other public sector entities | 2 705 302 | 2 856 913 | 2 929 013 | 2 951 061 | 3 005 112 |
| Equity accounted investments | | | | | |
| Investments – shares | 21 777 | 21 777 | 21 777 | 21 777 | 21 777 |
| Other financial assets | 82 840 | 81 935 | 81 028 | 80 122 | 79 220 |
| **Total financial assets** | **7 455 051** | **7 651 873** | **7 856 388** | **8 098 118** | **8 377 509** |
| Non financial assets | | | | | |
| Inventories | 19 166 | 19 166 | 19 166 | 19 166 | 19 166 |
| Property, plant and equipment | 21 360 472 | 22 278 855 | 22 986 036 | 23 549 921 | 24 136 154 |
| Investment property | 30 078 | 26 078 | 22 078 | 18 078 | 14 078 |
| Other non financial assets | 532 974 | 556 470 | 572 118 | 563 943 | 555 784 |
| **Total non financial assets** | **21 942 690** | **22 880 569** | **23 599 398** | **24 151 108** | **24 725 182** |
| **TOTAL ASSETS** | **29 397 741** | **30 532 442** | **31 455 786** | **32 249 226** | **33 102 691** |
| LIABILITIES | | | | | |
| Deposits held | 581 840 | 430 067 | 453 963 | 458 774 | 448 805 |
| Advances received | 113 259 | 105 438 | 94 238 | 85 640 | 76 625 |
| Borrowing | 11 967 003 | 13 491 122 | 14 434 721 | 15 123 813 | 15 824 433 |
| Superannuation | 2 968 603 | 2 918 317 | 2 862 299 | 2 799 289 | 2 730 037 |
| Other employee benefits | 926 462 | 926 462 | 926 462 | 926 462 | 926 462 |
| Payables | 375 559 | 380 351 | 382 971 | 385 588 | 388 803 |
| Other liabilities | 1 351 853 | 1 217 672 | 1 197 993 | 1 242 180 | 1 280 118 |
| **TOTAL LIABILITIES** | **18 284 579** | **19 469 429** | **20 352 647** | **21 021 746** | **21 675 283** |
| **NET ASSETS/LIABILITIES (-)** | **11 113 162** | **11 063 013** | **11 103 139** | **11 227 480** | **11 427 408** |
| **NET WORTH** | **11 113 162** | **11 063 013** | **11 103 139** | **11 227 480** | **11 427 408** |
| NET FINANCIAL WORTH[1] | - 10 829 528 | - 11 817 556 | - 12 496 259 | - 12 923 628 | - 13 297 774 |
| NET FINANCIAL LIABILITIES[2] | 13 534 830 | 14 674 469 | 15 425 272 | 15 874 689 | 16 302 886 |
| **NET DEBT[3]** | **8 539 978** | **9 863 474** | **10 702 063** | **11 147 211** | **11 600 381** |

1 Net financial worth equals total financial assets minus total liabilities.
2 Net financial liabilities equals the sum of total liabilities less total financial assets excluding investments in other public sector entities.
3 Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

# General government sector cash flow statement

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $000 | $000 | $000 | $000 | $000 |
| Cash receipts from operating activities | | | | | |
| Taxes received | 804 783 | 757 036 | 753 663 | 781 878 | 813 271 |
| Receipts from sales of goods and services | 463 881 | 466 963 | 450 082 | 453 303 | 458 414 |
| Grants and subsidies received | 6 570 591 | 6 914 820 | 7 112 226 | 7 276 155 | 7 486 999 |
| Interest receipts | 151 900 | 136 194 | 139 055 | 142 902 | 146 766 |
| Dividends and income tax equivalents | 66 780 | 84 563 | 80 857 | 117 075 | 144 077 |
| Other receipts | 411 625 | 414 163 | 325 195 | 391 750 | 328 758 |
| Total operating receipts | 8 469 560 | 8 773 739 | 8 861 078 | 9 163 063 | 9 378 285 |
| Cash payments for operating activities | | | | | |
| Payments for employees | - 3 775 910 | - 3 948 767 | - 3 976 008 | - 4 085 596 | - 4 169 831 |
| Payment for goods and services | - 1 815 519 | - 1 728 878 | - 1 550 521 | - 1 548 375 | - 1 594 123 |
| Grants and subsidies paid | - 1 943 604 | - 1 949 507 | - 1 855 900 | - 1 788 224 | - 1 828 401 |
| Interest paid | - 473 106 | - 541 443 | - 626 796 | - 695 875 | - 750 709 |
| Other payments | - 424 701 | - 422 872 | - 422 872 | - 422 872 | - 422 872 |
| Total operating payments | - 8 432 840 | - 8 591 467 | - 8 432 097 | - 8 540 942 | - 8 765 936 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 36 720 | 182 272 | 428 981 | 622 121 | 612 349 |
| Cash flows from investments in non financial assets | | | | | |
| Sales of non financial assets | 27 687 | 27 149 | 26 149 | 26 149 | 26 149 |
| Purchases of non financial assets | - 1 383 239 | - 1 564 889 | - 1 329 805 | - 1 133 529 | - 1 152 520 |
| Net cash flows from investments in non financial assets | - 1 355 552 | - 1 537 740 | - 1 303 656 | - 1 107 380 | - 1 126 371 |
| NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS | - 1 318 832 | - 1 355 468 | - 874 675 | - 485 259 | - 514 022 |
| Net cash flows from investments in financial assets for policy purposes[1] | - 22 946 | - 1 093 | - 8 766 | - 1 396 | - 1 564 |
| Net cash flows from investments in financial assets for liquidity purposes | - 209 404 | - 119 671 | - 108 587 | - 135 090 | - 120 195 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | - 1 587 902 | - 1 658 504 | - 1 421 009 | - 1 243 866 | - 1 248 130 |
| Net cash flows from financing activities | | | | | |
| Advances received (net) | - 12 459 | - 7 821 | - 11 200 | - 8 598 | - 9 015 |
| Borrowing (net) | 1 379 715 | 1 473 145 | 895 585 | 628 342 | 652 761 |
| Deposits received (net) | - 335 842 | - 151 773 | 23 896 | 4 811 | - 9 969 |
| Other financing (net) | | | | | |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 1 031 414 | 1 313 551 | 908 281 | 624 555 | 633 777 |
| NET INCREASE/DECREASE (-) IN CASH HELD | - 519 768 | - 162 681 | - 83 747 | 2 810 | - 2 004 |
| Net cash flows from operating activities | 36 720 | 182 272 | 428 981 | 622 121 | 612 349 |
| Net cash flows from investments in non financial assets | - 1 355 552 | - 1 537 740 | - 1 303 656 | - 1 107 380 | - 1 126 371 |
| CASH SURPLUS/DEFICIT (-) | - 1 318 832 | - 1 355 468 | - 874 675 | - 485 259 | - 514 022 |
| Future infrastructure and superannuation contributions/earnings[2] | - 56 586 | - 57 328 | - 60 767 | - 64 414 | - 68 278 |
| UNDERLYING SURPLUS/DEFICIT (-) | - 1 375 418 | - 1 412 796 | - 935 442 | - 549 673 | - 582 300 |

1 Includes equity acquisitions and disposals (net).
2 Contributions for future infrastructure and superannuation requirements.

# Public non financial corporation sector comprehensive operating statement

| | | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|---|
| | | Revised | Budget | Forward estimate | | |
| | | $000 | $000 | $000 | $000 | $000 |
| | REVENUE | | | | | |
| | Current grants | 252 307 | 280 276 | 289 876 | 305 588 | 307 431 |
| | Capital grants | 226 533 | 128 865 | 95 326 | 70 395 | 92 606 |
| | Sales of goods and services | 791 092 | 1 109 518 | 1 142 569 | 1 194 481 | 1 219 242 |
| | Interest income | 8 308 | 7 068 | 7 042 | 7 141 | 7 065 |
| | Other revenue | 34 046 | 29 138 | 30 662 | 30 824 | 34 173 |
| | TOTAL REVENUE | 1 312 286 | 1 554 865 | 1 565 475 | 1 608 429 | 1 660 517 |
| *less* | EXPENSES | | | | | |
| | Employee benefits expense | 126 968 | 130 296 | 136 388 | 145 130 | 141 144 |
| | Superannuation expenses | 13 541 | 15 352 | 16 143 | 17 313 | 16 976 |
| | Depreciation and amortisation | 238 799 | 245 516 | 255 177 | 257 394 | 266 279 |
| | Other operating expenses | 736 383 | 781 880 | 873 758 | 910 135 | 879 560 |
| | Interest expenses | 106 183 | 134 187 | 155 165 | 158 864 | 158 868 |
| | Other property expenses | 7 815 | 50 196 | 27 612 | 33 425 | 51 842 |
| | Current grants | | | | | |
| | Capital grants | | | | | |
| | Subsidies and personal benefit payments | 1 309 | 1 345 | 1 378 | 1 391 | 1 426 |
| | TOTAL EXPENSES | 1 230 998 | 1 358 772 | 1 465 621 | 1 523 652 | 1 516 095 |
| *equals* | NET OPERATING BALANCE | 81 288 | 196 093 | 99 854 | 84 777 | 144 422 |
| *plus* | Other economic flows – included in operating result | - 103 957 | - 101 562 | - 50 456 | - 46 813 | - 68 602 |
| *equals* | OPERATING RESULT | - 22 669 | 94 531 | 49 398 | 37 964 | 75 820 |
| *plus* | Other economic flows – other comprehensive income | 22 375 | 15 836 | 11 742 | 9 693 | 9 695 |
| *equals* | COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners | - 294 | 110 367 | 61 140 | 47 657 | 85 515 |
| | NET OPERATING BALANCE | 81 288 | 196 093 | 99 854 | 84 777 | 144 422 |
| *less* | Net acquisition of non financial assets | | | | | |
| | Purchases of non financial assets | 494 763 | 583 180 | 439 620 | 387 602 | 387 210 |
| | Sales of non financial assets | - 2 240 | - 2 266 | | - 72 622 | |
| | *less* Depreciation | 238 799 | 245 516 | 255 177 | 257 394 | 266 279 |
| | *plus* Change in inventories | - 2 681 | 7 809 | 941 | 1 142 | 6 087 |
| | *plus* Other movements in non financial assets | 517 | | | | |
| | *equals* Total net acquisition of non financial assets | 251 560 | 343 207 | 185 384 | 58 728 | 127 018 |
| *equals* | FISCAL BALANCE | - 170 272 | - 147 114 | - 85 530 | 26 049 | 17 404 |

# Public non financial corporation sector balance sheet

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $000 | $000 | $000 | $000 | $000 |
| **ASSETS** | | | | | |
| **Financial assets** | | | | | |
| Cash and deposits | 220 146 | 171 573 | 178 487 | 180 103 | 162 136 |
| Advances paid | | | | | |
| Investments, loans and placements | 3 | 3 | 3 | 3 | 3 |
| Receivables | 176 329 | 309 189 | 258 001 | 235 371 | 210 010 |
| Equity investments | | | | | |
| Investments in other public sector entities | | | | | |
| Equity accounted investments | | | | | |
| Investments – shares | | | | | |
| Other financial assets | 4 418 | 3 321 | 1 893 | 1 018 | 605 |
| **Total financial assets** | **400 896** | **484 086** | **438 384** | **416 495** | **372 754** |
| **Non financial assets** | | | | | |
| Inventories | 216 997 | 224 806 | 225 747 | 226 889 | 232 976 |
| Property, plant and equipment | 4 633 711 | 4 905 568 | 5 077 556 | 5 107 898 | 5 179 725 |
| Investment property | | | | | |
| Other non financial assets | 79 352 | 80 222 | 71 375 | 48 950 | 54 347 |
| **Total non financial assets** | **4 930 060** | **5 210 596** | **5 374 678** | **5 383 737** | **5 467 048** |
| **TOTAL ASSETS** | **5 330 956** | **5 694 682** | **5 813 062** | **5 800 232** | **5 839 802** |
| **LIABILITIES** | | | | | |
| Deposits held | 1 831 | 1 831 | 1 831 | 1 831 | 1 831 |
| Advances received | | | | | |
| Borrowing | 2 245 517 | 2 516 133 | 2 599 101 | 2 552 916 | 2 540 961 |
| Superannuation | | | | | |
| Other employee benefits | 72 436 | 74 118 | 74 871 | 76 651 | 70 146 |
| Payables | 96 643 | 96 337 | 101 875 | 110 927 | 114 326 |
| Other liabilities | 170 990 | 158 837 | 127 979 | 128 488 | 129 102 |
| **TOTAL LIABILITIES** | **2 587 417** | **2 847 256** | **2 905 657** | **2 870 813** | **2 856 366** |
| **NET ASSETS/LIABILITIES (-)** | **2 743 539** | **2 847 426** | **2 907 405** | **2 929 419** | **2 983 436** |
| **NET WORTH** | **2 743 539** | **2 847 426** | **2 907 405** | **2 929 419** | **2 983 436** |
| NET FINANCIAL WORTH[1] | - 2 186 521 | - 2 363 170 | - 2 467 273 | - 2 454 318 | - 2 483 612 |
| **NET DEBT[2]** | **2 027 199** | **2 346 388** | **2 422 442** | **2 374 641** | **2 380 653** |

1 Net financial worth equals total financial assets minus total liabilities.
2 Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

## Public non financial corporation sector cash flow statement

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $000 | $000 | $000 | $000 | $000 |
| Cash receipts from operating activities | | | | | |
| Receipts from sales of goods and services | 770 334 | 970 056 | 1 187 061 | 1 211 603 | 1 239 245 |
| Grants and subsidies received | 493 998 | 392 835 | 351 200 | 369 885 | 393 939 |
| Interest receipts | 8 308 | 7 068 | 7 042 | 7 141 | 7 065 |
| Dividends and income tax equivalents | | | | | |
| Other receipts | 34 146 | 27 425 | 27 762 | 30 824 | 34 173 |
| **Total operating receipts** | **1 306 786** | **1 397 384** | **1 573 065** | **1 619 453** | **1 674 422** |
| Cash payments for operating activities | | | | | |
| Income tax equivalents paid | - 3 087 | - 46 377 | - 27 899 | - 32 073 | - 52 274 |
| Payments for employees | - 152 417 | - 152 642 | - 160 572 | - 169 899 | - 173 421 |
| Payment for goods and services | - 727 507 | - 781 990 | - 845 352 | - 855 996 | - 866 224 |
| Grants and subsidies paid | - 1 309 | - 1 345 | - 1 378 | - 1 391 | - 1 426 |
| Interest paid | - 105 170 | - 130 624 | - 154 686 | - 158 849 | - 158 757 |
| Other payments | - 5 563 | - 521 | - 344 | - 464 | - 435 |
| **Total operating payments** | **- 995 053** | **- 1 113 499** | **- 1 190 231** | **- 1 218 672** | **- 1 252 537** |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **311 733** | **283 885** | **382 834** | **400 781** | **421 885** |
| Cash flows from investments in non financial assets | | | | | |
| Sales of non financial assets | 2 240 | 2 266 | | 72 622 | |
| Purchases of non financial assets | - 494 763 | - 583 180 | - 439 620 | - 387 602 | - 387 210 |
| **Net cash flows from investments in non financial assets** | **- 492 523** | **- 580 914** | **- 439 620** | **- 314 980** | **- 387 210** |
| **NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS** | **- 180 790** | **- 297 029** | **- 56 786** | **85 801** | **34 675** |
| Net cash flows from investments in financial assets for policy purposes[1] | | | | | |
| Net cash flows from investments in financial assets for liquidity purposes | 658 | 1 097 | 1 428 | 875 | 413 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | - 491 865 | - 579 817 | - 438 192 | - 314 105 | - 386 797 |
| Net cash flows from financing activities | | | | | |
| Advances received (net) | | | | | |
| Borrowing (net) | 140 848 | 255 192 | 62 414 | - 59 387 | - 21 612 |
| Deposits received (net) | - 1 063 | | | | |
| Dividends paid | - 7 922 | - 7 833 | - 7 669 | - 25 673 | - 31 443 |
| Other financing (net) | | | 7 527 | | |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 131 863 | 247 359 | 62 272 | - 85 060 | - 53 055 |
| NET INCREASE/DECREASE (-) IN CASH HELD | - 48 269 | - 48 573 | 6 914 | 1 616 | - 17 967 |
| Net cash flows from operating activities | 311 733 | 283 885 | 382 834 | 400 781 | 421 885 |
| Net cash flows from investments in non financial assets | - 492 523 | - 580 914 | - 439 620 | - 314 980 | - 387 210 |
| Dividends paid | - 7 922 | - 7 833 | - 7 669 | - 25 673 | - 31 443 |
| **CASH SURPLUS/DEFICIT (-)** | **- 188 712** | **- 304 862** | **- 64 455** | **60 128** | **3 232** |

1 Includes equity acquisitions and disposals (net).

# Non financial public sector comprehensive operating statement

| | | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|---|
| | | Revised | Budget | Forward estimate | | |
| | | $000 | $000 | $000 | $000 | $000 |
| | REVENUE | | | | | |
| | Taxation revenue | 796 777 | 748 360 | 744 869 | 772 642 | 804 475 |
| | Current grants | 6 020 358 | 6 494 487 | 6 476 771 | 6 672 033 | 6 925 125 |
| | Capital grants | 535 473 | 679 308 | 765 328 | 662 344 | 656 236 |
| | Sales of goods and services | 1 164 363 | 1 485 834 | 1 502 358 | 1 557 476 | 1 587 349 |
| | Interest income | 159 725 | 142 903 | 145 764 | 149 775 | 153 546 |
| | Dividend and income tax equivalent income | 30 353 | 45 289 | 59 329 | 60 360 | 58 513 |
| | Other revenue | 424 259 | 445 407 | 356 801 | 422 765 | 364 583 |
| | **TOTAL REVENUE** | **9 131 308** | **10 041 588** | **10 051 220** | **10 297 395** | **10 549 827** |
| *less* | EXPENSES | | | | | |
| | Employee benefits expense | 3 331 253 | 3 490 828 | 3 520 066 | 3 622 601 | 3 691 810 |
| | Superannuation expenses | | | | | |
| | Superannuation interest cost | 128 730 | 125 800 | 122 592 | 118 932 | 114 913 |
| | Other superannuation expenses | 390 817 | 424 334 | 426 696 | 440 329 | 448 809 |
| | Depreciation and amortisation | 928 641 | 897 113 | 893 365 | 879 167 | 871 587 |
| | Other operating expenses | 2 882 019 | 2 881 408 | 2 781 100 | 2 842 482 | 2 846 610 |
| | Interest expenses | 579 484 | 678 935 | 784 011 | 856 113 | 910 983 |
| | Other property expenses | | | | | |
| | Current grants | 1 246 275 | 1 301 415 | 1 312 411 | 1 335 726 | 1 386 757 |
| | Capital grants | 246 276 | 195 627 | 130 626 | 48 088 | 34 268 |
| | Subsidies and personal benefit payments | 70 321 | 73 800 | 78 023 | 78 240 | 78 849 |
| | **TOTAL EXPENSES** | **9 803 816** | **10 069 260** | **10 048 890** | **10 221 678** | **10 384 586** |
| *equals* | NET OPERATING BALANCE | - 672 508 | - 27 672 | 2 330 | 75 717 | 165 241 |
| *plus* | Other economic flows – included in operating result | - 95 558 | - 38 313 | 26 054 | 38 931 | 24 992 |
| *equals* | OPERATING RESULT | - 768 066 | - 65 985 | 28 384 | 114 648 | 190 233 |
| *plus* | Other economic flows – other comprehensive income | 22 375 | 15 836 | 11 742 | 9 693 | 9 695 |
| *equals* | **COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners** | **- 745 691** | **- 50 149** | **40 126** | **124 341** | **199 928** |
| | NET OPERATING BALANCE | - 672 508 | - 27 672 | 2 330 | 75 717 | 165 241 |
| *less* | **Net acquisition of non financial assets** | | | | | |
| | Purchases of non financial assets | 1 878 002 | 2 148 069 | 1 769 425 | 1 521 131 | 1 539 730 |
| | Sales of non financial assets | - 29 927 | - 29 415 | - 26 149 | - 98 771 | - 26 149 |
| | *less* Depreciation | 928 641 | 897 113 | 893 365 | 879 167 | 871 587 |
| | *plus* Change in inventories | - 2 681 | 7 809 | 941 | 1 142 | 6 087 |
| | *plus* Other movements in non financial assets | 57 580 | 51 025 | 48 070 | 60 812 | 47 859 |
| | *equals* **Total net acquisition of non financial assets** | **974 333** | **1 280 375** | **898 922** | **605 147** | **695 940** |
| *equals* | FISCAL BALANCE | - 1 646 841 | - 1 308 047 | - 896 592 | - 529 430 | - 530 699 |

# Non financial public sector balance sheet

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $000 | $000 | $000 | $000 | $000 |
| ASSETS | | | | | |
| Financial assets | | | | | |
| Cash and deposits | 908 602 | 745 921 | 662 174 | 664 984 | 662 980 |
| Advances paid | 163 967 | 162 967 | 161 967 | 160 967 | 159 967 |
| Investments, loans and placements | 3 056 106 | 3 260 816 | 3 463 269 | 3 701 616 | 3 933 086 |
| Receivables | 682 420 | 817 901 | 781 597 | 738 076 | 710 868 |
| Equity | | | | | |
| Investments in other public sector entities | 21 631 | 21 631 | 21 631 | 21 631 | 21 631 |
| Equity accounted investments | | | | | |
| Investments – shares | 21 777 | 21 777 | 21 777 | 21 777 | 21 777 |
| Other financial assets | 87 258 | 85 256 | 82 921 | 81 140 | 79 825 |
| **Total financial assets** | **4 941 761** | **5 116 269** | **5 195 336** | **5 390 191** | **5 590 134** |
| Non financial assets | | | | | |
| Inventories | 236 163 | 243 972 | 244 913 | 246 055 | 252 142 |
| Property, plant and equipment | 25 974 483 | 27 165 969 | 28 046 384 | 28 641 857 | 29 301 163 |
| Investment property | 30 078 | 26 078 | 22 078 | 18 078 | 14 078 |
| Other non financial assets | 612 326 | 636 692 | 643 493 | 612 893 | 610 131 |
| **Total non financial assets** | **26 853 050** | **28 072 711** | **28 956 868** | **29 518 883** | **30 177 514** |
| **TOTAL ASSETS** | **31 794 811** | **33 188 980** | **34 152 204** | **34 909 074** | **35 767 648** |
| LIABILITIES | | | | | |
| Deposits held | 370 073 | 266 873 | 283 855 | 287 050 | 295 048 |
| Advances received | 113 259 | 105 438 | 94 238 | 85 640 | 76 625 |
| Borrowing | 14 192 911 | 15 988 858 | 17 016 637 | 17 660 756 | 18 350 633 |
| Superannuation | 2 968 603 | 2 918 317 | 2 862 299 | 2 799 289 | 2 730 037 |
| Other employee benefits | 998 898 | 1 000 580 | 1 001 333 | 1 003 113 | 996 608 |
| Payables | 461 221 | 465 707 | 473 865 | 485 534 | 492 148 |
| Other liabilities | 1 576 684 | 1 380 194 | 1 316 838 | 1 360 212 | 1 399 141 |
| **TOTAL LIABILITIES** | **20 681 649** | **22 125 967** | **23 049 065** | **23 681 594** | **24 340 240** |
| **NET ASSETS/LIABILITIES (-)** | **11 113 162** | **11 063 013** | **11 103 139** | **11 227 480** | **11 427 408** |
| **NET WORTH** | **11 113 162** | **11 063 013** | **11 103 139** | **11 227 480** | **11 427 408** |
| NET FINANCIAL WORTH[1] | - 15 739 888 | - 17 009 698 | - 17 853 729 | - 18 291 403 | - 18 750 106 |
| NET FINANCIAL LIABILITIES[2] | 15 761 519 | 17 031 329 | 17 875 360 | 18 313 034 | 18 771 737 |
| **NET DEBT[3]** | **10 547 568** | **12 191 465** | **13 107 320** | **13 505 879** | **13 966 273** |

1 Net financial worth equals total financial assets minus total liabilities.
2 Net financial liabilities equals the sum of total liabilities less total financial assets excluding investments in other public sector entities.
3 Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

# Non financial public sector cash flow statement

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---|---|---|---|---|---|
| | Revised | Budget | Forward estimate | | |
| | $000 | $000 | $000 | $000 | $000 |
| Cash receipts from operating activities | | | | | |
| Taxes received | 796 777 | 748 360 | 744 869 | 772 642 | 804 475 |
| Receipts from sales of goods and services | 1 161 511 | 1 364 759 | 1 564 899 | 1 592 647 | 1 625 401 |
| Grants and subsidies received | 6 614 183 | 6 927 645 | 7 127 208 | 7 318 479 | 7 550 985 |
| Interest receipts | 159 725 | 142 903 | 145 764 | 149 775 | 153 546 |
| Dividends and income tax equivalents | 55 771 | 30 353 | 45 289 | 59 329 | 60 360 |
| Other receipts | 409 997 | 436 800 | 348 186 | 417 815 | 358 172 |
| **Total operating receipts** | **9 197 964** | **9 650 820** | **9 976 215** | **10 310 687** | **10 552 939** |
| Cash payments for operating activities | | | | | |
| Payments for employees | - 3 917 154 | - 4 089 566 | - 4 124 619 | - 4 243 092 | - 4 331 289 |
| Payment for goods and services | - 2 439 024 | - 2 438 297 | - 2 323 335 | - 2 331 830 | - 2 387 807 |
| Grants and subsidies paid | - 1 494 507 | - 1 570 842 | - 1 521 060 | - 1 462 054 | - 1 499 874 |
| Interest paid | - 577 695 | - 671 610 | - 781 051 | - 854 358 | - 909 083 |
| Other payments | - 430 264 | - 423 393 | - 423 216 | - 423 336 | - 423 307 |
| **Total operating payments** | **- 8 858 644** | **- 9 193 708** | **- 9 173 281** | **- 9 314 670** | **- 9 551 360** |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **339 320** | **457 112** | **802 934** | **996 017** | **1 001 579** |
| Cash flows from investments in non financial assets | | | | | |
| Sales of non financial assets | 29 927 | 29 415 | 26 149 | 98 771 | 26 149 |
| Purchases of non financial assets | - 1 878 002 | - 2 148 069 | - 1 769 425 | - 1 521 131 | - 1 539 730 |
| **Net cash flows from investments in non financial assets** | **- 1 848 075** | **- 2 118 654** | **- 1 743 276** | **- 1 422 360** | **- 1 513 581** |
| **NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS** | **- 1 508 755** | **- 1 661 542** | **- 940 342** | **- 426 343** | **- 512 002** |
| Net cash flows from investments in financial assets for policy purposes[1] | - 22 946 | - 1 093 | - 1 239 | - 1 396 | - 1 564 |
| Net cash flows from investments in financial assets for liquidity purposes | - 208 746 | - 118 574 | - 107 159 | - 134 215 | - 119 782 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | - 2 079 767 | - 2 238 321 | - 1 851 674 | - 1 557 971 | - 1 634 927 |
| Net cash flows from financing activities | | | | | |
| Advances received (net) | - 12 459 | - 7 821 | - 11 200 | - 8 598 | - 9 015 |
| Borrowing (net) | 1 521 774 | 1 729 549 | 959 211 | 570 167 | 632 361 |
| Deposits received (net) | - 288 636 | - 103 200 | 16 982 | 3 195 | 7 998 |
| Other financing (net) | | | | | |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 1 220 679 | 1 618 528 | 964 993 | 564 764 | 631 344 |
| NET INCREASE/DECREASE (-) IN CASH HELD | - 519 768 | - 162 681 | - 83 747 | 2 810 | - 2 004 |
| Net cash flows from operating activities | 339 320 | 457 112 | 802 934 | 996 017 | 1 001 579 |
| Net cash flows from investments in non financial assets | - 1 848 075 | - 2 118 654 | - 1 743 276 | - 1 422 360 | - 1 513 581 |
| **CASH SURPLUS/DEFICIT (-)** | **- 1 508 755** | **- 1 661 542** | **- 940 342** | **- 426 343** | **- 512 002** |
| Future infrastructure and superannuation contributions/earnings[2] | - 56 586 | - 57 328 | - 60 767 | - 64 414 | - 68 278 |
| **UNDERLYING SURPLUS/DEFICIT (-)** | **- 1 565 341** | **- 1 718 870** | **- 1 001 109** | **- 490 757** | **- 580 280** |

1 Includes equity acquisitions and disposals (net).
2 Contributions for future infrastructure and superannuation requirements.

# Public financial corporation sector comprehensive operating statement

| | | 2024-25 Revised |
|---|---|---|
| | | $000 |
| | REVENUE | |
| | Current grants | |
| | Capital grants | |
| | Sales of goods and services | 997 |
| | Interest income | 485 357 |
| | Other revenue | |
| | **TOTAL REVENUE** | **486 354** |
| *less* | EXPENSES | |
| | Employee benefits expense | 965 |
| | Superannuation expenses | 107 |
| | Depreciation and amortisation | |
| | Other operating expenses | 1 706 |
| | Interest expenses | 453 223 |
| | Other property expenses | 9 106 |
| | Current grants | |
| | Capital grants | |
| | Subsidies and personal benefit payments | |
| | **TOTAL EXPENSES** | **465 107** |
| *equals* | NET OPERATING BALANCE | 21 247 |
| *plus* | Other economic flows – included in operating result | |
| *equals* | OPERATING RESULT | 21 247 |
| *plus* | Other economic flows – other comprehensive income | |
| *equals* | COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners | 21 247 |
| | NET OPERATING BALANCE | 21 247 |
| *less* | Net acquisition of non financial assets | |
| | Purchases of non financial assets | |
| | Sales of non financial assets | |
| | *less* Depreciation | |
| | *plus* Change in inventories | |
| | *plus* Other movements in non financial assets | |
| | *equals* Total net acquisition of non financial assets | |
| *equals* | FISCAL BALANCE | 21 247 |

# Public financial corporation sector balance sheet

| | 2024-25 Revised |
|---|---|
| | $000 |
| **ASSETS** | |
| **Financial assets** | |
| Cash and deposits | 156 334 |
| Advances paid | |
| Investments, loans and placements | 12 231 997 |
| Receivables | 9 732 |
| Equity investments | |
| Investments in other public sector entities | |
| Equity accounted investments | |
| Investments – shares | |
| Other financial assets | |
| **Total financial assets** | **12 398 063** |
| **Non financial assets** | |
| Inventories | |
| Property, plant and equipment | |
| Investment property | |
| Other non financial assets | |
| **Total non financial assets** | |
| **TOTAL ASSETS** | **12 398 063** |
| **LIABILITIES** | |
| Deposits held | 779 |
| Advances received | 156 832 |
| Borrowing | 12 088 044 |
| Superannuation | |
| Other employee benefits | 164 |
| Payables | 100 258 |
| Other liabilities | 30 355 |
| **TOTAL LIABILITIES** | **12 376 432** |
| **NET ASSETS/LIABILITIES (-)** | **21 631** |
| **NET WORTH** | **21 631** |
| NET FINANCIAL WORTH[1] | 21 631 |
| **NET DEBT[2]** | **- 142 676** |

1 Net financial worth equals total financial assets minus total liabilities.
2 Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

# Public financial corporation sector cash flow statement

| | 2024-25 Revised |
|---|---|
| | $000 |
| **Cash receipts from operating activities** | |
| Receipts from sales of goods and services | 997 |
| Grants and subsidies received | |
| Interest receipts | 482 881 |
| Other receipts | |
| **Total operating receipts** | **483 878** |
| **Cash payments for operating activities** | |
| Income tax equivalents paid | - 16 731 |
| Payments for employees | - 1 072 |
| Payment for goods and services | - 1 706 |
| Grants and subsidies paid | |
| Interest paid | - 435 245 |
| Other payments | |
| **Total operating payments** | **- 454 754** |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 29 124 |
| **Cash flows from investments in non financial assets** | |
| Sales of non financial assets | |
| Purchases of non financial assets | |
| **Net cash flows from investments in non financial assets** | |
| NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS | 29 124 |
| Net cash flows from investments in financial assets for policy purposes[1] | |
| Net cash flows from investments in financial assets for liquidity purposes | - 1 517 701 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | - 1 517 701 |
| Net cash flows from financing activities | |
| Advances received (net) | |
| Borrowing (net) | 1 278 163 |
| Deposits received (net) | |
| Dividends paid | - 39 040 |
| Other financing (net) | |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 1 239 123 |
| NET INCREASE/DECREASE (-) IN CASH HELD | - 249 454 |
| Net cash flows from operating activities | 29 124 |
| Net cash flows from investments in non financial assets | |
| Distributions paid | - 39 040 |
| CASH SURPLUS/DEFICIT (-) | - 9 916 |

1 Includes equity acquisitions and disposals (net).

# Total public sector comprehensive operating statement

| | | 2024-25 Revised |
|---|---|---|
| | | $000 |
| | REVENUE | |
| | Taxation revenue | 796 777 |
| | Current grants | 6 020 358 |
| | Capital grants | 535 473 |
| | Sales of goods and services | 1 163 737 |
| | Interest income | 160 225 |
| | Dividend and income tax equivalent income | |
| | Other revenue | 424 233 |
| | TOTAL REVENUE | **9 100 803** |
| *less* | EXPENSES | |
| | Employee benefits expense | 3 332 218 |
| | Superannuation expenses | |
| | Superannuation interest cost | 128 730 |
| | Other superannuation expenses | 390 899 |
| | Depreciation and amortisation | 928 641 |
| | Other operating expenses | 2 882 101 |
| | Interest expenses | 547 850 |
| | Other property expenses | |
| | Current grants | 1 246 275 |
| | Capital grants | 246 276 |
| | Subsidies and personal benefit payments | 70 321 |
| | TOTAL EXPENSES | **9 773 311** |
| *equals* | NET OPERATING BALANCE | - 672 508 |
| *plus* | Other economic flows – included in operating result | - 95 558 |
| *equals* | OPERATING RESULT | **- 768 066** |
| *plus* | Other economic flows – other comprehensive income | 22 375 |
| *equals* | COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners | **- 745 691** |
| | NET OPERATING BALANCE | **- 672 508** |
| *less* | Net acquisition of non financial assets | |
| | Purchases of non financial assets | 1 878 002 |
| | Sales of non financial assets | - 29 927 |
| | *less* Depreciation | 928 641 |
| | *plus* Change in inventories | - 2 681 |
| | *plus* Other movements in non financial assets | 57 580 |
| | *equals* Total net acquisition of non financial assets | **974 333** |
| *equals* | FISCAL BALANCE | - 1 646 841 |

# Total public sector balance sheet

| | 2024-25 Revised |
|---|---|
| | $000 |
| ASSETS | |
| Financial assets | |
| Cash and deposits | 908 602 |
| Advances paid | 163 967 |
| Investments, loans and placements | 3 056 106 |
| Receivables | 652 144 |
| Equity investments | |
| Investments in other public sector entities | |
| Equity accounted investments | |
| Investments – shares | 21 777 |
| Other financial assets | 87 258 |
| **Total financial assets** | **4 889 854** |
| Non financial assets | |
| Inventories | 236 163 |
| Property, plant and equipment | 25 974 483 |
| Investment property | 30 078 |
| Other non financial assets | 612 326 |
| **Total non financial assets** | **26 853 050** |
| **TOTAL ASSETS** | **31 742 904** |
| LIABILITIES | |
| Deposits held | 214 518 |
| Advances received | 182 095 |
| Borrowing | 14 136 954 |
| Superannuation | 2 968 603 |
| Other employee benefits | 999 062 |
| Payables | 551 824 |
| Other liabilities | 1 576 686 |
| **TOTAL LIABILITIES** | **20 629 742** |
| **NET ASSETS/LIABILITIES (-)** | **11 113 162** |
| NET WORTH | 11 113 162 |
| NET FINANCIAL WORTH[1] | - 15 739 888 |
| NET DEBT[2] | 10 404 892 |

1 Net financial worth equals total financial assets minus total liabilities.
2 Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

# Total public sector cash flow statement

| | 2024-25 Revised |
|---|---|
| | $000 |
| **Cash receipts from operating activities** | |
| Taxes received | 796 777 |
| Receipts from sales of goods and services | 1 160 885 |
| Grants and subsidies received | 6 614 183 |
| Interest receipts | 159 725 |
| Other receipts | 409 971 |
| **Total operating receipts** | **9 141 541** |
| **Cash payments for operating activities** | |
| Payments for employees | - 3 918 201 |
| Payment for goods and services | - 2 439 106 |
| Grants and subsidies paid | - 1 494 507 |
| Interest paid | - 530 059 |
| Other payments | - 430 264 |
| **Total operating payments** | **- 8 812 137** |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **329 404** |
| **Cash flows from investments in non financial assets** | |
| Sales of non financial assets | 29 927 |
| Purchases of non financial assets | - 1 878 002 |
| **Net cash flows from investments in non financial assets** | **- 1 848 075** |
| **NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS** | **- 1 518 671** |
| Net cash flows from investments in financial assets for policy purposes[1] | - 22 946 |
| Net cash flows from investments in financial assets for liquidity purposes | - 208 746 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | - 2 079 767 |
| Net cash flows from financing activities | |
| Advances received (net) | |
| Borrowing (net) | 1 269 777 |
| Deposits received (net) | - 39 182 |
| Other financing (net) | |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 1 230 595 |
| NET INCREASE/DECREASE (-) IN CASH HELD | - 519 768 |
| Net cash flows from operating activities | 329 404 |
| Net cash flows from investments in non financial assets | - 1 848 075 |
| **CASH SURPLUS/DEFICIT (-)** | **- 1 518 671** |
| Future infrastructure and superannuation contributions/earnings[2] | - 56 586 |
| **UNDERLYING SURPLUS/DEFICIT (-)** | **- 1 575 257** |

1 Includes equity acquisitions and disposals (net).
2 Contributions for future infrastructure and superannuation requirements.

# General government sector taxes

| | 2024-25 Revised | 2025-26 Budget |
|---|---|---|
| | $M | $M |
| **Taxes on employers' payroll and labour force** | **328** | **286** |
| Payroll taxes | 328 | 286 |
| **Taxes on property** | **179** | **139** |
| Stamp duties on financial and capital transactions | 179 | 139 |
| **Taxes on the provision of goods and services** | **194** | **229** |
| Taxes on gambling | 115 | 145 |
| Taxes on insurance | 78 | 84 |
| **Taxes on the use of goods and performance of activities** | **104** | **103** |
| Motor vehicle registration fees | 101 | 100 |
| Other | 3 | 3 |
| **TOTAL TAXATION REVENUE** | **805** | **757** |

# General government sector grant revenue

| | 2024-25 Revised | 2025-26 Budget |
|---|---|---|
| | $M | $M |
| **Current grant revenue** | | |
| Current grants from the Commonwealth (including for on-passing) | 6 112 | 6 531 |
| Untied revenue | 4 287 | 4 571 |
| Tied revenue | 1 824 | 1 960 |
| Other non-Commonwealth contributions and grants | 43 | 27 |
| **Total current grant revenue** | **6 154** | **6 558** |
| **Capital grant revenue** | | |
| Capital grants from the Commonwealth (including for on-passing) | 406 | 538 |
| Tied revenue | 406 | 538 |
| Other non-Commonwealth contributions and grants | 6 | 2 |
| **Total capital grant revenue** | **413** | **539** |
| **TOTAL GRANTS REVENUE** | **6 567** | **7 097** |

# General government sector grant expenses

| | 2024-25 Revised | 2025-26 Budget |
|---|---|---|
| | $M | $M |
| **Current grant expense including subsidies and personal benefit payments** | | |
| Local government | 81 | 80 |
| Private and not-for-profit sector | 1 111 | 1 156 |
| Grants to other sectors of government | 91 | 88 |
| Other[1] | 284 | 330 |
| **Total current grant expenses including subsidies and personal benefit payments** | **1 568** | **1 654** |
| **Capital grant expense** | | |
| Local government | 88 | 34 |
| Private and not-for-profit sector | 159 | 161 |
| Grants to other sectors of government | 199 | 100 |
| Other | | |
| **Total capital grant expenses** | **445** | **295** |
| TOTAL GRANT EXPENSES | 2 013 | 1 950 |

1 Comprises grants to government schools and Charles Darwin University.

# General government sector dividend and income tax equivalent income

| | 2024-25 Revised | 2025-26 Budget |
|---|---|---|
| | $M | $M |
| Dividend and income tax equivalent income from public non financial corporations sector | 16 | 57 |
| Dividend and income tax equivalent income from public financial corporations sector | 30 | 45 |
| TOTAL DIVIDEND AND INCOME TAX EQUIVALENT INCOME | 46 | 102 |

# General government sector operating expenses by function

| | 2024-25 Revised | 2025-26 Budget |
|---|---|---|
| | $M | $M |
| General public services | 740 | 838 |
| Public order and safety | 1 235 | 1 376 |
| Economic affairs | 593 | 612 |
| Environmental protection | 159 | 145 |
| Housing and community amenities | 1 174 | 928 |
| Health | 2 353 | 2 418 |
| Recreation, culture and religion | 205 | 202 |
| Education | 1 514 | 1 572 |
| Social protection | 776 | 771 |
| Transport | 400 | 364 |
| TOTAL OPERATING EXPENSES | 9 149 | 9 227 |

Reported by Classifications of Functions of Government – Australia.

# General government sector purchases of non financial assets by function

| | 2024-25 Revised | 2025-26 Budget |
|---|---|---|
| | $M | $M |
| General public services | 9 | 10 |
| Public order and safety | 89 | 118 |
| Economic affairs | 237 | 397 |
| Environmental protection | 14 | 24 |
| Housing and community amenities | 425 | 418 |
| Health | 95 | 89 |
| Recreation, culture and religion | 87 | 86 |
| Education | 61 | 43 |
| Social protection | 8 | 8 |
| Transport | 357 | 371 |
| TOTAL PURCHASES OF NON FINANCIAL ASSETS | 1 383 | 1 565 |

Reported by Classifications of Functions of Government – Australia.

# Non financial public sector total expenditure by function

| | 2024-25 Revised | 2025-26 Budget |
|---|---|---|
| | $M | $M |
| General public services | 760 | 860 |
| Public order and safety | 1 324 | 1 494 |
| Economic affairs | 1 679 | 1 889 |
| Environmental protection | 222 | 223 |
| Housing and community amenities | 1 786 | 1 770 |
| Health | 2 448 | 2 507 |
| Recreation, culture and religion | 292 | 288 |
| Education | 1 575 | 1 615 |
| Social protection | 784 | 779 |
| Transport | 781 | 762 |
| **TOTAL EXPENDITURE[1]** | **11 652** | **12 188** |

1 Total expenditure comprises operating expenses and net capital investment.
Reported by Classifications of Functions of Government – Australia.

# Appendices

# Appendix A

# Classification of entities in the Northern Territory

## Total public sector

### Non financial public sector

#### General government sector

Aboriginal Areas Protection Authority
Attorney-General's Department
Auditor-General's Office
AustralAsia Railway Corporation[1]
Batchelor Institute of Indigenous Tertiary Education[1]
Central Holding Authority
Darwin Waterfront Corporation[1]
Data Centre Services[2]
Department of Agriculture and Fisheries
Department of the Chief Minister and Cabinet
Department of Children and Families
Department of Corporate and Digital Development
Department of Corrections
Department of Education and Training
Department of Health
Department of Housing, Local Government and Community Development
Department of Lands, Planning and Environment
Department of the Legislative Assembly
Department of Logistics and Infrastructure
Department of Mining and Energy
Department of People, Sport and Culture
Department of Tourism and Hospitality
Department of Trade, Business and Asian Relations
Department of Treasury and Finance
Desert Knowledge Australia[1]
Motor Accidents (Compensation) Commission[1]
Museums and Art Galleries Board of the Northern Territory[1]
Nominal Insurer's Fund[1]
Northern Territory Electoral Commission
Northern Territory Fire and Emergency Service
Northern Territory Legal Aid Commission[1]
Northern Territory Major Events Company Pty Ltd[1]
Northern Territory Police Force
NT Build[1]
NT Fleet[2]
NT Home Ownership[2]
Office of the Independent Commissioner Against Corruption
Ombudsman's Office
Territory Wildlife Parks[2]

### Public non financial corporations sector

Indigenous Essential Services Pty Ltd[1]

Jacana Energy[1, 3]

Land Development Corporation[2]

Power and Water Corporation[1, 3]

Territory Generation[1, 3]

## Public financial corporation sector

Northern Territory Treasury Corporation[2]

1 Non-budget sector entity.
2 Government business division.
3 Government owned corporation.

## Appendix B

# Abbreviations and acronyms

| | |
|---|---|
| a | actual |
| AARC | AustralAsia Railway Corporation |
| AASB | Australian Accounting Standards Board |
| ABS | Australian Bureau of Statistics |
| B | billion |
| BFSA | Better and Fairer Schools Agreement |
| Central Australia Plan | A Better, Safer Future for Central Australia |
| CGC | Commonwealth Grants Commission |
| CLP | Country Liberal Party |
| Commonwealth PEFO | Commonwealth Pre-election Fiscal Outlook |
| COPE | Commonwealth own-purpose expenses |
| CPI | consumer price index |
| DAMA | Designated Area Migration Agreement |
| e | estimate |
| f | forecast |
| FFA | Federation Funding Agreement |
| FITA | *Fiscal Integrity and Transparency Act 2001* |
| GDP | gross domestic product |
| GEMCO | Groote Eylandt Mining Company |
| GFC | global financial crisis |
| GST | goods and services tax |
| HFE | horizontal fiscal equalisation |
| ICT | information and communications technology |
| IGA FFR | Intergovernmental Agreement on Federal Financial Relations |
| LHS | left-hand side |
| LNG | liquefied natural gas |
| M | million |
| MAC | Motor Accidents Compensation |
| Moody's | Moody's Investors Service |
| n/a | not applicable |
| NAIF | Northern Australia Infrastructure Facility |
| NAJP | National Access to Justice Partnership Agreement |
| NDIS | National Disability Insurance Scheme |
| NHRA | National Health Reform Agreement |
| NLAP | National Legal Assistance Partnership |
| NTTC | Northern Territory Treasury Corporation |
| ppt | percentage points |
| r | revised |
| RBA | Reserve Bank of Australia |
| RHS | right-hand side |
| SCI | statement of corporate intent |
| SFD | state final demand |
| SPP | specific purpose payment |
| TAFE | Technical and Further Education |
| UPF | Uniform Presentation Framework |
| US | United States (of America) |
| 2024 PEFO | 2024 Pre-Election Fiscal Outlook |
| 2025 Review | CGC 2025 Review |

## Appendix C

# Explanation of terms

### Administrative Arrangements Order

A list of ministers of the Northern Territory and the agencies, Acts and principal areas of government for which they are responsible.

### Advances/advances paid

Advances are the creation of financial assets (that is, an increase in the indebtedness to government units) with the aim of funding particular enterprise, household or government activity.

### Agency

A unit of government administration, office or statutory corporation, as nominated in an Administrative Arrangements Order for the purposes of the *Financial Management Act 1995*.

### Appropriation

An authority given by the Legislative Assembly to make payments, now or at some future time, for the purposes stated, up to the limit of the amount in the particular Act.

### *Appropriation Act*

The Act that provides the legal authority for the Northern Territory Government's funding decisions and includes an annual *Appropriation Act* or additional *Appropriation Act*.

### Australian accounting standards

Statements of accounting standards (from the Australian Accounting Standards Board) that are applied in preparation and presentation of financial statements.

### Australian Bureau of Statistics

A Commonwealth entity that coordinates statistical activities and collaborates with official bodies in collecting, compiling, analysing and distributing statistics.

### Balancing item

The balancing item is the residual of gross state product less state final demand and net international trade in goods and services. It comprises the change in inventories at a jurisdictional level plus net interstate trade.

### Borrowings

Receipt of money, property or other value with an obligation to repay, regardless of whether or not the repayment is of equal value. It includes loans, the issue of debentures, bonds or stock, discounted securities, promissory notes, the lease of real or personal property, or any other arrangement where there is an obligation to repay.

### Budget cycle

Financial years reported in the budget, comprising of the revised budget, budget year and three forward estimate years.

### Capital works

Infrastructure projects involving building and engineering works that create or improve government owned assets, as well as constructing or installing facilities and fixtures associated with and forming an integral part of those works.

## Cash and deposits

Notes and coin held, deposits at call with a bank or other financial institution, and highly liquid investments that are readily convertible to cash on hand at the investor's option.

## Cash surplus/deficit

Net impact of cash flows during the period. A key fiscal aggregate reported in the cash flow statement, cash surplus/deficit is a useful indicator of the Territory's need to call on financial markets to meet its budget obligations. It equals net cash flows from operating activities plus net cash flows from acquisition and disposal of non financial assets, less distributions paid.

## Central Holding Authority

Parent financial entity of government. It receives all Territory own-source revenue collected by other agencies on behalf of the Territory, except revenue permitted by legislation to be retained by an agency. It also receives most Commonwealth income, including GST revenue, national partnership and specific purpose payments, and then distributes this funding to agencies in the form of appropriations.

## Change in net worth

Change in net worth (comprehensive result) measures the variation in a government's accumulated assets and liabilities. It is calculated as revenue from transactions less expenses from transactions plus other economic flows.

## Classifications of functions of government – Australia

A framework to classify government outlays or expenditure by the purpose served, for example, health or education, which is based on classifications set by the Australian Bureau of Statistics in the government finance statistics manual.

## Commonwealth Grants Commission

A Commonwealth statutory body that makes recommendations to the Commonwealth Treasurer on how revenues raised from GST should be distributed to states and territories.

## Commonwealth own-purpose expenses

Payments by the Commonwealth directly to an agency for provision of specific services or for onpassing to non-government and local government organisations.

## Community service obligation

Arises when the government requires a government business division or government owned corporation to carry out activities it would not choose to do on a commercial basis or would only do so at higher commercial prices. Community service obligation funding allows government to achieve identifiable community or social objectives that would not be achieved if left solely to commercial considerations.

## Comprehensive result

Fiscal aggregate reported in the operating statement. The net result of all items of income and expense recognised for the period, it is the aggregate of operating result and other movements in assets and liabilities, other than transactions with owners in their capacity as owners. It equals revenue from transactions less expenses from transactions plus other economic flows.

## Consumer price index

A measure of the price of a representative basket of goods and services for each Australian capital city over time.

The consumer price index's basket of goods has 11 categories of goods and services (food and non-alcoholic beverages; alcohol and tobacco; clothing and footwear; housing; furnishings, household equipment and services; health; transport; communication; recreation and culture; education; and insurance and financial services). These categories are weighted to reflect household consumption patterns in each city. Weights for each capital city are updated on an annual basis to reflect changing household consumption patterns over time.

## Contingent liability

A potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events not wholly in control of the Territory. It also includes present liabilities that arise from past events where it is not probable the Territory will be required to settle the liability, or the amount of the obligation cannot be reliably estimated.

## Deposits held

Net cash held by public sector entities as a result of deposits received, predominantly comprising of cash held on behalf or for the benefit of other parties.

## Depreciation and amortisation

An expense that represents the cost of assets (both tangible and intangible) over their useful life, to account for declines in value over time due to usage, wear and tear, and obsolescence.

## Employed

Persons 15 years and older who worked for one hour or more in the week as measured by the labour force survey. Persons are measured as being employed in the jurisdiction in which they reside, regardless of the location of their employment.

## Employee benefits expense

Consists of all uncapitalised compensation of employees except for superannuation. It includes payments in cash or in-kind.

## Federation funding agreement schedules

Fixed-term agreements between the Commonwealth and states and territories, with defined objectives, outcomes, outputs and performance measures for the delivery of specific projects, services or to facilitate reforms arranged under five sectoral federation funding agreements covering health, education and skills, infrastructure, environment, and affordable housing, community services and other.

## Financial asset

A non physical asset that gets its value from a contractual or ownership claim with a counterparty. Includes cash and deposits, advances paid, investments, loans and placements, receivables, equity investments and other contractual rights to receive future economic benefits.

## Fiscal aggregate

Financial indicators used for macro-economic analysis purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 *Whole of Government and General Government Sector Financial Reporting* prescribes net operating balance, net lending/borrowing (fiscal balance), change in net worth (comprehensive result), net worth and cash surplus/deficit. The Uniform Presentation Framework prescribes additional fiscal aggregates not included in AASB 1049. These are net debt, net financial worth, net financial liabilities and cash surplus/deficit.

## Fiscal balance (net lending/borrowing)

An operating statement measure, also referred to as net lending/borrowing, that differs from net operating balance as it includes spending on capital items but excludes depreciation. A net lending (or fiscal surplus) balance indicates government is saving more than enough to finance all its investment spending. A net borrowing (or fiscal deficit) balance indicates a government's level of investment is greater than its level of savings. The fiscal balance equals the net operating balance less the net acquisition of non financial assets.

## General government sector

Agencies and other entities controlled by government mainly engaged in the production of goods and or services outside the normal market mechanism, where goods and services are provided free of charge or at nominal charge well below costs of production. This sector is generally funded by taxation revenues (directly or indirectly) and Commonwealth grants.

## General revenue assistance

Commonwealth payments to states and territories that are untied and can be used for any purpose, and includes GST payments.

## Goods and services tax revenue

The Territory's share of national GST collections, based on the Territory's population share weighted by its GST relativity. GST relativities are determined by the Commonwealth Treasurer, informed by the recommendations of the Commonwealth Grants Commission.

## Government business division

A Territory Government-controlled trading entity that follows commercial practices and is required to comply with competitive neutrality principles.

## Government finance statistics

Statistics that measure the financial transactions of governments and reflect the impact of those transactions on other sectors of the economy. Government finance statistics in Australia are developed by the Australian Bureau of Statistics in conjunction with all governments and are mainly based on international statistical standards, developed in consultation with member countries by the International Monetary Fund.

## Government owned corporation

An entity governed by the *Government Owned Corporations Act 2001*. Operating under a shareholder model of corporate government, its objectives are to function as efficiently as any corporate business and maximise sustainable returns to government.

The Territory has three government owned corporations: Power and Water Corporation, Territory Generation and Jacana Energy.

## Grants

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving equal value in return. Grants can be either current or capital in nature.

Grants can be paid as general purpose grants, which refer to grants not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and or have conditions attached regarding their use.

## Gross domestic product

The total value of goods and services produced in Australia over the period for final consumption. Intermediate goods, or those used in the production of other goods, are excluded. Gross domestic product can be calculated by summing total output, total income or total expenditure.

## Gross state product

Measures the total value of goods and services produced in a state or territory. It can be calculated by measuring expenditure, where it is the sum of state final demand and international and interstate trade, changes in the level of stocks, and a balancing item.

## Guarantee

An undertaking to assume responsibility for the debt of or performance obligations by another party should the party default.

## Horizontal fiscal equalisation

A distribution of GST revenue to state and territory governments so, after allowing for material factors affecting revenues and expenditures, each would have the fiscal capacity to provide services and associated infrastructure at a similar standard, if each made the same effort to raise revenue from its own sources, operated at the same level of efficiency and maintained the average per capita net financial worth.

## Household consumption

Expenditure by resident households on goods and services that will not be resold or used in production. The purchase of dwellings is excluded from household consumption as dwellings are goods used by owners to produce housing services for those owners and is therefore captured in private investment.

## Indemnity

An undertaking to compensate, protect or insure another person or entity against future financial loss, damage or liability.

## Inflation

Annual change in the consumer price index. For the purpose of adjusting agency budgets and government fees, the Territory Government generally uses the year-on-year change in the consumer price index.

## Interest expense

Costs incurred in connection with the borrowing of funds. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of lease repayments and amortisation of discounts or premiums on borrowings.

## Intergovernmental Agreement on Federal Financial Relations

An agreement outlining the objectives, principles and institutional arrangements governing financial relations between the Commonwealth and state and territory governments, including Commonwealth funding to states and territories through general revenue assistance, specific purpose payments and national partnership payments.

## Inventories

Goods or other property used in the production of goods or services, or held for sale or consumption, but does not include livestock and other regenerative natural resources.

## Investments, loans and placements

Surplus cash or funds available that are invested in permitted investment types with the goal of achieving desired financial returns within defined risk tolerance levels.

## Key fiscal indicators

Key financial measures that must be specified by government in accordance with the *Fiscal Integrity and Transparency Act 2001*, against which fiscal policy is set and assessed. The fiscal indicators determined by government are generally derived from fiscal aggregates reported in the Uniform Presentation Framework and AASB 1049.

## Labour force

Persons 15 years and over who are available for work, that is, employed plus unemployed persons actively seeking work. Labour force excludes Australian Defence Force personnel and non residents.

## Leases

Rights conveyed in a contract or part of a contract to use an asset (the underlying asset) for a period of time in exchange for consideration.

## Loans

Debt financial instruments used for the purpose of raising and obtaining funds from financial institutions (or centralised borrowing authority).

## National funding agreements

Agreements between the Commonwealth and states and territories that contain significant policy content and act as sources of longer-term funding.

## National partnership agreements

Fixed-term agreements between the Commonwealth and states and territories, with defined objectives, outcomes, outputs and performance measures for the delivery of specific projects, services or reforms. National partnerships are being replaced with federation funding agreement schedules.

## National partnership payments

Tied payments from Commonwealth Treasury to state and territory treasuries, and appropriated to government agencies to deliver outcomes and outputs under federation funding agreement schedules, national partnership agreements, and some national funding agreements.

## Net acquisition/disposal of non financial assets

Measuring net capital expenditure for a fiscal year, it equals purchases (or acquisitions) of non financial assets less sales (or disposals) of non financial assets, less depreciation, plus changes in inventories and other movements in non financial assets.

## Net actuarial gains/losses

Net gains and losses as a result of changes in actuarial assumptions, including those relating to defined benefit superannuation plans, reported in other economic flows in the operating statement.

## Net capital investment

Purchases of non financial assets (incorporating the construction of assets) less sales of non financial assets as reported in the operating statement.

## Net cash flows from investments in financial assets (liquidity management purposes)

Cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

## Net cash flows from investments in financial assets (policy purposes)

Cash receipts from liquidation or repayment of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. These cash flows are distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disasters.

## Net debt

A government's net stock of selected gross financial liabilities less financial assets. A key fiscal aggregate reported in the balance sheet, it equals the sum of deposits held, advances received, loans and other borrowings, less the sum of cash and deposits, advances paid and investments, loans and placements.

## Net debt to revenue

Fiscal measure that assesses net debt as a proportion of total revenue. It assesses a government's ability to repay borrowings, with a high ratio indicating a lower ability to repay debt and a low ratio indicating a stronger ability to repay debt.

## Net exports (also known as trade balance)

The trade balance is the difference between the value of a jurisdiction's exports and imports. When exports exceed imports, the jurisdiction has a trade surplus, and conversely, when imports exceed exports, the jurisdiction has a trade deficit.

## Net financial liabilities

Reported in the balance sheet, this measure is broader than net debt as it includes significant liabilities other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements). It equals total liabilities less financial assets, other than equity in public non financial corporations and public financial corporations. For the public non financial corporation and public financial corporation sectors, it is equal to negative net financial worth.

## Net financial worth

Reported in the balance sheet, net financial worth measures a government's net holdings of financial assets. It equals total financial assets minus total liabilities.

## Net operating balance

Key fiscal aggregate reported in the operating statement, measuring the ongoing sustainability of a government's operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets, and is the component of the change in net worth that is due to transactions attributable to government policies. It equals total revenue less total expenses.

## Net worth

Provides a picture of a government's overall financial position. It is calculated as total assets less total liabilities, less shares and other contributed capital. It includes non financial assets, such as land and other fixed assets, which may be sold and used to repay debt, as well as financial assets and liabilities including debtors, creditors and superannuation liabilities. Net worth also shows asset acquisitions over time, giving an indication of the extent to which borrowings are used to finance asset purchases, rather than only current expenditure.

## Non-budget sector entity

An entity in which the Territory has a controlling interest. The entity is consolidated at the whole of government level but not presented separately in the Territory's financial reports. Outside the scope of the *Financial Management Act 1995*, it is generally a statutory body that does not meet the definition of a general government sector agency, public non financial corporation or public financial corporation.

## Non financial assets

Assets that are not financial assets, predominantly comprising land and other fixed assets.

## Non financial public sector

The sector formed through a consolidation of the general government and public non financial corporation sectors.

## Non-policy variations

Changes in key fiscal indicators as a result of factors outside government's control, such as the timing of payments or changes in external economic conditions.

## Operating result

A measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

## Other economic flows

Changes in the volume or value of an asset or liability that do not result from transactions, such as revaluations, net actuarial gains and losses, and other changes in the volume of assets.

## Other operating expenses

Expenses that generally represent day-to-day running costs incurred in normal operations. They also include total value of goods and services used in production and use of goods acquired for resale.

## Other superannuation expenses

Total superannuation expenses from transactions excluding superannuation interest cost. It generally includes current service cost, which is the increase in entitlements associated with employment services provided by employees in the current period. Superannuation gains actuarial/losses are excluded as they are reported in other economic flows.

## Own-source revenue

Revenue raised by the Territory, mainly through Territory administered legislation and largely comprising taxes and mining royalties, fees and charges, rent and tenancy income, interest and dividend revenue, and profit and loss on the disposal of assets.

## Parameters

Used to adjust agency budgets. Also referred to as inflators and deflators.

## Payables

Liabilities (or amounts owed) that include short and long-term trade debt, accounts payable, accrued expenses, grants and interest payable.

## Policy variations

Changes to key fiscal indicators that arise from government decisions to implement new or expand existing agency programs and savings, revenue and contingency measures.

## Private investment

Expenditure by producers on fixed assets that are used in the process of production and used repeatedly or continuously for longer than one year. It comprises dwelling investment, ownership transfer costs (fees incurred by the buyer or seller of real estate), non-dwelling construction (industrial, commercial and non-dwelling buildings and other structures such as pipelines and bridges), machinery and equipment, cultivated biological resources (natural resources used repeatedly to produce products such as milk or orchards) and intellectual property products (products as a result of creative activity, research and development and mineral exploration).

## Provisions

Amounts set aside for future payments.

## Public consumption

Government expenditure on goods and services (including wages and rents). National consumption is a combination of Commonwealth consumption, defence consumption and consumption by universities. State and local government consumption includes all other public consumption.

## Public financial corporations

Government-controlled entity that performs a central bank function and has the authority to incur liabilities and acquire financial assets in the market on its own behalf.

## Public investment

Expenditure by all levels of government on the purchase of fixed assets that are used over a long time period. Most data for public investment is sourced from state and territory government financial reports. Adjustments are made by the Australian Bureau of Statistics to deduct expenditure that is classified as consumption, rather than investment. The Australian Bureau of Statistics' statistical treatment of public investment does not always reconcile with the Territory Government's reporting of investment expenditure and, as a result, is not directly comparable.

## Public non financial corporations

Government owned and controlled entities that provide goods and services to consumers on a commercial basis and are funded largely by the sale of these goods and services with the aim to maximise sustainable returns to government. These entities are legally distinguishable from the government that owns them.

## Receivables

Assets (or amounts to be received) that include short and long-term trade credit, accounts receivable, prepaid expenses, grants, taxes and interest receivable.

## Repairs and maintenance expenses

Expenses incurred to maintain existing government owned assets in working condition or keep an asset functioning at its required capacity. Reported in other operating expenses in the operating statement, it excludes works that enhance an asset significantly or extend its useful life.

## Sales of goods and services

Revenue from the direct provision of goods and services, including fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on assets such as buildings and equipment, but excludes rental income from the use of non-produced assets such as land.

## Specific purpose payments

A Commonwealth financial contribution to support delivery of services in a particular sector. Payments are made from Commonwealth Treasury to state and territory treasuries and are appropriated to the relevant government agency.

## State final demand

A major component of gross state product, and a measure of the demand for goods and services in an economy. While state final demand includes consumption and investment expenditure, it does not include the contribution of trade or changes in inventories to economic growth and therefore is not a comprehensive measure of economic growth.

## Statutory bodies

Entities established by or under an Act for a public purpose where there is a need for some operational independence from government. These entities are mainly funded through levies, taxes or grant funding.

## Superannuation interest cost

Costs equivalent to interest expense that would be payable if the Territory borrowed funds to extinguish superannuation liabilities related to defined benefit and defined contribution schemes.

## Territory-funded expenses

Expenses funded by the Territory from appropriation and payments made from the Central Holding Authority including interest and employee entitlements.

## Tied revenue

Revenue received by the Territory that must be used for specific purposes, predominantly through national funding agreements, federation funding agreement schedules, national partnership agreements and specific purpose payments, which are tied with a sector.

## Total public sector

The sector formed through a consolidation of the non financial public and public financial corporation sectors.

## Unemployment rate

Number of unemployed persons expressed as a percentage of the labour force.

## Uniform Presentation Framework

A framework agreed by the Council on Federal Financial Relations to incorporate AASB 1049. The Uniform Presentation Framework requires Commonwealth, state and territory governments to present a minimum set of budget and financial outcome information based on the government finance statistics, according to an agreed format and specified reporting arrangements. This enables users of the information to make valid comparisons between jurisdictions.

## Untied revenue

Revenue received by the Territory that can be used for discretionary purposes. It comprises GST revenue.

## Wage price index

A measure of hourly rates of pay over time for a fixed range of jobs. The Australian Bureau of Statistics measures the wage price index at the state and territory level (as well as nationally) and for both the public and private sectors. It excludes non-wage costs such as superannuation, payroll tax and workers compensation.