

Chapter 6

Territory taxes and royalties

Overview

The Territory raises its own revenue from a range of sources. Predominantly, this comprises taxes and mining royalties, but also includes fees and charges, rent and tenancy income, interest and dividend revenue, and profit and loss on the disposal of assets.

The Territory's sources of revenue are comparable with the states. However, the Territory is more reliant on revenue from the Commonwealth, with own-source revenue contributing 30% of total revenue in 2021-22 in the non financial public sector, compared to an average of 50% in other jurisdictions. This is due to a relatively lower own-source revenue capacity and a higher cost of service delivery when compared to other states. Nonetheless, own-source revenue provides the Territory with a degree of fiscal autonomy to support the delivery of infrastructure and services.

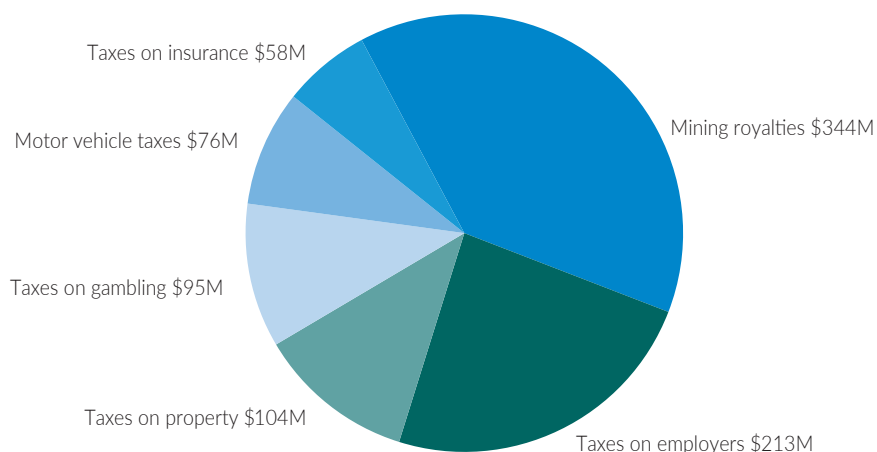
This chapter sets out details of the Territory's own-source revenues from taxes and royalties. In accordance with sections 10(1)(c) and 10(1)(f) of the FITA, it includes forecasts of taxes and royalty revenues, explanations of material differences between the revised forecasts and those published in the 2020-21 Budget, and an analysis of the changes in the forecasts. This chapter also includes a comparison of own-source revenues with other jurisdictions and, in accordance with section 10(1)(d) of the FITA, a statement of the Territory's forecast tax expenditure as a result of concessions and exemptions for 2020-21 through to 2024-25.

Analysis of Territory taxes and royalties

The projected revenue from taxes and royalties for 2021-22 for the non financial public sector totals \$889 million. The main contributors are mining royalties at \$344 million (39%), taxes on employers (payroll tax) estimated at \$213 million (24%), and taxes on property at \$104 million (12%).

Chart 6.1 shows the Territory's estimated main own-source revenues for 2021-22 according to the classification used in the UPF adopted for the Territory's reporting requirements.

Chart 6.1: Main taxes and royalties categories, 2021-22



Note: Excludes payroll tax from the non financial public sector.

Table 6.1 compares the updated projections with those published in the 2020-21 Budget. The most recent estimates for the years 2020-21 to 2024-25 revise the estimates of own-source revenue upwards, largely due to stronger mining royalties.

Table 6.1: Total Territory taxes and royalties

	2020-21	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate		
	\$M	\$M	\$M	\$M	\$M
2020-21 Budget	816	853	874	862	n/a
2021-22 Budget	887	889	905	911	941
Variation from 2020-21 Budget	70	36	31	49	n/a

n/a: not available at the time of publishing the 2020-21 Budget

Table 6.2 reports the variation in each tax line by year, compared to that published in the 2020-21 Budget. The biggest contributor to the movement in revenue estimates is the royalty outlook (positive across each year). This largely reflects the adoption of less conservative assumptions around price expectations of key commodities compared to the last budget, partially offset by a payroll tax outlook still recovering from the impact of COVID-19.

Payroll tax receipts are estimated to grow over the forward estimates, however this growth is from a lower base when compared to the forecasts in the 2020-21 Budget, reflecting softening conditions pre-2020 compounded by the impact of COVID-19.

Table 6.2: Main tax and royalty variations from 2020-21 Budget

	2020-21	2021-22	2022-23	2023-24
	Revised	Budget	Forward estimate	
	\$M	\$M	\$M	\$M
Mining royalties	61	41	42	73
Taxes on employers	- 11	- 10	- 14	- 22
Taxes on property	1	4	1	- 2
Taxes on gambling	12	nil	nil	1
Motor vehicle taxes	8	nil	nil	nil
Taxes on insurance	nil	1	1	- 1
Variation from 2020-21 Budget	70	36	31	49

As shown in Table 6.3, the revised revenue forecast in 2020-21 from taxes and royalties totals \$887 million compared to the original 2020-21 Budget forecast of \$816 million. The \$70 million increase in the 2020-21 revised budget is mainly due to higher mining royalty collections resulting from stronger than expected commodity prices, as well as increased revenue from taxes on gambling and taxes on motor vehicles. Increased gambling tax is likely reflecting the range of COVID-19 stimulus and income support measures, while growth in motor vehicle tax revenue is largely attributed to the instant asset write-off announced in the Commonwealth 2020 Budget.

Table 6.3: Main taxes and royalties category estimates

	2020-21	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate		
	\$M	\$M	\$M	\$M	\$M
Mining royalties	378	344	337	323	331
Taxes on employers	187	213	223	231	240
Taxes on property	86	104	109	114	120
Taxes on gambling	98	95	98	102	106
Motor vehicle taxes	82	76	78	81	83
Taxes on insurance	56	58	59	60	62
Total	887	889	905	911	941

For 2021-22, it is expected that own-source revenue from taxes and royalties will increase slightly by \$2 million compared to the revised forecast for 2020-21. This is largely due to an expected stabilisation in mining royalty receipts, partly offset by an increase in taxes on employers and property, as those revenues recover in line with forecast economic growth. The outcome for mining royalties is based on royalty payer estimates, as well as taking into account global trade tensions and some softening in demand for key commodities over the forward estimates period. The increase in taxes on employers compared to the 2020-21 revised budget aligns with improved economic conditions forecast for 2021-22 and the forward estimates, albeit from a lower base than estimated in the 2020-21 Budget. Property taxes are forecast to increase substantially in 2021-22, as stamp duty concessions cease and housing values and market activity continue to grow.

Revenue initiatives

The 2021-22 Budget includes the following changes to revenue policy:

- increasing the maximum annual tax cap applicable to bookmakers and betting exchanges from 500,000 to 1 million revenue units
- reducing the rate of bookmaker and betting exchange tax on gross monthly profits from 10% to 5%
- expanding bookmaker and betting exchange tax to total monthly betting profits, including sports and other betting, in addition to racing betting.

Other changes to revenue laws introduced prior to the 2021-22 Budget include:

- narrowing the types of expenditure able to be deducted as operating costs from mineral royalty payments for mining companies
- modernising the delegation provisions contained in the *Mineral Royalty Act 1982*
- amending the *Taxation Administration Act 2007* to improve the legislative framework governing special tax return arrangements for conveyancing agents.

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.

Mineral royalties are collected in the Territory from mining gold, silver, bauxite, manganese, lead, zinc and limestone. Royalties have also been imposed in the past on commodities such as copper, vermiculite, mineral sands and iron ore, and the Territory is prospective for several other minerals, including phosphate and rare earths. The Territory imposes a royalty based on 20% of the profit from mining activities after deductions for allowable costs, subject to a minimum royalty rate of 1% to 2.5% of the gross production value of commodities extracted.

A key feature of the Territory's mineral royalty scheme is that both commodity prices and mining costs are taken into account in royalty calculations. If commodity prices, production costs or the value of the Australian dollar rise or fall, royalty collections vary accordingly. This variability produces stronger growth in royalty revenues in times of high mineral prices than under ad valorem-based royalty schemes (a flat rate that does not vary by profit, location or cost structure of the mine).

In terms of petroleum royalties, the Territory imposes an ad valorem royalty at the rate of 10% on the value of production at the wellhead, which is generally consistent with other Australian jurisdictions, except for Queensland, which introduced a volumetric royalty model from 1 October 2020. In the Territory, the value at the wellhead is calculated by deducting certain post-wellhead costs incurred from the final sales value achieved for the petroleum produced.

In 2021-22, mining and petroleum royalty revenues are estimated to be \$344 million, an increase of \$41 million from the 2020-21 Budget. This reflects a more positive outlook for key commodity prices. Growth in mining and petroleum royalties are expected to remain modest across the forward estimates period.

Mining and petroleum royalty forecasts utilise 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. This is complemented and tested by the Department of Treasury and Finance's own commodity price and market outlook.

Taxation revenue

The Territory's taxation revenue for 2020-21 is expected to total \$508.8 million. In 2021-22, taxation revenue is expected to increase by 7.2% to \$545.6 million.

The components of the Territory's taxation revenue are payroll tax, stamp duty on conveyances, and taxes on gambling, insurance and motor vehicles. Table 6.4 shows the updated projections in the 2021-22 Budget.

Table 6.4: Territory taxation revenue

	2020-21	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate		
	\$000	\$000	\$000	\$000	\$000
Taxes on employers					
Payroll tax	186 827	213 002	223 413	230 812	239 565
Taxes on property					
Conveyance and related duty	83 953	102 138	107 141	112 682	118 217
Property activation levy	2 000	1 700	1 700	1 700	2 000
Taxes on the provision of goods and services					
Taxes on gambling	97 672	94 801	98 269	101 879	105 635
Taxes on insurance	56 351	57 696	59 074	60 485	61 929
Taxes on use of goods and performance of activities					
Motor vehicle taxes	79 975	74 246	76 479	78 842	81 352
Passenger service levy	2 000	2 000	2 000	2 000	2 000
Total	508 778	545 583	568 076	588 400	610 698

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) exceeds \$1.5 million. Payroll tax is imposed at a rate of 5.5% on taxable Territory wages less an annual deduction of up to \$1.5 million.

The amount of the deduction is based on a sliding scale starting at \$1.5 million and reducing by \$1 for every \$4 in wages paid by an employer over \$1.5 million. This means an employer paying wages of \$4.5 million receives a deduction of \$0.75 million, whereas an employer paying wages of \$7.5 million or more does not receive a deduction and payroll tax is calculated on the full taxable wages paid by that employer.

In 2020-21, payroll tax revenue is expected to be \$186.8 million, which is a reduction of \$10.8 million from the forecast of \$197.7 million in the 2020-21 Budget. This reflects continued weakness in broader economic conditions and the impact of COVID-19 relief measures, which waived or deferred payroll tax for some employers. Payroll tax receipts are expected to increase with improved economic conditions and cessation of payroll tax relief measures from 2021-22 and over the forward estimates, however at lower levels than initially forecast in the 2020-21 Budget.

Taxes on property

Conveyance and related duty

The Territory's conveyance and related duty is derived from direct and indirect conveyances of dutiable property in the Territory. Dutiable property includes real estate and businesses.

Conveyance and related duty in the Territory is imposed differently depending on the dutiable value of the property. There are four tax brackets for conveyance and related duty. For property in the lowest tax bracket (dutiable value not exceeding \$525,000), a formula-derived rate is applied to the dutiable value of the property. Otherwise, a fixed rate dependent on the tax bracket applies to the total dutiable value of the property.

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

In 2020-21, the Territory is expected to collect \$84 million in conveyance and related duty, an increase of \$0.8 million from the 2020-21 Budget forecast.

In 2021-22, conveyance and related duty is estimated to increase to \$102.1 million, with steady growth in receipts of 5% over the forward estimates thereafter. Conveyance duty receipts are difficult to forecast accurately as large one-off transactions are sporadic and can materially inflate receipts in a given year. Nevertheless, conveyance and related duty receipts are expected to increase over the forward estimates period as home buyer concessions cease and residential and commercial property markets improve.

Property activation levy

The property activation levy imposes a charge on vacant land and unoccupied buildings in the Darwin CBD at a rate of 1% of unimproved capital value for unoccupied buildings and 2% for vacant land. The purpose of the levy is to incentivise investment in under-utilised land and buildings to revitalise the Darwin CBD.

The property activation levy is estimated to raise \$2 million in 2020-21, before declining to \$1.7 million in 2021-22 to 2023-24, reflecting a decline in unimproved capital values as assessed by the Valuer-General. Over the forward estimates period, revenue from the levy is expected to remain stable as CBD land values fluctuate and property owners choose to activate their properties.

Taxes on the provision of goods and services

Gambling taxes

Gambling tax revenue is a significant contributor to Territory own-source revenue, forecast to total \$94.8 million in 2021-22. Gambling taxes in the Territory comprise community gaming machine tax, lotteries tax, the community benefit levy, bookmaker tax, casino/internet tax, wagering tax and betting exchange tax.

In 2020-21, the Territory expects to receive \$97.7 million in gambling taxes, an increase of \$11.6 million (or 13.5%) from the 2020-21 Budget. This substantial increase is likely attributed to Commonwealth COVID-19 stimulus measures, which increased household disposable incomes. It may also encompass some delayed demand for recreational gambling, as community gaming machine venues closed in response to COVID-19 between March and June 2020.

Gambling tax receipts are expected to stabilise and return to trend levels from 2021-22 and over the forward estimates period.

Table 6.5 shows the estimated revenue from each of the Territory's gambling taxes.

Table 6.5: Estimated revenue from gambling taxes

	2020-21	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate		
	\$000	\$000	\$000	\$000	\$000
Community gaming machine tax	43 022	36 947	38 315	39 737	41 215
Lotteries tax	28 840	30 250	31 729	33 281	34 909
Community benefit levy	13 714	12 733	13 046	13 373	13 713
Bookmaker tax	5 988	9 376	9 603	9 830	10 057
Casino/internet tax	5 333	4 085	4 136	4 189	4 241
Betting exchange tax	605	1 240	1 270	1 300	1 330
Wagering tax	170	170	170	170	170
Total	97 672	94 801	98 269	101 879	105 635

Community gaming machine tax is based on gross profits (that is, net player losses) from gaming machines and is estimated to total \$43 million in the 2020-21 revised budget. This is an increase of \$8.2 million (or 23.6%) from the forecast in the 2020-21 Budget. From 2021-22, revenue from community gaming machine tax is expected to return to usual levels and increase over the forward estimates period in line with the annual trend growth of 4%.

The community benefit levy is directed to the Community Benefit Fund and fluctuates according to community gaming machine tax receipts. The levy is expected to increase by \$2.1 million in the 2020-21 revised budget to \$13.7 million, and thereafter stabilise over the forward estimates period in line with broader community gaming machine tax revenues set out above.

Bookmaker tax is estimated to remain flat in 2020-21. This is because the annual tax cap that applies to licensed bookmakers' gross profits is expressed in revenue units, which were subject to an indexation freeze over that period. In comparison to 2020-21 receipts, bookmaker tax revenue is expected to increase by \$3.4 million in 2021-22 to \$9.4 million. This is due to a number of reform measures that impact calculation of bookmaker and betting exchange taxes, including the doubling of the tax cap applicable to gross profits and expansion of taxes to sports and other betting in addition to racing betting, which take effect from 1 July 2021.

Similarly, betting exchange tax receipts are expected to remain unchanged in 2020-21, and double to \$1.2 million in 2021-22.

Lotteries tax revenue is expected to remain unchanged in 2020-21, and track modest annual growth of 5% in 2021-22 and over the forward estimates period.

Following a spike in receipts in 2020-21, casino/internet tax revenue is expected to decrease by \$1.2 million in 2021-22 to total receipts of \$4.1 million. Over the forward estimates period, receipts are expected to modestly increase by 1.3% per annum.

Wagering tax revenue is expected to remain at \$0.2 million in 2020-21 and continue at this level over the forward estimates period.

Stamp duty on insurance

Insurance duty is imposed 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.

Revenue from insurance duty is estimated to be \$56.4 million in 2020-21 and is forecast to grow to \$57.7 million in 2021-22 and by 2.4% per annum over the forward estimates.

Taxes on use of goods and performance of activities

Motor vehicle taxes

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

Generally, stamp duty is levied on the purchase price of the vehicle at a rate of \$3 per \$100 or part thereof. Revenue from this source in 2020-21 is estimated to be \$27.3 million, which is an increase of \$7.7 million compared to the 2020-21 Budget. This substantial increase in receipts is largely due to the Commonwealth's instant asset write-off, which significantly brought forward demand for motor vehicles. Receipts in 2021-22 are expected to moderate to \$19.9 million, consistent with long-term trend receipts, following cessation of this stimulus measure.

Motor vehicle registrations comprise heavy vehicle and light vehicle registrations. Heavy vehicle registration fees are determined by the National Transport and Infrastructure Council.

Light vehicle registration fees are determined by each state. In the Territory, the light vehicle registration fee is calculated by reference to a differential rate scale based on the engine capacity of the vehicle. Fees are expressed in revenue units that, although frozen in 2020-21 as a COVID-19 stimulus measure, increase each year in line with CPI or by a minimum of 3%, whichever is greater.

In 2020-21, the Territory is forecast to receive \$52.7 million in motor vehicle fees, which is largely consistent with 2020-21 Budget projections and prior year receipts. This is estimated to increase to \$54.3 million in 2021-22, in line with resumed indexation of the value of a revenue unit. Over the forward estimates period, revenue from motor vehicle fees is forecast to increase in line with both long-term growth rates and the indexation of government fees and charges.

Passenger services levy

A passenger services levy of \$1 is imposed on every trip taken in a taxi, minibus, private hire car or ride-share vehicle. Revenue from the passenger services levy remains unchanged, and is estimated at \$2 million in 2020-21 and ongoing.

Interstate tax comparison

The composition of state and territory taxes is broadly similar between jurisdictions, however there are differences in the application of particular taxes. These differences primarily relate to rates, exemptions and thresholds. The ability of states and territories to modify their rates and tax bases promotes competition between these jurisdictions, providing autonomy and capacity to structure tax systems to accommodate the jurisdiction's specific fiscal, economic and social circumstances.

Various approaches to measuring tax competitiveness can be adopted. 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 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 CGC's assessment of taxation and own-source revenue-raising effort in 2019-20 (the most recent year for which an assessment is available). The total own-source revenue figures include taxation, 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. The Territory's taxation effort remains below the national average, in large part due to the position adopted by the Territory not to impose a land tax. However, total own-source revenue effort is well above the national average and second only to the Australian Capital Territory due to the Territory's mineral royalty revenue.

The 2019-20 outcomes are lower than the result seen in 2018-19 when the Territory's total taxation and own-source revenue efforts were 81.1% and 123.6%, respectively. The Territory's declining taxation and revenue effort reflect economic factors present during 2019-20, including declining overall economic activity as a result of the winding down of the Ichthys LNG project, as well as the impact of COVID-19 on business, including business closures and hardship relief provided, in the second half of 2019-20.

Table 6.6: 2019-20 Revenue effort by jurisdiction

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Total taxation	102.1	99.7	93.7	102.5	97.5	82.9	157.6	74.9
Total own-source revenue	97.4	97.2	101.6	98.5	108.9	103.7	157.8	110.6

Source: CGC 2021 Update

This uncertainty makes predicting movement in taxation effort difficult, however total own-source revenue effort may remain above the national average due to robust mineral royalty receipts.

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.

In 2020-21, the Territory's taxation and royalty own-source revenue comprises about 12.8% of total revenue for the non financial public sector.

State taxation policy provides a balance between raising sufficient revenue to deliver government services, minimising the tax burden on the community, fostering business development and creating a tax environment that is competitive with other jurisdictions.

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 tax base. This is illustrated in Table 6.7, which shows CGC's assessments of revenue-raising capacity for the major taxes and mining revenue. Revenue 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 the actual per capita average revenue raised on the national tax base. This measure removes differences in state policies.

Table 6.7: Assessed revenue-raising capacity, 2019-20

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Payroll tax	105.0	99.9	89.0	128.4	79.5	64.9	86.5	107.1
Land tax	133.2	117.9	63.6	82.3	46.4	35.4	47.3	85.7
Stamp duty	119.1	117.3	84.0	59.2	69.3	76.6	98.8	44.2
Insurance tax	106.2	93.0	97.8	93.7	121.8	81.4	89.5	99.0
Motor tax	90.6	99.6	105.0	115.4	105.8	121.0	83.9	91.1
Total taxation	109.7	105.7	88.6	98.1	82.0	76.4	86.3	86.7
Mining revenue	35.4	5.6	130.3	548.7	33.3	26.4	0.0	147.9

Source: CGC 2021 Update

The main difference from the assessed 2018-19 capacity is a reduction in stamp duty capacity from 84.2% to 44.2% in 2019-20. This reflects the impact of a distortion in 2018-19 due to a very large one-off transaction.

Other than payroll tax and mining royalties, the Territory is assessed as having a relatively low capacity to raise taxes, particularly land tax and conveyance duty, where the Territory's capacity is significantly below the national average of 100%. This reflects the Territory's unique geographical composition, comprising a relatively small number of very high value commercial and residential properties.

Representative taxpayer model

The following tables and charts provide comparisons of various taxes payable in each jurisdiction by an entity by applying each state's tax rate to a representative or average standard.

Payroll tax

Table 6.8 compares the payroll tax rates and thresholds for each jurisdiction. The table shows the Territory's payroll tax annual threshold is the equal second highest in Australia and its payroll tax rate is slightly above the national average.

Table 6.8: State and territory payroll tax rates and annual thresholds

	NSW	Vic ¹	Qld ²	WA ³	SA ⁴	Tas ⁵	ACT	NT ⁶	Average
Threshold (\$M)	1.20	0.65	1.30	1.00	1.50	1.25	2.00	1.50	1.30
Rate (%)	4.85	4.85	4.75	5.50	4.95	6.10	6.85	5.50	5.42

1 A reduced rate of 2.02% applies to regional Victorian employers and 1.2125% for regional employers based in bushfire affected areas.

2 Rate is 4.75% for wages between \$1.3 million and \$6.5 million, and 4.95% for wages over \$6.5 million. Threshold reduces as an employer's payroll increases, with no deduction provided for employers with payrolls over \$6.5 million. Regional employers may be entitled to a 1% discount until 30 June 2023.

3 Threshold reduces as an employer's payroll increases, with no deduction for employers with payrolls over \$7.5 million. A higher tax rate of 6% applies to wages from \$100 million to \$1.5 billion. For wages above \$1.5 billion, a tax rate of 6.5% applies.

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.

Source: State legislation and information available at 25 February 2021

Table 6.9 provides the effective payroll tax rate at various wage levels for each jurisdiction after considering individual state thresholds and the payroll tax rates. For businesses with wages of \$3 million and below, the Territory has a very 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 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.

Table 6.9: Effective state and territory payroll tax rates at various wage levels

Wages	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average
\$M	%	%	%	%	%	%	%	%	%
1	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.2
2	1.9	3.3	1.5	3.2	3.5	1.5	0.0	1.7	2.1
3	2.9	3.8	2.6	4.2	4.0	3.0	2.3	3.4	3.3
4	3.4	4.1	3.1	4.8	4.2	3.8	3.4	4.3	3.9
5	3.7	4.2	3.4	5.1	4.4	4.3	4.1	4.8	4.3
10	4.3	4.5	5.0	5.5	4.7	5.2	5.5	5.5	5.1
20	4.6	4.7	5.0	5.5	4.8	5.6	6.2	5.5	5.2

Source: State legislation and information available at 25 February 2021

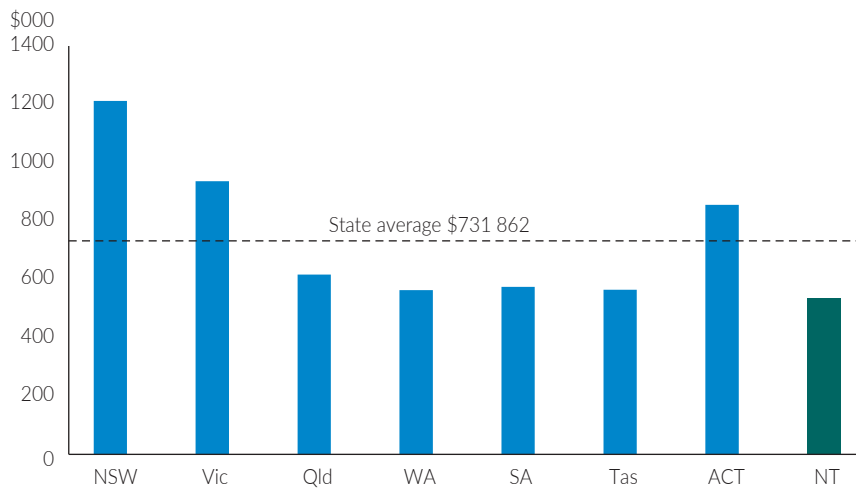
Stamp duty on conveyances in the Territory

Stamp duty on residential properties is impacted by changes in the housing market, the rate of stamp duty and the availability of stamp duty concessions.

The Territory currently provides two stamp duty concessions to assist home ownership: the Territory home owner discount; and the senior, pensioner and carer concession. These schemes expire on 30 June 2021.

Overall it is difficult to compare stamp duty on homes in each state, given the significant variation in median house and unit prices. Chart 6.2 shows Darwin has one of the lowest median house prices of all state and territory capitals.

Chart 6.2: Median capital city house prices, December 2020 quarter

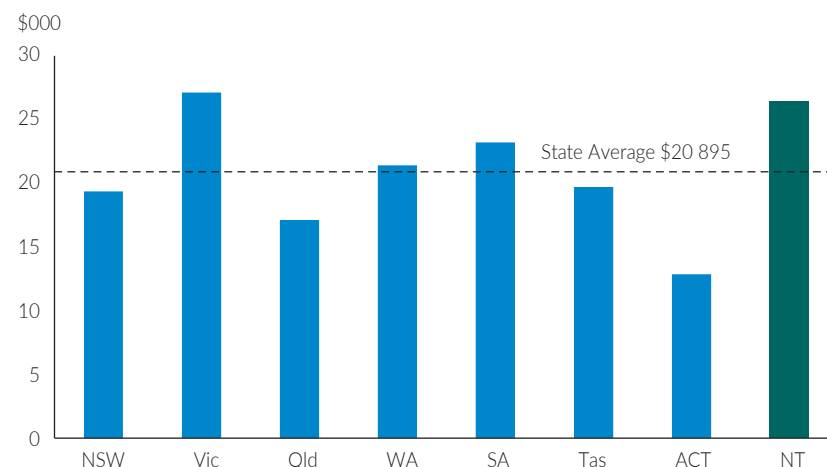


Source: Australian Property Monitor for December quarter 2020

However, one method is to compare the stamp duty that would be payable in each state for similarly priced housing. Chart 6.3 provides an inter-jurisdictional comparison of the amount of stamp duty levied on the purchase of a new or established home, at the median house price in Darwin (\$533,845) rather than at the median house price applying in each capital city without any discount applied for first home owners.

It indicates that stamp duty in the Territory on the reference property is comparable to other states in Australia. However, as the Territory does not impose a land tax, the overall property tax impost will be lower in comparison to other jurisdictions.

Chart 6.3: Stamp duty payable on purchase of Darwin median-priced house exclusive of any concessions



Note: Assumes purchaser is not a first home buyer.

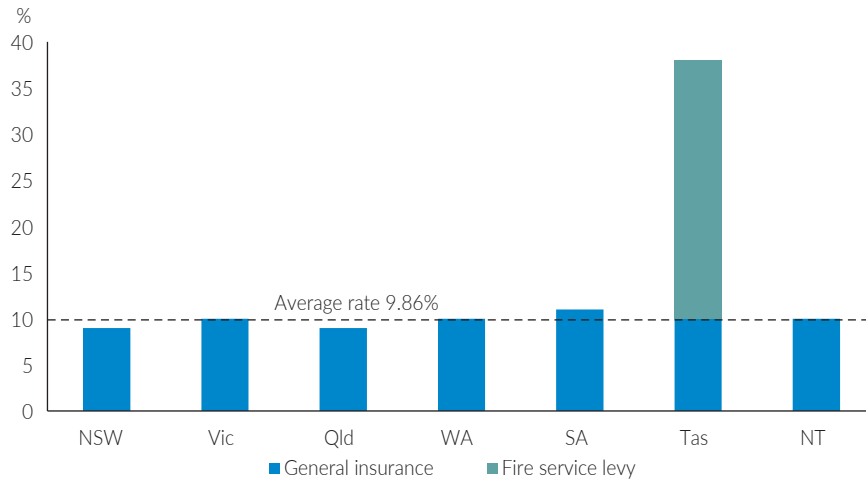
Source: Australian Property Monitor for December quarter 2020; state legislation and information available at 25 February 2021

Insurance duty

All states and territories 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 to 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



Source: State legislation and information available at 25 February 2021

Stamp duty on motor vehicles

Chart 6.5 compares the stamp duty applicable for a new motor vehicle, represented by a 4-cylinder 2020 Toyota Camry SL sedan 2.5L automatic valued at \$42,790. The chart shows the stamp duty payable in the Territory is below the national average and equal second lowest in Australia. The Australian Capital Territory applies reduced rates of stamp duty to environmentally friendly new motor vehicles but applies similar duty to the Territory on motor vehicles valued below \$45,000 that have average environmental performance or are second hand.

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



1 ACT'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.

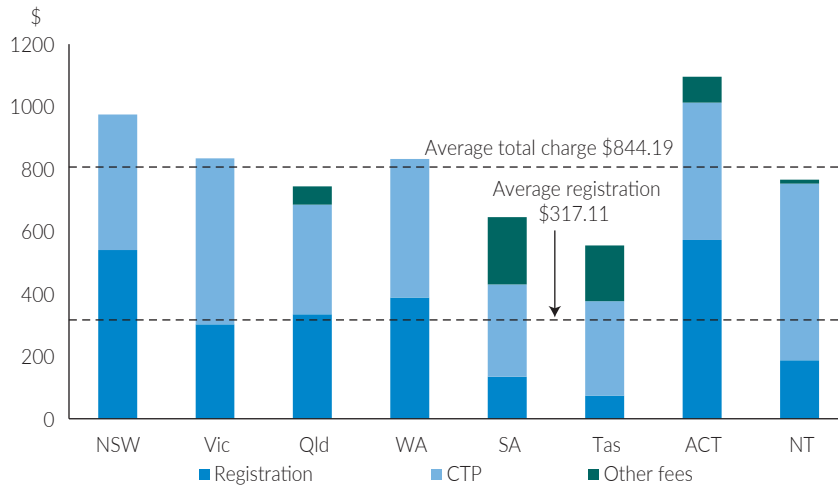
Note: Based on a 4-cylinder 2020 Toyota Camry SL sedan 2.5L automatic with carbon dioxide emissions of 103g/km.

Source: State legislation and information available at 25 February 2021

Motor vehicle registration

Motor vehicle registration fees comprise registration, compulsory third-party insurance (CTP) and other fees, and therefore vary significantly between jurisdictions. Chart 6.6 compares the costs of registering a 4-cylinder 2020 Toyota Camry SL sedan 2.5L automatic. A registration fee of \$188 and total registration cost of \$766.57 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



CTP: compulsory third-party insurance or equivalent

Source: State legislation and information available at 25 February 2021

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

Despite this, total registration and administrative costs in the Territory remain below the national average. This is 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.

Land revenue

This category comprises taxes on the ownership of land, where the tax is based on the assessed unimproved value of the land, and any metropolitan land planning, development, and fire and emergency service levies included in the land tax base of some states.

Land tax is an important source of income for the other states and territories, generating more than \$10.8 billion in revenue in 2019-20. Land tax is levied on the landowner's total holdings of commercial land and investment residential property, although usually an exclusion is provided for land used for primary production. Land tax rates are generally progressive and most jurisdictions have tax-free thresholds.

The Territory does not impose a land tax. However, in its 2021 Update, CGC assessed that the Territory could raise about \$89 million if it adopted the average state policies on land tax.

The Territory does impose a property activation levy on vacant land and unoccupied buildings in the Darwin CBD. It is expected the property activation levy will raise \$1.7 million in 2021-22.

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 provided. Identifying this expenditure assists in providing a more accurate picture of the government's contributions 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 the budget is similar to direct outlays and can be used to achieve similar goals to grant programs.

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

The tax expenditure identified in this statement relates to the more important and material concessions available in the Territory. In accordance with the FITA, the tax expenditure statement provides an estimate of expenditure in 2020-21, and estimates information for 2021-22 and the following three financial years.

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

Table 6.10: Total tax expenditure

	2020-21	2021-22	2022-23	2023-24	2024-25
Tax expenditure (\$M)	237.6	206.6	193.9	185.8	190.6

Methodology

Tax expenditure has been estimated by applying the benchmark rate of taxation to the 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 considered in 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 the concessionary taxed components of the tax base.

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 the payroll tax legislation) paid in the Territory. The benchmark tax rate is 5.5%.

Table 6.11: Payroll tax expenditure

	2020-21	2021-22	2022-23	2023-24	2024-25
Tax expenditure (\$M)	169.9	164.9	150.5	140.5	143.3

As data is not generally collected by the Territory Revenue Office from employers with no payroll tax liability, tax expenditure in relation to many 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 the 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 not subject to Territory payroll tax because of the small business exclusion (detailed below) or being an exempt body.

COVID-19 has impacted the calculation of tax expenditure from 2019-20, into 2020-21 and over the forward estimates period. An increase in payroll tax expenditure is the combined result of reduced payroll tax receipts due to the onset of COVID-19 and stronger than expected employment and wages data in the same period. The stronger than expected wages and employment data may reflect the COVID-19 support from the Commonwealth JobKeeper wage subsidy and other COVID-19-related business support from both the Territory and Commonwealth governments. The increased tax expenditure is consistent with an increase in exempt wages (such as JobKeeper payments to small business), but may also be partly attributable to data quality issues and methodology changes arising from interruptions in ABS data collection and quality in the last quarter of 2019-20, leading to more volatile Territory employment data. The impacts of COVID-19 are expected to persist into 2021-22 before payroll tax expenditure returns to long-term trends over the forward estimates period.

The reported estimated tax expenditure in relation to payroll tax mainly comprises the following exemptions.

Small business exclusion

Employers with total Australian wages below \$1.5 million are not required to pay payroll tax, a saving for them of up to \$82,500 per annum. The payroll tax liability for employers with payroll above \$1.5 million a year is calculated based on taxable wages minus a deduction based on a sliding scale of up to \$1.5 million.

Local employment package

Until 30 June 2021, wages paid to new Territory resident employees who either increase a business' total number of employees compared to May 2018 or replace an interstate resident employee are exempt from payroll tax for up to two years. A total of 423 businesses have utilised the exemption.

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

The benchmark tax base is assumed to be sales of all dutiable property, including chattels, that are part of a transaction conveying other dutiable property. The benchmark tax scale is the currently applicable stamp duty scale.

Table 6.12: Stamp duty on conveyances expenditure

	2020-21	2021-22	2022-23	2023-24	2024-25
Tax expenditure (\$M)	37.7	10.5	11.0	11.5	12.1

Tax expenditure estimates in Table 6.12 are based on actual stamp duty data. Forecast expenditure declines from 2021-22 and remains largely in line over the forward estimates period due to the scheduled cessation date of home owner concessions. The tax expenditure estimates mainly comprise the following concessions.

Corporate reconstructions exemption

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

Senior, pensioner and carer concession

A concession of \$10,000 is provided for senior, pensioner and carer concession cardholders when purchasing a principal place of residence to the value of \$750,000. Tax expenditure is estimated by actual transactions receiving the concession, which ceases 30 June 2021.

Territory home owner discount

A Territory home owner discount of up to \$18,601 is available to home buyers purchasing homes valued up to \$650,000, where the home buyer has not owned a home in the Territory in the previous 24 months. Tax expenditure is estimated by transactions receiving the discount, which ceases 30 June 2021.

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
- exemptions for certain conveyances involving the administration of deceased estates
- conveyances from trustees to beneficiaries and to give effect to a mere 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. This does not include 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

	2020-21	2021-22	2022-23	2023-24	2024-25
Tax expenditure (\$M)	27.7	29.0	30.2	31.5	32.8

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 Private Health Insurance Administration Council.

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 the motor vehicle registration fees expenditure. Actual registration fee data has been used to estimate this item of tax expenditure.

Table 6.14: Motor vehicle registration fees expenditure

	2020-21	2021-22	2022-23	2023-24	2024-25
Tax expenditure (\$M)	2.4	2.4	2.4	2.4	2.4