



# Budget Overview

8 May 2018

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# Contents

Plan for a Stronger Economy	2	More Choices for a Longer Life	23
Sticking to our plan for a stronger economy	4	Investing in the health of Australians	24
Budget at a glance	5	Investing in the future of Australian students	25
Global economic outlook	6	Keeping Australians safe	26
Domestic economic outlook	7	A sustainable and targeted welfare system	28
On track to deliver Budget surpluses	8	Protecting the integrity of the tax system	29
Keeping a tight rein on spending	9	Making multinationals pay their fair share of tax	30
Living within our means	10	Cracking down on the black economy	31
Putting a 'speed limit' on taxes	11	Budget aggregates	32
Personal Income Tax Plan	12	Revenue and spending	33
Protecting your superannuation	15	Major Initiatives – Expense	34
Boosting financial security	16	Major Initiatives – Revenue	35
Backing businesses to invest and create more jobs	17	Major Savings	36
Stronger and smarter economy	19	Detailed economic forecasts	37
Building Australia	20	Historical budget and net financial worth data	38
Backing regional Australia	22		

# Plan for a Stronger Economy

## A STRONGER ECONOMY

The Australian economy in its 27th year of consecutive growth

Business conditions are at the highest level since the global financial crisis

1,000 jobs a day on average over the past year

Global growth at fastest pace in six years

## Tax relief to encourage and reward working Australians

- Seven-year personal income tax plan for lower, fairer and simpler taxes
- Immediate relief for low and middle income earners
- Tackling bracket creep
- Helping families with cost of living pressures
- Simplifying the personal tax system by abolishing the 37 per cent tax bracket
- No increase in the Medicare Levy because a stronger economy delivers stronger revenue



## Keep backing business to invest and create more jobs

- Legislating lower taxes for Australian businesses
- Extending the \$20,000 instant asset write-off
- \$75 billion for transport infrastructure
- Building a stronger and smarter economy
- A 21st century Medical Industry Growth Plan
- Supporting Australia's international competitiveness and exports in agriculture and the defence industry



**Guaranteeing the essential services that Australians rely on**

- Supporting more choices for a longer life
- Continuing to guarantee the Medicare Benefits Schedule
- Backing the Gonski Review
- Record funding for a new hospital agreement
- Fully funding the National Disability Insurance Scheme
- Lower energy bills and more investment to keep the lights on



**Keeping Australians Safe**

- Strengthening airport security
- Managing biosecurity risks to protect our environment, exports and agricultural and tourism sectors
- Improving the national security architecture
- Continuing Operation Sovereign Borders to combat the threat of people smugglers



**Ensuring that the Government lives within its means**

- Disciplined fiscal management and tax and welfare integrity
- Maintaining the trajectory to projected surplus in 2020-21
- No longer borrowing for recurrent expenditure
- Limiting payments growth to 1.6 per cent
- Ensuring multinationals pay their fair share of tax
- Tackling the black economy



BUDGET OVERVIEW

3

## Sticking to our plan for a stronger economy

### **A stronger economy to benefit all Australians**

The Australian economy continues to strengthen, and is shaking off the downturn in mining investment. Under the Government's economic plan, jobs are being created, investment is rising and the budget is strengthening – enabling the Government to guarantee the essential services Australians and their families rely on.

This Budget is about building on that plan to ensure the benefits of stronger economic growth can continue to be secured and shared.

It is a plan that will provide tax relief to encourage and reward working Australians, back businesses to invest and create more jobs, guarantee the essential services that Australians rely on and keep Australians safe, all while ensuring the Government lives within its means.

### **Providing tax relief to encourage and reward working Australians**

While the economy is continuing to strengthen and the budget position is improving, many Australians are experiencing cost of living pressures.

Tax relief for low and middle-income earners is the first priority of the Government's seven-year plan to make personal income tax in Australia lower, fairer and simpler.

By 2024-25 around 94 per cent of taxpayers are projected to face a marginal tax rate of 32.5 per cent or less compared with 63 per cent if we leave the system unchanged.

### **Backing businesses to invest and create more jobs**

The Government's national economic plan is delivering a stronger economy, record jobs growth and a recovery in non-mining business investment. To continue that growth, it is important to stick to the plan.

The benefits of a job, an income, a wage and reward for effort are all reliant on a strong economy.

The Government is driving economic growth by legislating tax cuts for all businesses, prioritising small to medium businesses, delivering infrastructure that supports industries and jobs, and targeting incentives

to promote research, development and new technology. This will make our businesses more competitive so they can grow and hire more Australians.

To secure Australia's future, our economy must continue to adapt. We must build on our capabilities in science and technology to ensure that Australians are not left behind.

### **Guaranteeing the essential services that Australians rely on**

A strong economy guarantees the essential services, like Medicare, schools, hospitals, disability services and aged care.

The Government will continue to ensure that all Australians have access to high-quality, affordable essential services at every stage of their lives.

This Budget includes record funding for hospitals and schools, a comprehensive approach to aged care so older Australians are encouraged to live life to the full, and guaranteed funding for disability services.

### **Keeping Australians Safe**

The Government is keeping our communities safe from those who seek to do us harm by strengthening security at Australian airports and enhancing intelligence capabilities in response to a challenging and complex security environment. The Government is also protecting our unique natural environment with smarter biosecurity systems and continuing to protect and safeguard our borders.

### **Ensuring the Government lives within its means**

This Budget represents the sixth successive update where the underlying cash balance is projected to reach a surplus in 2020-21. Through sustainable budget management, for the first time in a decade the Government is no longer borrowing to pay for everyday expenses. This Government's average real growth in payments is the lowest of any Commonwealth government in the last 50 years, while net debt will peak in 2017-18 and turn the corner for further reductions.

Government borrowings will continue funding critical infrastructure and defence spending – key components of our national economic plan.

# Budget at a glance

## On track to build a stronger economy

The Government is sticking to its plan for building a stronger economy for Australia. Through disciplined fiscal management and improved receipts from stronger economic growth, the budget position is improving.

This Budget is providing tax relief to encourage and reward hard working Australians through a seven-year tax plan to make personal income tax in Australia lower, fairer and simpler.

The Government is continuing to back Australian businesses to invest and create more jobs, remain internationally competitive and encourage innovative thinking for the future.

The Government's \$75 billion 10-year national infrastructure plan will benefit people and businesses in every State and Territory by improving road safety, tackling congestion and delivering essential rail links.

The Government is supporting Australians to develop the skills they need in a smarter economy by investing in research, science and technology jobs and maintaining our reputation as a global industry leader in medical research.

The economic potential in regional Australia is continuing to be unlocked. The Government is backing our farmers and securing the future of one of our international icons and great natural wonders – the Great Barrier Reef.

Needs-based schools funding will achieve better results for Australian students, more support will help prepare Australians for a longer life, Medicare is continuing to be guaranteed and more new, cost-effective medicines are being listed on the PBS. The Government is providing these essential services without borrowing to pay for them.

### Budget aggregates and major economic parameters<sup>(c)</sup>

	Actual	Estimates		Projections		Total(a)	
	2016-17	2017-18	2018-19	2019-20	2020-21		2021-22
<b>Underlying cash balance (\$b)(b)</b>	<b>-33.2</b>	<b>-18.2</b>	<b>-14.5</b>	<b>2.2</b>	<b>11.0</b>	<b>16.6</b>	<b>15.3</b>
Per cent of GDP	-1.9	-1.0	-0.8	0.1	0.5	0.8	
<b>Net operating balance (\$b)</b>	<b>-32.1</b>	<b>-12.6</b>	<b>-2.4</b>	<b>8.6</b>	<b>19.6</b>	<b>27.4</b>	<b>53.2</b>
Per cent of GDP	-1.8	-0.7	-0.1	0.4	0.9	1.3	

(a) Total is equal to the sum of amounts from 2018-19 to 2021-22.

(b) Excludes expected net Future Fund earnings before 2020-21.

	Outcomes	Forecasts		Projections		
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Real GDP	2.1	2 3/4	3	3	3	3
Employment	1.9	2 3/4	1 1/2	1 1/2	1 1/4	1 1/4
Unemployment rate	5.6	5 1/2	5 1/4	5 1/4	5 1/4	5
Consumer price index	1.9	2	2 1/4	2 1/2	2 1/2	2 1/2
Wage price index	1.9	2 1/4	2 3/4	3 1/4	3 1/2	3 1/2
Nominal GDP	5.9	4 1/4	3 3/4	4 3/4	4 1/2	4 1/2

(c) Year average price growth unless otherwise stated. From 2016-17 to 2019-20, employment and the wage price index are through-the-year growth to the June quarter. The unemployment rate is the rate for the June quarter. The consumer price index is through-the-year growth to the June quarter.

Source: ABS cat. no. 5206.0, 6202.0, 6345.0, 6401.0 and Treasury.



# Global economic outlook

Global growth rose to its fastest pace in six years in 2017 and Australia remains well placed to benefit from the global upswing

Global growth continues to improve with widespread growth across advanced and emerging economies, indicating that the global cycle is more synchronised than it has been for some time (see chart below).

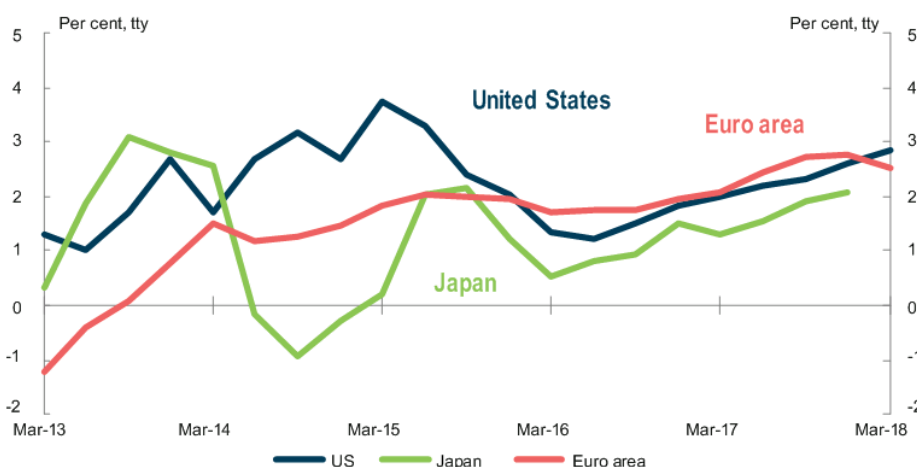
Strength in the global economy has been buoyed by increases in business investment and industrial production across a range of countries. There has also been an upswing in trade globally, especially in our Asian neighbours.

Australia's strong links with the Asian region continue to present opportunities for our businesses to export, with our trading partner growth expected to exceed global growth over the next few years.

In addition, sustained demand for Australia's tourism and education services is expected to continue.

Despite recent moves towards more protectionism in some countries, trade remains important for growth in the global economy. Australia will continue to promote and benefit from free and open trade.

GDP growth in major advanced economies has become increasingly synchronised





# Domestic economic outlook

## Momentum is building in the Australian economy

Momentum is building in the Australian economy, as we move into our 27th year of consecutive growth. But growth cannot be taken for granted.

The economy's transition towards broader-based growth as the mining investment boom comes to an end has seen a pick-up in non-mining business investment. Entering a new chapter of growth hasn't happened by accident. It has been pursued, assisted and secured by the Government's policies.

Businesses are doing better, non-mining business investment has

improved, and business conditions are at their highest level since the Global Financial Crisis. These are signs that the domestic economy is seeing the better days that we envisioned 12 months ago.

### Record jobs growth

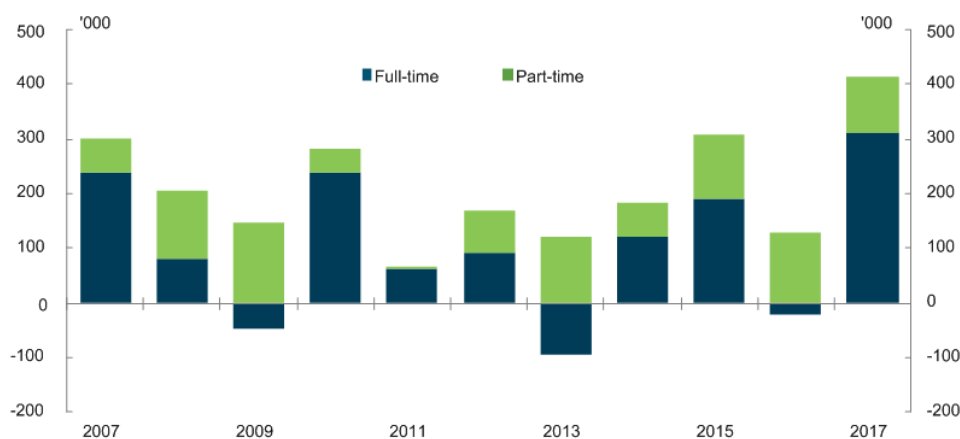
Official ABS data confirm that Australia's labour market delivered record jobs growth in 2017, with three-quarters of those jobs created being full-time positions. The 16 consecutive months of net job creation to January 2018 was the longest positive run since official records began.

The ABS figures also show on average over the past year more than 1,000 jobs were created every day, with the growth in employment broad-based across regions and industries.

Strong labour market performance is expected to continue and the unemployment rate is expected to decline further. As the labour market tightens, wages are also expected to increase.

Australia's economy is expected to grow by a solid 2¾ per cent in 2017-18 and growth is forecast to rise further to 3 per cent in 2018-19 and 2019-20.

415,000 jobs were created in 2017



Source: ABS cat. no. 6202.0

Note: Through the year to December growth.

# On track to deliver Budget surpluses

## Bringing the budget back into balance

The Government remains committed to responsibly returning the Budget to balance and delivering on its medium term fiscal strategy. It has been a long road from where this process started in 2013 but the destination is close. That is what happens when you stick to a plan.

Importantly, the return to budget balance has been achieved by building a strong economy and keeping a tight rein on spending, rather than excessive increases to the tax burden.

Our responsible action to return the Budget to balance will see the budget deficit improve from 3.0 per cent of GDP in 2013-14

to 0.8 per cent of GDP in 2018-19, a fiscal consolidation of 2.2 percentage points. The UCB is expected to reach a surplus of 0.8 per cent of GDP in 2021-22, making the Government's total fiscal consolidation 3.8 percentage points.

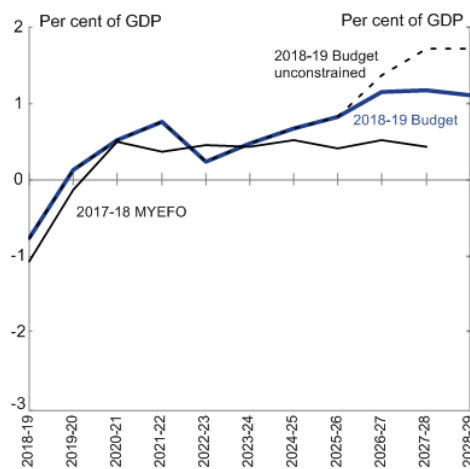
The expected budget outcomes across the forward estimates are the strongest since the Global Financial Crisis and surpluses are expected, rising to in excess of 1 per cent of GDP by 2026-27, consistent with the Government's fiscal strategy.

As a result of this fiscal discipline, the Government has turned the corner on net debt. As a share of

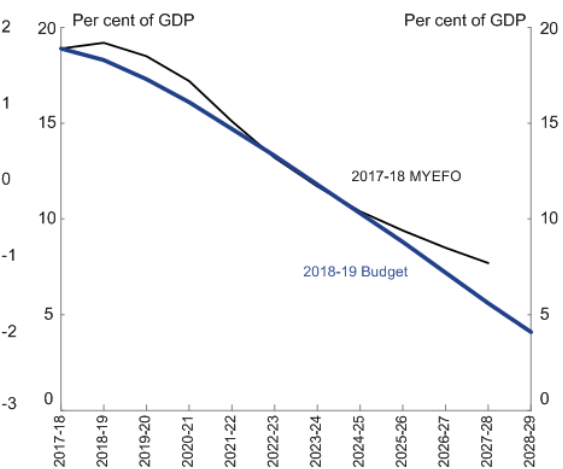
GDP net debt will peak in 2017-18, a year earlier than expected at the 2017-18 MYEFO, and at 18.6 per cent, lower than the peak of 19.2 per cent of GDP expected at MYEFO. Net debt as a share of the economy will continue to decline across the forward estimates period and into the medium term. By 2028-29, net debt is projected to drop to 3.8 per cent of GDP.

This Budget has reduced the burden of debt on future generations, while still ensuring Australians are rewarded for effort through tax relief.

**Fiscal consolidation**



**Net debt as a share of GDP**



# Keeping a tight rein on spending

The lowest rate of spending growth of any government in more than 50 years

Careful spending and prudent measures to improve tax and welfare integrity have assisted the Budget's return to balance. Savings measures have totalled \$41 billion since the last election.

And though the economy is strengthening, continued prudent action for budget restraint is required.

Continuing fiscal discipline will see government payments as a share of GDP return to below the 30-year average of 24.8 per cent in 2020-21, the first time since 2012-13.

This represents a significant decline from above average payment levels recorded since the Global Financial Crisis. Payments as a share of the economy are projected to decline over the medium term, consistent with the Government's medium term fiscal strategy.

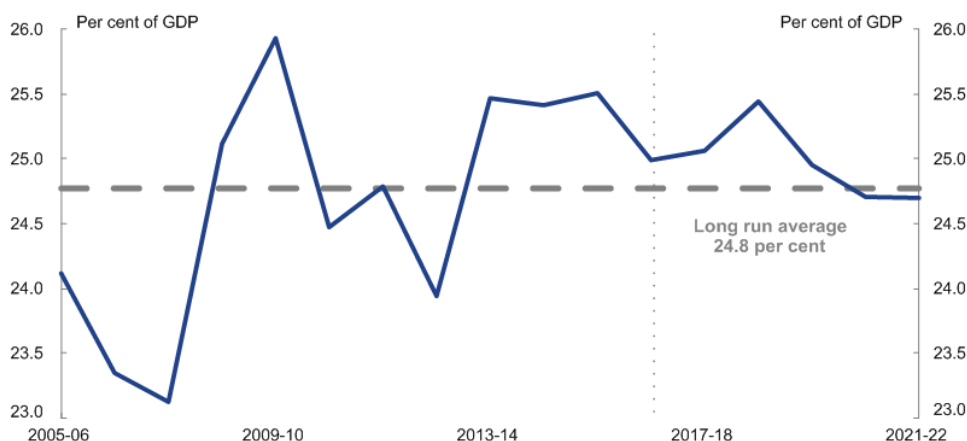
Since the 2017-18 MYEFO, policy spending decisions have had a net positive impact of \$404 million in the four years from 2018-19 to 2021-22.

At 1.9 per cent, this Government's average real growth in payments is expected to be the lowest for the Commonwealth in the past 50 years.

Reductions in structural payments are expected to underpin structural surpluses in the budget balance.

The strengthening economy, coupled with budget repair, has guaranteed the delivery of essential services and enabled the Government to provide tax relief to low and middle income earners.

Payments as a share of GDP



# Living within our means

## No longer borrowing to fund everyday spending

The Government's national economic plan for jobs and growth is delivering results.

The Australian economy has entered its 27th consecutive year of growth. A stronger economy together with good fiscal management has improved the Budget.

From this year onwards, the Government will also no longer need to borrow to pay for everyday

expenses like welfare, schools and hospitals.

Borrowing will continue to fund infrastructure and other prudent long-term investments.

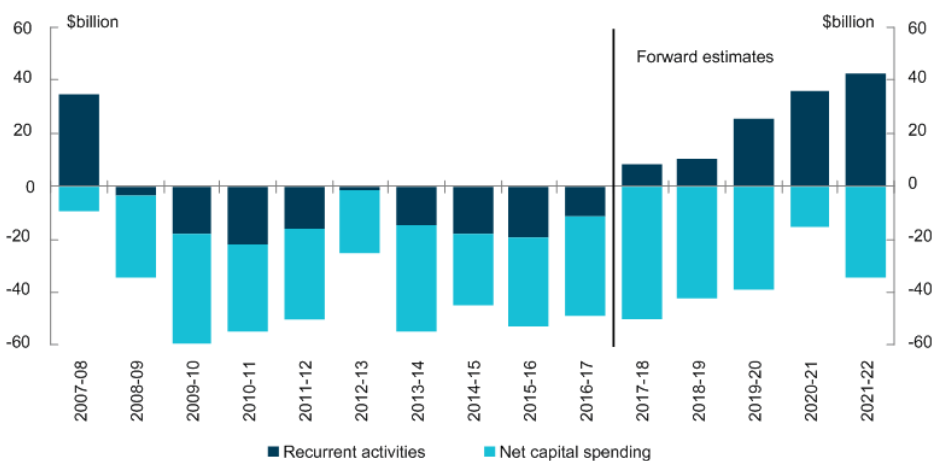
Australians know that while it can be wise to borrow for investment, it is not a good idea to keep putting everyday expenses on the credit card. Everyday expenses should be funded from taxes and other revenues, not by debt.

The Government is living within its means. This is good news for future generations who will not be burdened by higher taxes to fund excess debt.

Better budget outcomes mean that net debt is \$58.2 billion lower and gross debt is \$36 billion lower over the four years to 2020-21 than was expected at the 2017-18 MYEFO.

Over the medium-term gross debt will be \$126 billion less in 2027-28 than was estimated in the 2017-18 MYEFO.

**Contributions of recurrent and capital spending to the Government's borrowing task**



# Putting a 'speed limit' on taxes

The Government's tax plan is affordable and consistent with keeping the Budget in surplus over the medium-term

The Government has imposed a sensible speed limit on taxes as part of its fiscal strategy so the tax burden on the economy does not throttle growth. It's a clear rule on the maximum level the Government considers Australians should pay.

The greater the tax burden on the shoulders of Australians and the army of business owners, the greater the risk it will cost jobs, discourage investment and restrain growth.

The Government will keep taxes as a share of GDP within the 23.9 per cent cap so we do not unfairly burden Australians, nor allow taxes to chase ill-disciplined spending.

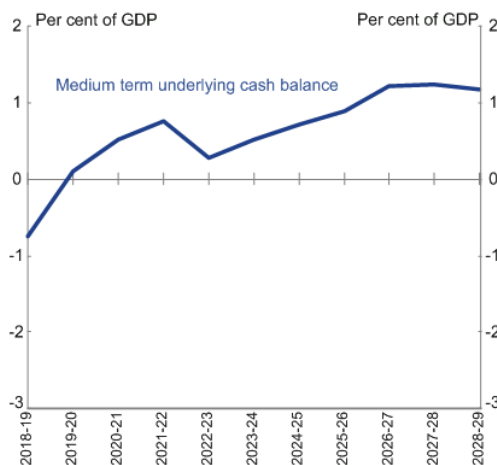
The tax cap would be breached in 2021-22 without personal income tax relief and the Enterprise Tax Plan.

Our decision to provide measured and targeted tax cuts in this Budget, and our broader seven-year plan

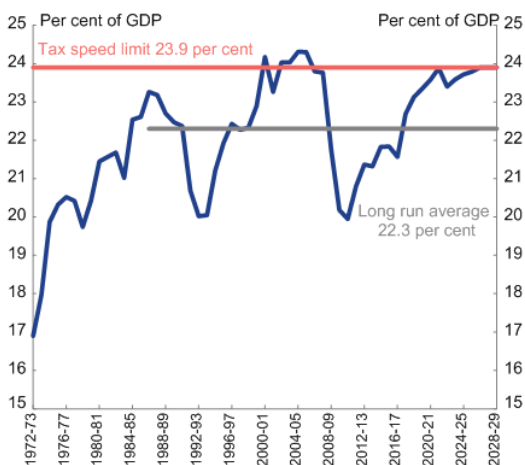
to reform our personal income tax system, is done responsibly and affordably, so as not to jeopardise our return to budget balance.

The Government's commitment to budget repair has also resulted in net debt peaking one year earlier than expected at the 2017-18 MYEFO, strengthening the Government's balance sheet. This provides the Government with greater flexibility to address future economic shocks should they arise.

**Underlying cash balance projected to 2028-29**



**Tax to GDP**



# Personal Income Tax Plan

## Delivering lower, fairer and simpler taxes

Taxes are necessary to fund essential government services. But they need to be fair, provide incentive to succeed, and reward effort.

The Government's Personal Income Tax Plan will make personal income tax lower, fairer and simpler.

This plan is affordable. By growing our economy, the Government can fund this plan and deliver a stronger Budget to ensure Australia continues to live within its means.

The plan begins with permanent tax relief to middle and lower income earners, to encourage and reward working Australians and to assist with cost of living pressures.

Under Step 2, the plan will help protect incomes earned by Australians from bracket creep. The third step will make personal taxes simpler and flatter to ensure more Australians are paying lower taxes on every extra dollar they earn.

The immediate benefit for low and middle income earners will be up to \$530 a year and up to \$1,060 for a working couple, starting in 2018-19.

By lifting the 32.5 per cent tax bracket to \$90,000 from 1 July 2018, around 200,000 taxpayers will be prevented from moving into the 37 per cent tax bracket.

Further threshold changes in 2022-23 and 2024-25 will simplify and flatten personal tax rates.

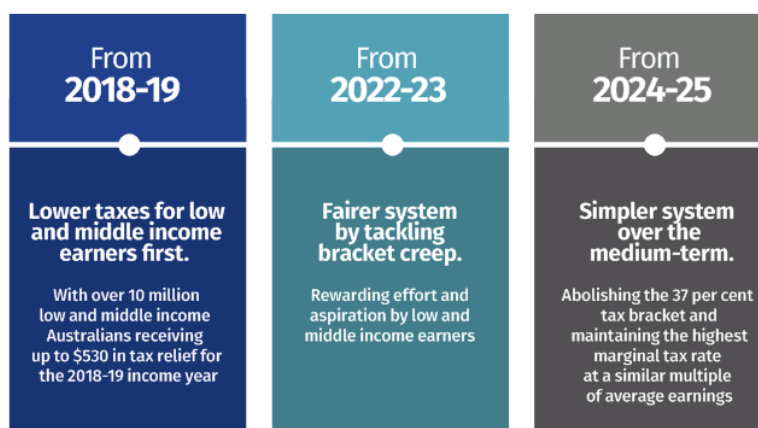
Under this plan, the proportion of Australian taxpayers projected to face a marginal tax rate of 32.5 per cent or less will increase from 63 per cent to 94 per cent in 2024-25.

Individuals will be able to take on additional work or advance their careers knowing their extra income will not be taxed more harshly.

This plan builds on the company tax cuts and measures to strengthen the integrity of the tax system.

Together, these changes build a better tax system to support growth through investment, more jobs and greater participation in the workforce.

### An affordable, responsible plan





**Step 1** Immediate relief to low and middle income earners

The Government's targeted tax relief of up to \$530 will be delivered to middle and lower income earners through a new tax offset for the 2018-19, 2019-20, 2020-21 and 2021-22 income years.

This tax relief will assist over 10 million Australians, with around 4.4 million people receiving the full \$530 benefit for 2018-19. It will be in addition to the current low income tax offset.

**Step 2** Protecting against bracket creep

The top threshold of the 32.5 per cent tax bracket will be further increased to \$90,000 from 1 July 2018, having already been increased from \$80,000 to \$87,000 in 2016-17.

From 2022-23, the benefits of the Step 1 tax offset will be locked in by increasing the top threshold of the 19 per cent tax bracket from \$37,000 to \$41,000 and increasing the low income tax offset from \$445 to \$645. Together these changes will mean that taxpayers permanently receive the benefits from Step 1 of the plan.

In addition, the top threshold of the 32.5 per cent bracket will be further increased to \$120,000, ensuring that the average income earner remains in this middle tax bracket.

**Step 3** Making personal income taxes simpler and flatter

From 1 July 2024, the personal income tax system will be simplified by abolishing the 37 per cent tax bracket entirely, reducing the number of tax brackets from five to four.

Australians earning more than \$41,000 will only pay 32.5 cents in the dollar all the way to the top marginal tax rate threshold.

These changes ensure that most Australians will face a marginal tax rate no higher than 32.5 per cent for their working life.

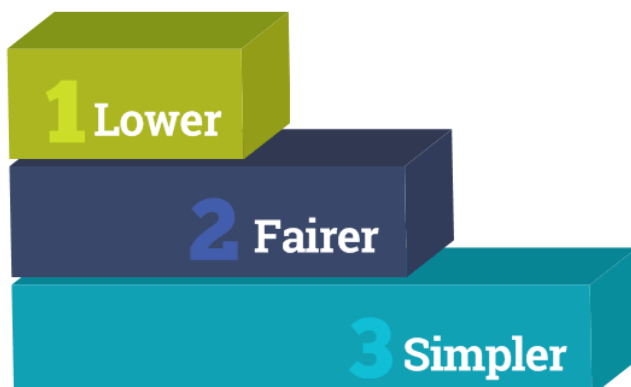
By 2024-25 some 94 per cent of taxpayers are projected to face a marginal tax rate of 32.5 per cent or less.

High income earners will continue to pay their fair share

The top marginal tax rate of 45 per cent will apply to incomes above \$200,000.

In 2015-16, the top 20 per cent of taxpayers paid around 61 per cent of all personal income tax. Under the Personal Income Tax Plan, this cohort is projected to continue to contribute a broadly similar share.

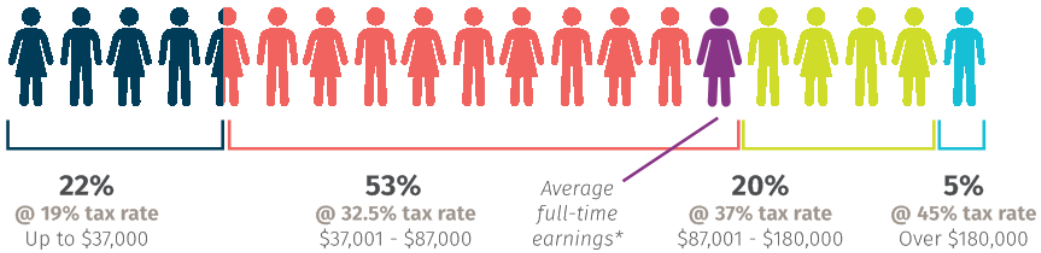
These changes demonstrate the Government's commitment to taxes that are lower, fairer and simpler.



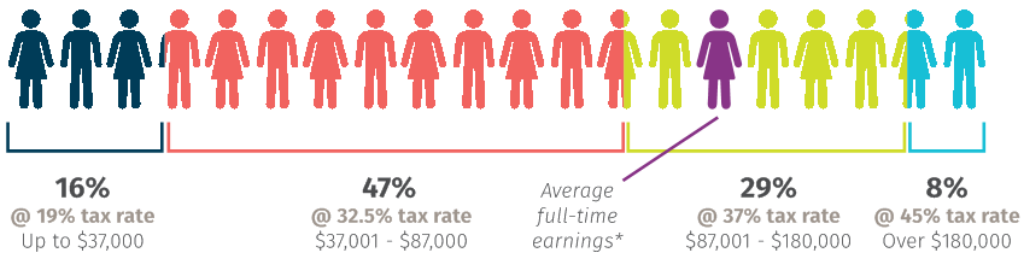


## The Government's seven-year Personal Income Tax Plan means more Australians will face lower rates of tax.

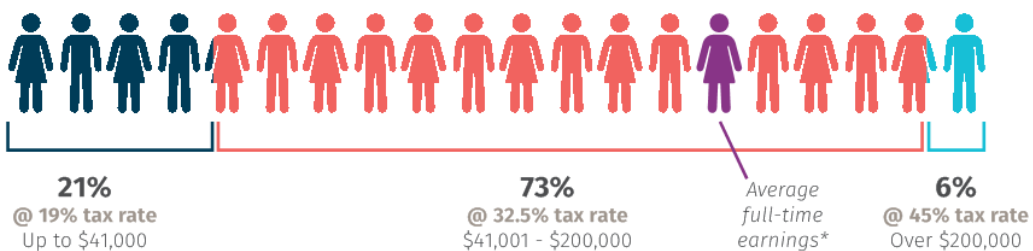
Proportion of taxpayers in each tax bracket in **2017-18** under the **current system**



Proportion of taxpayers in each tax bracket in **2024-25** under the **current system**



Proportion of taxpayers in each tax bracket in **2024-25** under the **Government's Plan**



\* Average full-time earnings includes both males and females, and excludes earnings from overtime work

# Protecting your superannuation

## Ensuring Australians keep more of their retirement savings

The Government is reuniting Australians with lost super and safeguarding Australians' superannuation savings from unfair fees and inappropriate insurance arrangements.

### Reuniting your superannuation

The Australian Taxation Office (ATO) will be given the capacity to actively reunite Australians with their lost and inactive superannuation, boosting their balances at retirement.

This will prevent people with multiple accounts from having their savings excessively eroded by fees, which will particularly benefit holders of inactive low balance accounts. These are

typically young members, low income earners and seasonal workers.

### Limiting fees on low balance accounts

High fees can make it impossible for many Australians with low balance accounts to grow or even maintain their balances.

The Government will protect these balances by capping certain fees on accounts with balances less than \$6,000 at 3 per cent.

### Banning exit fees

The Government is making it easier and more affordable for Australians to consolidate their superannuation accounts by abolishing superannuation fund exit fees.

### Tailoring insurance arrangements

Insurance through superannuation may not be appropriate for all people – particularly younger members, those with low balances or those who are not making contributions.

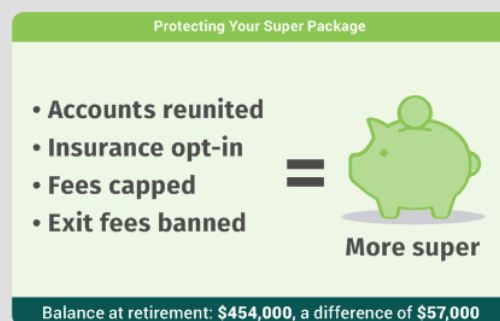
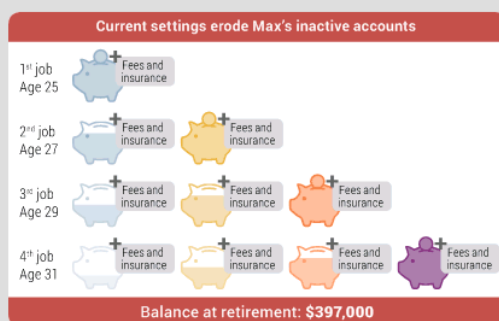
Holding fewer automatic insurance policies will allow Australians to grow their balances faster and protect low balances from being eroded entirely.

Importantly, these members will still have the opportunity to obtain insurance cover if they choose to do so.



**Max, 25**

Works 4 jobs over his career. Accrues 4 super accounts and pays fees and insurance premiums on each, eroding his inactive accounts.



Note: This assumes Max works part-time with a starting salary of \$24,000 in 2019-20. A new account is opened with every new job, with default insurance cover. Assumes 7.5% returns, 0.85% investment fees, \$66 annual fixed fees and \$190 annual insurance premiums. Under the package, Max will have fewer default insurance policies and as a result an insurance payout may be lower if an insured event were to occur. Balances at retirement are in 2019-20 dollars.



## Boosting financial security

### Helping improve Australians' confidence in their finances and data

The Government is helping Australians take control of their personal finances.

#### Consumer Data Right

The Consumer Data Right will revolutionise the provision of data services in Australia by giving Australians the ability to take control of their personal data and share it safely with trusted and accredited service providers.

When consumers choose to share their data, businesses will be better able to offer financial products and services tailored to individual circumstances, such as personalised budgeting tools. The Right will also enable consumers to save money through improved price comparison and switching services.

#### Pension Loans Scheme

The Government is expanding the Pension Loans Scheme to those on full pension and self-funded retirees, to give them the option to boost their retirement income. Under this scheme, full pensioners will be able to increase their income by up to 50 per cent of the Age Pension.

#### Pension Work Bonus

An expanded Pension Work Bonus will allow age pensioners to earn up to \$300 per fortnight (up from \$250) without reducing their pension payments. The Bonus will also be extended to self-employed individuals, who will now be able to earn up to \$7,800 per year without reducing their pension payments.

#### Work test exemption

The Government will provide more time for Australians aged 65 to 74 to boost their retirement savings, by introducing an exemption from the superannuation work test.

This exemption will apply where an individual's total superannuation balance is below \$300,000 and will permit voluntary superannuation contributions in the first year that they do not meet the work test requirements.

#### Retirement Income Framework

Standards of living in retirement will be boosted and retirees will have greater choice in how they receive their superannuation through the Government's retirement income framework.

# Backing businesses to invest and create more jobs

## Continuing to back Australian business growth and investment

Reducing the tax burden on businesses will help them invest, grow, employ more Australians and pay higher wages.

The Government has legislated tax cuts for around 3.3 million small and medium Australian businesses employing 6.8 million workers with annual turnover up to \$50 million, as part of the Ten Year Enterprise Tax Plan.

The Plan has also increased the unincorporated small business tax discount rate from 5 per cent to 8 per cent (up to a cap of \$1,000). This rate will

increase to 16 per cent by 2026-27. By lifting the small business entity turnover threshold from \$2 million to \$10 million, access has also been extended to a range of small business tax concessions.

These tax cuts began in 2016-17. Companies with annual turnover less than \$10 million had their tax rate cut to 27.5 per cent – the lowest level in over 50 years. This lower corporate tax rate was extended to companies with annual turnover less than \$25 million in 2017-18 and will extend to companies with annual turnover less than \$50 million from 1 July 2018.

The Government remains committed to ensuring that Australian businesses remain internationally competitive and will progressively reduce the corporate tax rate for all companies through the Ten Year Enterprise Tax Plan.

Small businesses will also benefit from the Government extending the \$20,000 instant asset write-off for a further 12 months to 30 June 2019. These businesses will now have additional opportunities to reinvest in their business and replace or upgrade their assets.







# Backing business to invest and create more jobs

The Government's investment in essential infrastructure will help build the industries and jobs Australia needs to compete globally

## Transport infrastructure to support growth

The Government is living within its means and is no longer borrowing to fund its everyday expenses. Borrowing is instead funding productive investments and long-term infrastructure projects that help grow the economy and create jobs.

This Budget includes \$24.5 billion for new nationally significant transport projects and initiatives that benefit people and businesses in every State and Territory, building on existing projects such as the Melbourne to Brisbane Inland Rail project and Western Sydney Airport announced in last year's Budget.

These form part of the Government's \$75 billion transport infrastructure investment over the next decade.

## Boosting innovation with science and research infrastructure

The Government is investing an additional \$1.9 billion over 12 years in national research infrastructure to help Australians deliver high impact research that can be used across our economy, from health to manufacturing to agriculture. This brings total Government investment in national research infrastructure through the National Collaborative Research Infrastructure Strategy to \$4.1 billion over 12 years.

The Government will also invest \$225 million to significantly improve the accuracy and availability of satellite positioning across Australia, enhancing our use of GPS. This new technology will be used to increase productivity across the economy, including in the agriculture, construction and logistics industries.

The Government will provide \$41 million to establish a national space agency and grow the Australian space industry. This will help Australian businesses capture more of the US\$340 billion a year global space industry.

## Building our supercomputing capabilities

The Government is continuing to invest in supercomputing, including upgrading two supercomputers with total funding of \$140 million for the Pawsey Supercomputing Centre in Perth and the National Computational Infrastructure facility at the Australian National University.

The Pawsey Supercomputing Centre helps advance medical research, nanotechnology, mining, construction and urban planning with high-speed calculations. It supports research to maximise combustion in supersonic engines and model the physics of extreme waves to capture energy.

# Stronger and smarter economy

Maximising the benefits of the smart economy by investing in science, medical research, technology and skills

The Government is continuing to invest in science, medical research and technology to build a smarter economy and create more jobs.

This Budget continues the Government's economic plan to improve access to capital, make it easier to do business, support research and build talent and skills.

## Supporting medical research

A 21st Century Medical Industry Growth Plan will deliver \$1.3 billion to support Australia as a global health industry leader in medical technology, biotechnology and pharmaceuticals while improving health outcomes for all Australians through investments in medical innovation.

The Growth Plan includes a landmark ten-year \$500 million commitment to the Genomics Health Futures Mission. A further \$707 million in funding from the Medical Research Future Fund will

be provided to support the Frontier Health and Medical Research program, expanded clinical trials, Biomedtech programs and Industry Researcher Collaborations.

## Supporting jobs in the smart economy

The Government is investing around \$2.4 billion over 12 years in boosting Australia's research, science and technology capabilities to build a smarter economy and give Australians the skills they need to prosper.

A \$1.9 billion investment in research infrastructure over 12 years will support Australia's world-class research sector which has made breakthroughs like a new needle-free way to deliver vaccines and the cervical cancer vaccine.

Investment in digital infrastructure to improve the accuracy of GPS and satellite imagery will promote the competitiveness of sectors like agriculture, mining, and marine industries.

The Government will support the development of Australia's artificial intelligence (AI) and machine learning capability to keep pace with global progress and improve our existing expertise in these technologies to maintain our competitiveness.

Initiatives such as the Asian Innovation Strategy and SME Export Hubs will help Australian businesses and researchers tap into new growth opportunities overseas.

## Boosting women's participation in STEM careers and education

The Government is continuing to equip Australians with the skills they need to innovate and make the most of opportunities offered by technology and science.

A Women in Science Ambassador will encourage girls' participation in STEM subjects, while the 10-year Plan for Women in Science will set out a long-term strategy for increasing female involvement in STEM education and careers.



### World-leading research

A \$1.9 billion investment in research infrastructure over 12 years to support Australia's world-class research sector.

BUDGET OVERVIEW



### Access to growing markets

Boosting export opportunities for innovative businesses.



### A leader in health research

Investing \$1.3 billion to support Australia as a global leader in health and medical research.



### Skills for the future

Supporting more women and girls to choose STEM careers and education.



### Promoting digital technology

Building Australia's capability in artificial intelligence and machine learning.

# Building Australia

A 10 year national infrastructure plan to reduce congestion, improve safety and create jobs

## Major projects underway

### National projects

- **\$9.3 billion** Melbourne to Brisbane Inland Rail

### NSW

- **Up to \$5.3 billion** Western Sydney Airport
- **\$1.5 billion** of funding and a **\$2 billion** concessional loan for the WestConnex project in Sydney
- **\$2.9 billion** Western Sydney Infrastructure Plan

### VIC

- **\$500 million** M80 Ring Road
- **\$500 million** Monash Freeway Upgrade

### QLD

- **\$6.7 billion** Bruce Highway

### WA

- **\$1.3 billion** METRONET, including **\$490 million** for the Forrestfield Airport Link

### SA

- **\$1.6 billion** Adelaide North-South Corridor

### TAS

- **\$400 million** Midland Highway

### ACT

- **\$67 million** for Capital Metro under the Asset Recycling Initiative

### NT

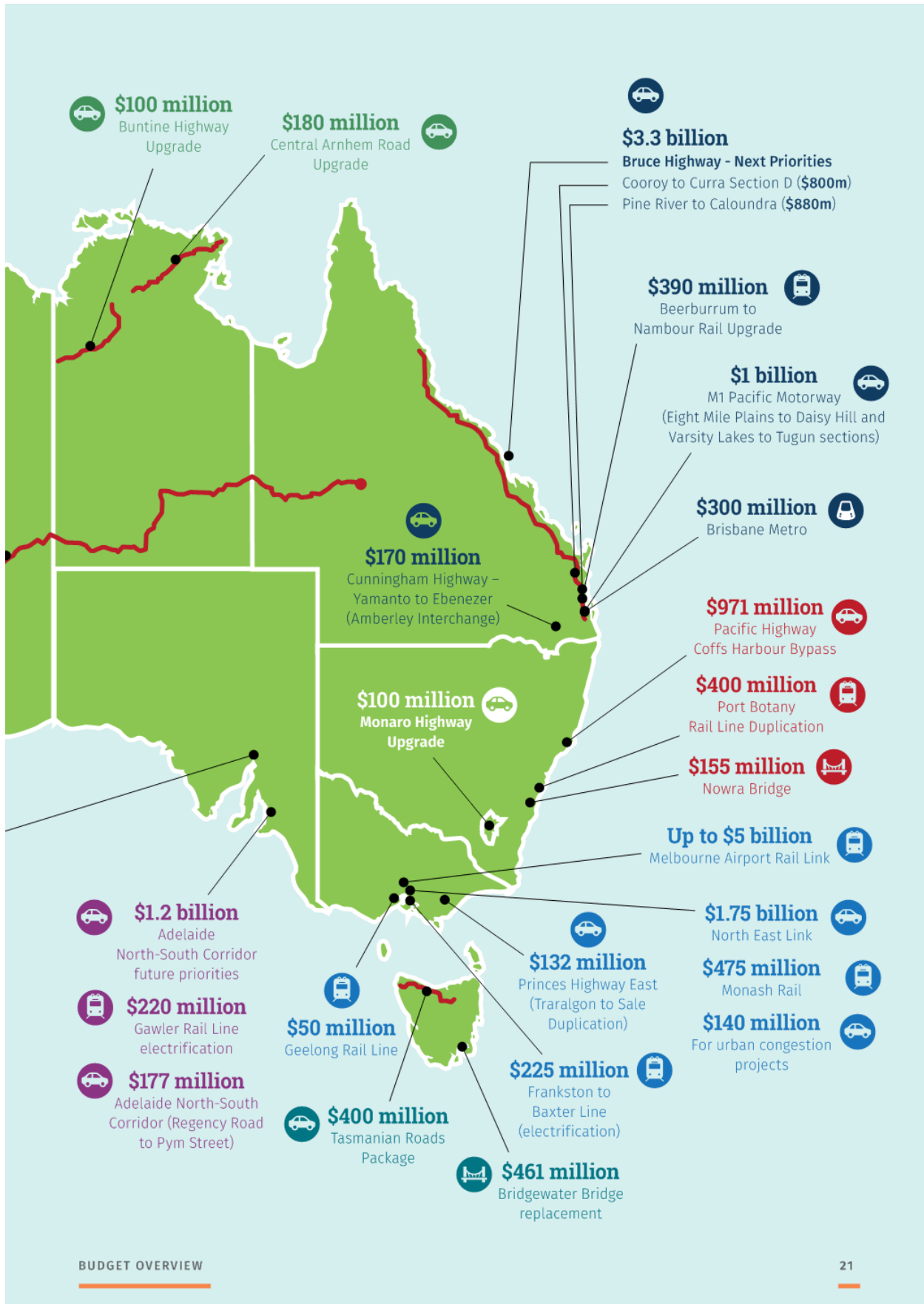
- **\$192 million** for the Northern Australia Roads Program



## New national initiatives

- Roads of Strategic Importance: **\$3.5 billion**, including **\$1.5 billion** for Northern Australia Package, **\$400 million** for Tasmanian Roads Package, **\$100 million** for NSW and ACT Barton Highway Corridor Package and **\$1.5 billion** for future national priorities
- **\$1 billion** Urban Congestion Fund
- **\$250 million** for Major Project Business Case Fund





# Backing regional Australia

## Creating jobs in the regions

Regional Australia is home to more than 8 million Australians and is a major producer of our nation's wealth. While many regions have experienced significant jobs growth, others still face challenges. The Government is committed to supporting regional Australia and ensuring the benefits of economic growth are spread broadly across the nation.

### Backing our farmers

The Government is backing farmers by improving water infrastructure and the accuracy of GPS for regional Australians and increasing access to a broader range of agricultural and veterinary chemicals.

New funding of \$102 million for biosecurity and \$26.6 million to better manage costly pests and weeds will help farmers maintain access to valuable export markets.

### Supporting regional tourism

The World Heritage-listed Great Barrier Reef supports 64,000 jobs and many small businesses in regional Australia.

The Government is investing more than \$500 million to secure the future of the Reef and the jobs it supports, including through improving water quality, combating crown-of-thorns starfish and conducting scientific research.

### Supporting regional communities

The Government is providing \$200 million for a third round of the Building Better Regions Fund, which supports regional infrastructure and community investments. This is in addition to the Regional Growth Fund, which is investing \$272 million in larger regional infrastructure projects that support long-term economic growth and create jobs in regions undergoing structural adjustment.



# More Choices for a Longer Life

Supporting Australians for a longer, healthier and safer life

Australians are now expected to live almost ten years longer than they were 50 years ago, with our life expectancy now the fifth highest in the OECD. This is good news.

The Government is acting to maximise the opportunities that a longer life brings, preserving and increasing the choices available, so Australians can live life to the full.

The More Choices for a Longer Life Package includes online interactive 45 and 65 year checks across key areas of skills, finances and health, so Australians can plan ahead to get the most out of their longer lives,

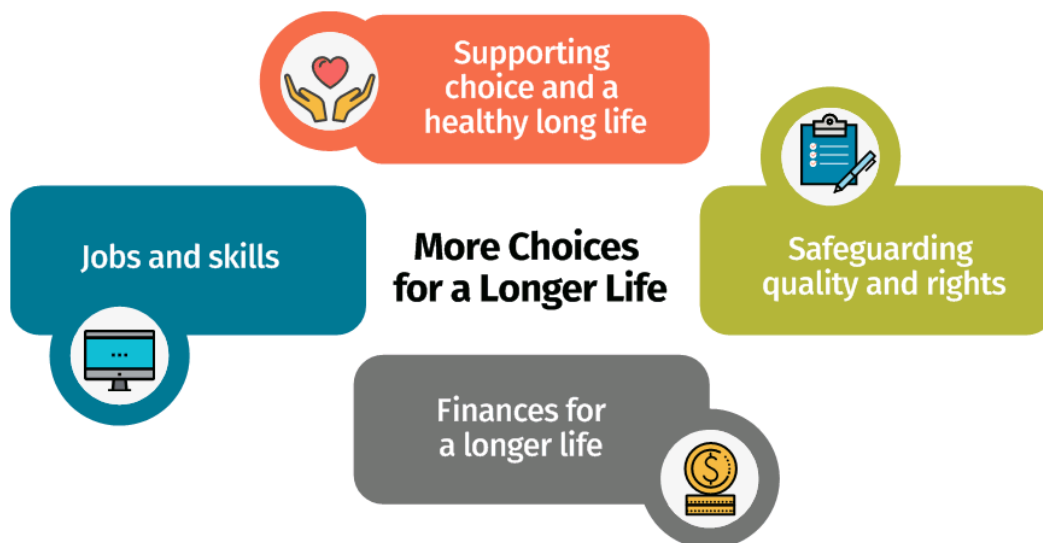
while having the flexibility to remain in the workforce if they choose.

The Package improves the quality of care and safety in aged care services to guarantee and respect the dignity of older Australians. Support for the mental health of older Australians will be boosted while helping them to remain in their homes and connected to the community.

The Government is supporting Australians to be prepared to live a healthy, independent, connected and safe life, through a range of measures in key areas:

- jobs and skills, to provide mature age workers with a range of options to remain in work;
- finances for a longer life, to help Australians make the most of their retirement years;
- supporting choice and a healthy long life – providing an additional 14,000 high-level home care packages; and
- safeguarding quality and rights.

## Four key areas of support



# Investing in the health of Australians

Providing Australians with timely and affordable access to quality health care and promoting healthy lifestyles

## Record levels of public hospital funding

The Government is providing record levels of funding for public hospitals, ensuring Australians have access to high-quality health care.

A new public hospital agreement will deliver more than \$30 billion in additional funding between 2020-21 and 2024-25 – a 30 per cent increase over the previous five years.

## Guaranteeing Medicare and new medicines

Australians can be assured that funding for the Medicare Benefits Schedule (MBS) and the

Pharmaceutical Benefits Scheme (PBS) is guaranteed through the Government legislated Medicare Guarantee Fund.

For 2017-18, \$34.4 billion has been credited to the Fund. A further credit of \$35.3 billion will be made to meet estimated MBS and PBS expenditure for 2018-19.

This Budget includes \$1.4 billion for new and amended listings on the PBS, including medicines to treat spinal muscular atrophy, breast cancer, relapsing-remitting multiple sclerosis and a new medicine to prevent HIV.

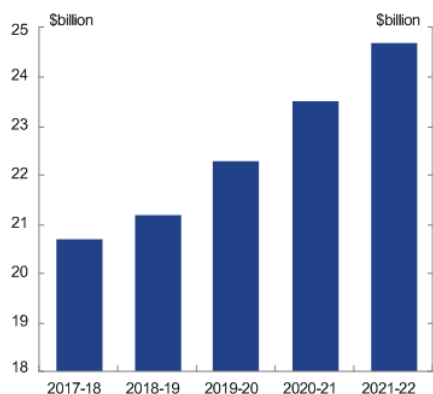
## Healthy and active Australians

The Government is providing further support for Australians with mental illness, including providing \$33.8 million to Lifeline Australia to enhance its telephone crisis services and funding for *beyondblue* and the Way Back Support Service.

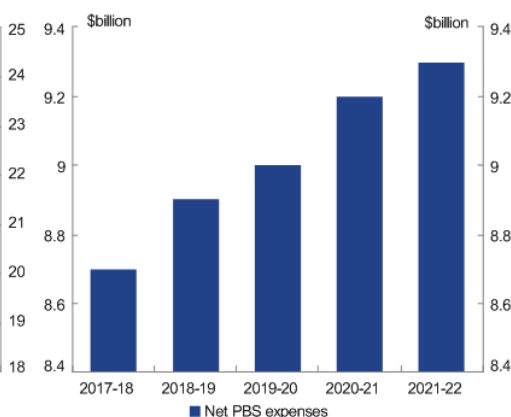
The Government will provide \$20.9 million to improve the health of women and children in their first 2,000 days of life.

Funding of \$154.3 million will support Australians to take up healthier and more active lifestyles, including participating in community sport.

Record public hospitals funding



Investing more in medicines



Estimates include a \$1 billion provision for new listings



# Investing in the future of Australian students

## Ensuring the best opportunities for all students

### Schools

To ensure our education system keeps up with the best in the world, it is critical our teachers and schools are given the tools and capabilities to achieve the maximum results for every student.

The Government is delivering the \$24.5 billion Quality Schools package. This will ensure genuine needs-based funding for Australian schools to achieve the best outcomes for all students.

The Government is supporting the 23 recommendations of the landmark *Review to Achieve Educational Excellence in Australian Schools*. The Government will work with the States and Territories to deliver reforms in the Review.

For the first time, we have a national blueprint for every family, every

teacher and every government to help tackle declining school performance in Australia.

### Preschools

The Government is continuing to support Australian families to access preschool education by providing \$440 million to extend the National Partnership Agreement on Universal Access to Early Childhood Education for the 2019 calendar year.

This takes total preschool funding to around \$870 million over the 2018 and 2019 school years.

### Child care package

Commencing on 2 July 2018, the Government's New Child Care Package provides more support for more families, targeted to those who need it the most.

### Regional Education

The Government is continuing to support rural and regional Australia by delivering on the recommendations of the *Independent Review into Regional, Rural and Remote Education*.

Building on the initiative announced in the 2017-18 Budget, the Government will provide \$28.2 million to expand access to sub-bachelor programs in regional areas, and \$14.0 million to fund additional places for bachelor students studying at Regional Study Hubs. The Government will make it easier for students from regional Australia to be considered independent through work, by reducing the impact of the Youth Allowance Parental Income test.

### Gonski: 2.0



**Reforming the curriculum to deliver at least one year's growth in learning in every student every year**



**Online progression and learning tools for teachers**



**Better supporting teachers and parents to help students achieve their individual best**

# Keeping Australians safe

## New investments to secure our borders

The Government's first priority to the community is to keep it safe from those who seek to do us harm. As our national security challenges continue to evolve, so must our systems and capabilities in order to meet these emerging threats.

### Stopping the boats and keeping them stopped

Australia's defences against maritime people smuggling are stronger than ever. It has been almost four years since the last people smuggling boat arrived in Australia.

Our strong measures to protect our borders have prevented 30 boats reaching Australia.

The Government is therefore providing ongoing funding of \$62.2 million to maintain Australian Border Force Cutter Ocean Shield at surge capacity, and sustain offshore activities to prevent and disrupt people smuggling activities.

### Bolstering border services

The Government remains committed to protecting Australia's borders.

Security against terrorist and other threats to air passengers, air cargo and international mail will be strengthened.

This \$294 million package includes investing:

- \$122 million to increase the presence and capabilities of the Australian Federal Police and Australian Border Force at nine major domestic and international airports;
- \$122 million to enhance screening capability for inbound air cargo and international mail with new and upgraded equipment and advanced technology; and
- \$50.1 million to support 64 regional airports to upgrade to new advanced screening technologies. The Government will require major airports to upgrade screening technologies.

### Combating transnational and serious crime

Serious and organised crime costs Australians \$36 billion a year. The establishment of the Home Affairs portfolio and the Government's Budget measures will help tackle national and local crime, including through:

- the appointment of the first Commonwealth Transnational Serious and Organised Crime Coordinator to ensure effective Commonwealth action against the most serious criminals;

- stronger protection for children through the establishment of the Australian Centre to Counter Child Exploitation, a \$68.6 million investment in new capabilities to target criminals engaged in child exploitation;
- \$59.1 million for the development of a new National Criminal Intelligence System that will make it harder for criminals to hide from law enforcement, no matter their location in Australia; and
- \$30 million extension of the successful Safer Communities Fund, which helps local councils and organisations to improve community security through the roll out of closed circuit television (CCTV), better lighting and crime prevention programs.

### Strengthening ICT infrastructure

Australians will always be safer when we can keep threats offshore or prevent threats from arriving in Australia. That's why the Government will provide \$130 million to upgrade the Department of Home Affairs' ICT infrastructure for visa processing, identity management and threat analysis, to better detect and prevent threats.

### Improving the national security architecture

The Government is strengthening Australia's security and intelligence agencies to address an increasingly complex security environment.

Through establishing the Office of National Intelligence and providing funding for a Joint Capability Fund, the Government is enhancing coordination and cooperation between our domestic security and law enforcement agencies.

The Government is providing \$70.2 million to augment the Office of the Inspector-General of Intelligence and Security and to undertake a comprehensive review of Australia's national security legislative framework.

### Building a smarter biosecurity system

Australia's continued prosperity has increased the flow of people

and goods across our borders, heightening biosecurity risks to our unique natural environment, tourism and agricultural sectors.

The Government is dedicating \$102 million to a smarter biosecurity system to better target the prediction, surveillance and enforcement of biosecurity risks. The Government will trial new diagnostic technologies, enhance industry partnerships and build national capacity to respond to pest and disease incursions.

### Enhancing our regional relationships

In an increasingly globalised economy, Australia and our regional and global partners face a diverse range of security threats. The Government has built on the Foreign Policy White Paper, announced on 23 November 2017, by implementing policies to expand Australia's economic and security engagement in the Indo-Pacific region.

The Government has taken steps to expand our presence in the region with new diplomatic arrangements in the Indo-Pacific region; as well as support for people-to-people links through expanding the Indo-Pacific Special Visits Program and establishing an Expanded Pacific Information Network.

### International justice for MH17 victims

The Government is delivering on its commitment to provide justice for the victims of the downing of MH17 over Ukraine. \$50.3 million has been allocated to support the Dutch National Prosecution to pursue those responsible.

As well as meeting Australia's share of the prosecution costs, this funding will enable victims' families to participate in the proceedings, and provide sufficient resourcing for the Kyiv and The Hague Embassies to support Australia's ongoing involvement in the prosecution.



BUDGET OVERVIEW

27



# A sustainable and targeted welfare system

## Ensuring assistance goes to those most in need

It is essential that our tax and welfare system rewards effort while providing a genuine safety net for vulnerable Australians.

Not all Australians have experienced the benefits of the growth that is occurring in the economy, which is why our safety net must be secure and well targeted.

Social security and welfare is the largest component of Government spending, with \$176 billion estimated to be spent in 2018-19.

This Budget builds on a number of measures the Government has introduced to strengthen the integrity of the welfare system.

The Government will save \$299 million over three years from 2019-20 by extending fraud

detection and debt recovery activities.

The extended debt recovery activities will focus on high value debts and individuals who are no longer receiving welfare payments.

Income data matching activities between the Department of Human Services and ATO will be extended to enhance the integrity of social welfare payments.

The Government will work with the States and Territories to establish a scheme that encourages lawful behaviour from income support recipients and ensures those avoiding justice are not being supported by taxpayer funds. Under the scheme, the Commonwealth will be able to make compulsory deductions from the welfare payments of serial fine defaulters

who have outstanding court imposed fines and will be able to suspend or cancel the welfare payments of individuals who have outstanding arrest warrants for indictable criminal offences.

To further support the sustainability of the welfare system, the Government will save \$203 million over five years from 2017-18 by increasing the waiting period to four years for newly arrived migrants to access certain welfare benefits from 1 July 2018.

The Government will provide \$316 million over four years from 2018-19 to continue the transformation of Centrelink's ageing technology platform and streamline the delivery of welfare payments.



# Protecting the integrity of the tax system

## Action to level the playing field for research and development and digital businesses

### Better targeting the Research and Development Tax Incentive

The Government is committed to driving cutting edge research and development in Australia by both supporting small innovative firms and rewarding larger businesses that do more to invest in developing new products, processes and services that help make Australia more competitive and create more jobs.

In response to the findings of the 2016 review of the R&D Tax Incentive (R&DTI), the Government will reform the program, sharpening its focus on additional eligible business R&D while ensuring its

ongoing fiscal affordability. This will ensure that generous support can continue to be provided to innovative activities and businesses across Australia.

The integrity and affordability of the R&DTI will also be improved through increased resourcing for administrators, helping ensure that ineligible R&D claims are denied.

Greater transparency around who is claiming the R&DTI will promote public accountability for those benefitting from taxpayer support.

Businesses claiming the R&DTI will benefit from improved guidance material to help them correctly claim for eligible R&D activities.

### Levelling the playing field in the digital age

The Government is also committed to ensuring digital businesses pay a fair share of tax in Australia.

This Budget extends the goods and services tax (GST) to Australian hotel bookings made through offshore digital businesses, so they face the same tax treatment as Australian businesses.

The measure complements recent Government actions to extend the GST to imported digital products and services from 1 July 2017, and to low value imported goods from 1 July 2018.



# Making multinationals pay their fair share of tax

Income earned in Australia should be taxed in Australia

Taxes in Australia should be competitive and as low as possible, but they must be paid.

To protect our tax base, the Government has created some of the strongest multinational tax laws in the world – including the Multinational Anti-Avoidance Law (MAAL) and the Diverted Profits Tax (DPT).

These rules, together with the Tax Avoidance Taskforce, have been instrumental in ensuring multinationals comply with the law, resulting in the ATO raising \$5.2 billion in tax liabilities from large companies since July 2016.

We have strengthened our tax laws so they remain robust and have given the ATO the tools it requires to enforce those rules. Building on the success of the MAAL and the DPT, the Government has introduced further measures to ensure that businesses are paying their fair share of tax.

## Tightening the rules on staples

Tightening tax concessions including through stapled structures will ensure that foreign investors pay their fair share of tax. This will allow Australian investors to compete on fairer terms with foreign investors, particularly when investing in land-rich investments.

## Further action on multinational tax integrity

Additional Government actions will:

- Strengthen the thin capitalisation rules that stop companies loading up on debt to shift profits offshore.
- Bolster Australia's anti-avoidance rules by broadening the scope of large multinationals being subject to the MAAL and the DPT.

 <b>Completed</b>	 <b>Being implemented</b>	 <b>New measures</b>
Multinational anti-avoidance law	Better protecting tax whistleblowers	Tighter rules on stapled structures
Diverted profits tax	Tackling hybrid mismatch arrangements	Improving the integrity of the thin capitalisation rules
Updating transfer pricing rules	The OECD Multilateral instrument	Broadening the scope of large multinationals being subject to the MAAL and the DPT
Increasing penalties on multinationals		
Establishing a Tax Avoidance Taskforce		



# Cracking down on the black economy

## Targeting organised crime and tax evasion

The Government will combat the harm the black economy is doing to honest individuals, businesses and the Australian community. The black economy is a complex, costly and growing economic and social problem covering a range of issues which detract from the integrity of Australia's tax system.

In response to the Black Economy Taskforce Final Report, the Government is announcing a comprehensive approach to stamping out the black economy, levelling the playing field for all businesses, and changing perceptions that black economy behaviour is acceptable.

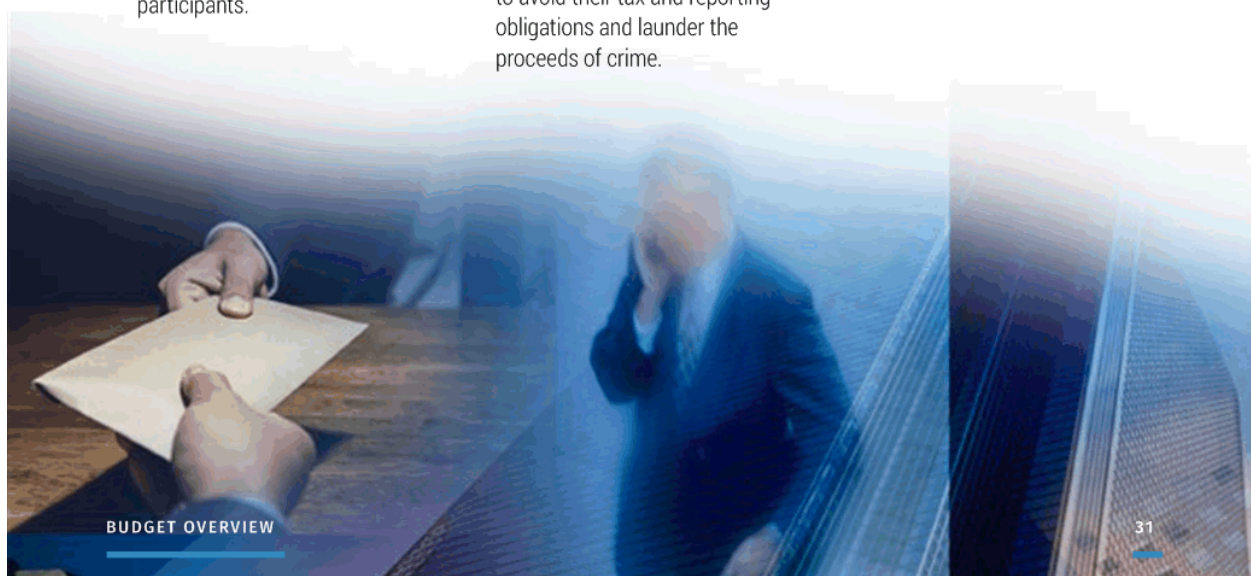
New measures include:

- increasing the ability of enforcement agencies to detect and disrupt black economy participants.

- removing the unfair advantage black economy participation gives businesses by removing deductions for non-compliant payments and changing the Government's procurement procedures to incentivise tax compliance in supply chains.
- consulting on reforms to the Australian Business Number (ABN) system to improve the confidence the community has in identifying who they are dealing with, including development of rigorous new identification systems for company directors (DINs).
- introducing an economy-wide cash payment limit for large cash transactions of \$10,000 to reduce the ability of black economy operators to use cash to avoid their tax and reporting obligations and launder the proceeds of crime.
- providing additional funding to the Tax Practitioners Board to take action against tax agents that facilitate activity in the black economy.
- expanding the taxable payments reporting system to contractors in industries with higher identified risks of not reporting their income.

The Government is also creating an Illicit Tobacco Taskforce which will investigate, prosecute and dismantle organised crime groups operating in illicit tobacco. The taxing point of tobacco will also be moved to when it enters Australia to help starve the illegal tobacco market.

These measures will ensure that all Australians receive a 'fair go' and that exploitative and illegal behaviour is curtailed.



Appendix A

# Budget aggregates

The table below shows the main cash and accrual budget aggregates for the Australian Government general government sector over the period 2016-17 to 2021-22. The underlying cash deficit is estimated to be \$14.5 billion in 2018-19. The net operating deficit is estimated to be \$2.4 billion in 2018-19

	Actual	Estimates		Projections		Total(a)	
	2016-17	2017-18	2018-19	2019-20	2020-21		2021-22
	\$b	\$b	\$b	\$b	\$b	\$b	
<b>Receipts</b>	<b>409.9</b>	<b>445.1</b>	<b>473.7</b>	<b>503.7</b>	<b>525.5</b>	<b>554.0</b>	<b>2,056.8</b>
Per cent of GDP	23.3	24.3	24.9	25.3	25.2	25.5	
<b>Payments(b)</b>	<b>439.4</b>	<b>459.9</b>	<b>484.6</b>	<b>497.5</b>	<b>514.5</b>	<b>537.3</b>	<b>2,034.0</b>
Per cent of GDP	25.0	25.1	25.4	25.0	24.7	24.7	
Net Future Fund earnings(c)	3.6	3.5	3.6	3.9	na	na	7.5
<b>Underlying cash balance(d)</b>	<b>-33.2</b>	<b>-18.2</b>	<b>-14.5</b>	<b>2.2</b>	<b>11.0</b>	<b>16.6</b>	<b>15.3</b>
Per cent of GDP	-1.9	-1.0	-0.8	0.1	0.5	0.8	
<b>Revenue</b>	<b>415.7</b>	<b>456.2</b>	<b>486.1</b>	<b>512.8</b>	<b>537.9</b>	<b>568.2</b>	<b>2,105.0</b>
Per cent of GDP	23.6	24.9	25.5	25.7	25.8	26.1	
Expenses	447.8	468.8	488.6	504.2	518.2	540.8	2,051.8
Per cent of GDP	25.5	25.5	25.7	25.3	24.9	24.9	
<b>Net operating balance</b>	<b>-32.1</b>	<b>-12.6</b>	<b>-2.4</b>	<b>8.6</b>	<b>19.6</b>	<b>27.4</b>	<b>53.2</b>
Per cent of GDP	-1.8	-0.7	-0.1	0.4	0.9	1.3	
Net capital investment	2.9	0.7	5.0	4.9	6.7	8.0	24.6
<b>Fiscal balance</b>	<b>-35.0</b>	<b>-13.4</b>	<b>-7.4</b>	<b>3.7</b>	<b>12.9</b>	<b>19.4</b>	<b>28.6</b>
Per cent of GDP	-2.0	-0.7	-0.4	0.2	0.6	0.9	
<i>Memorandum items:</i>							
Net Future Fund earnings(c)	3.6	3.5	3.6	3.9	4.2	4.5	16.1
Headline cash balance	-43.0	-37.1	-27.6	-8.1	21.0	7.8	-6.9

(a) Total is equal to the sum of amounts from 2018-19 to 2021-22.

(b) Equivalent to cash payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(c) Under the *Future Fund Act 2006*, net Future Fund earnings will be available to meet the Government superannuation liability in 2020-21. From this time, the underlying cash balance includes expected net Future Fund earnings.

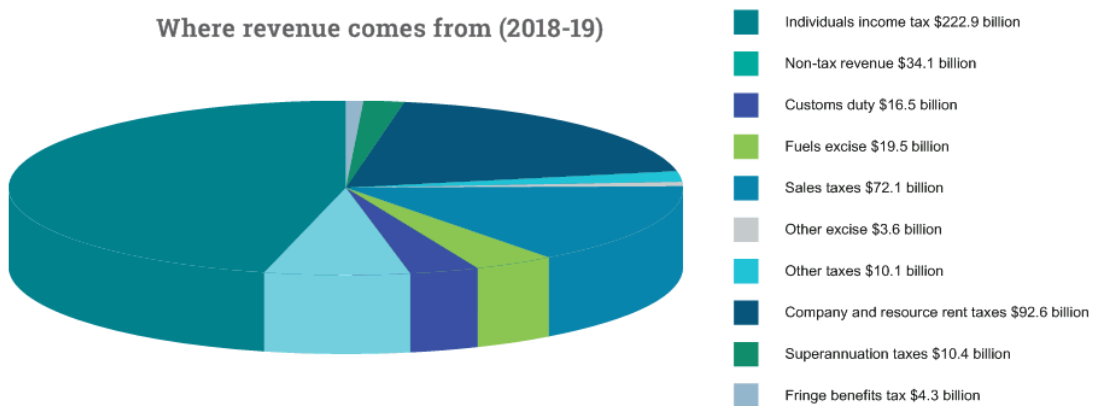
(d) Excludes expected net Future Fund earnings before 2020-21.

Appendix B

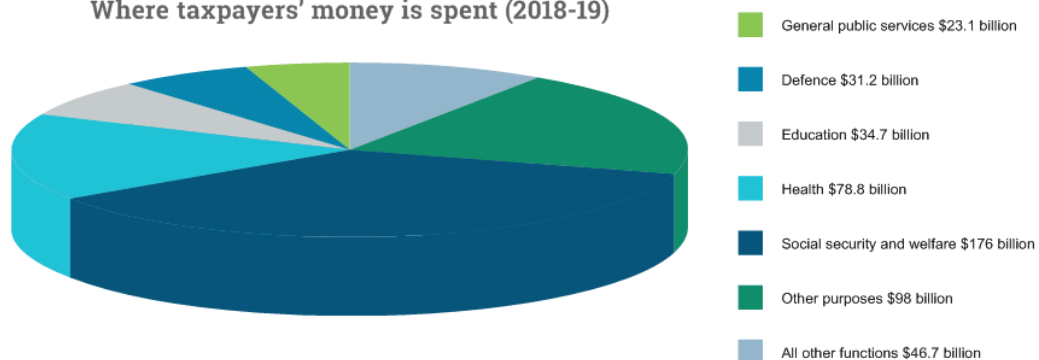
# Revenue and spending

Total revenue for 2018-19 is expected to be \$486.1 billion, an increase of 6.6 per cent on estimated revenue in 2017-18. Total expenses for 2018-19 are expected to be \$488.6 billion, an increase of 4.2 per cent on estimated expenses in 2017-18

Where revenue comes from (2018-19)



Where taxpayers' money is spent (2018-19)



Appendix C

# Major Initiatives

This table summarises the major initiatives in the 2018-19 Budget and their impact on the fiscal balance. More comprehensive information is provided in Budget Paper No. 2, *Budget Measures 2018-19*

## Expense

Initiatives	2017-18	2018-19	2019-20	2020-21	2021-22	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Supporting Our Hospitals – National Health Agreement – public hospital funding	0.0	-50.0	0.0	-330.5	-596.6	<b>-977.1</b>
Pharmaceutical Benefits Scheme – new and amended listings	-16.5	-175.3	-220.8	-255.2	-101.8	<b>-769.7</b>
Great Barrier Reef 2050 Partnership Program	-443.8	-10.1	-4.7	-8.3	-11.1	<b>-478.0</b>
Remote Indigenous Housing in the Northern Territory	0.0	-110.0	-110.0	-110.0	-110.0	<b>-440.0</b>
National Research Infrastructure Investment Plan – implementation of Government response	-199.2	-5.5	-25.6	-76.4	-86.6	<b>-393.3</b>
Funding to Boost Services in the Northern Territory	-259.6	0.0	0.0	0.0	0.0	<b>-259.6</b>
More Choices for a Longer Life – finances for a longer life	0.0	-21.2	-92.7	-74.8	-69.8	<b>-258.6</b>
Managing the Skilling Australians Fund – revised implementation arrangements	-250.0	0.0	0.0	0.0	0.0	<b>-250.0</b>
National School Chaplaincy Programme – continuation	0.0	-61.7	-61.7	-61.7	-61.7	<b>-247.0</b>
Building Better Regions Fund – round three	0.0	-40.1	-108.1	-48.4	-9.9	<b>-206.5</b>

All figures are in net fiscal impact terms.  
 Totals may not sum due to rounding.



Appendix C

# Major Initiatives

## Revenue

Initiatives	2017-18	2018-19	2019-20	2020-21	2021-22	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Personal Income Tax Plan	0.0	-360.0	-4,120.0	-4,420.0	-4,500.0	<b>-13,400.0</b>
Personal Income Tax – retaining the Medicare levy rate at 2 per cent	0.0	-400.0	-3,550.0	-4,250.0	-4,600.0	<b>-12,800.0</b>
Black Economy Package – Combating Illicit Tobacco	0.0	-15.0	3,250.7	148.0	193.4	<b>3,577.2</b>
Better targeting the Research and Development Tax Incentive	0.0	314.2	641.4	763.7	718.9	<b>2,438.2</b>
Black Economy Package – New and enhanced ATO enforcement against the Black Economy	0.0	339.7	466.6	533.0	577.6	<b>1,916.9</b>
Personal Income Tax – ensuring individuals meet their tax obligations	0.0	180.0	258.2	276.5	276.8	<b>991.4</b>
Protecting Your Super Package – changes to insurance in superannuation	0.0	0.0	223.8	228.0	245.2	<b>697.0</b>
A firm stance on tax and superannuation debts	0.0	-149.3	-152.2	-156.0	-159.8	<b>-617.4</b>
Black Economy Package – further expansion of taxable payments reporting	0.0	-3.8	47.4	263.6	298.6	<b>605.8</b>
Superannuation – better integrity over deductions for personal contributions	-0.4	89.1	109.2	109.5	119.5	<b>426.9</b>

All figures are in net fiscal impact terms.  
 Totals may not sum due to rounding.

## Appendix D

# Major Savings

This table summarises the major savings in the 2018-19 Budget and their impact on the fiscal balance. More comprehensive information is provided in Budget Paper No. 2, *Budget Measures 2018-19*

Initiatives	2017-18	2018-19	2019-20	2020-21	2021-22	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Visas for General Practitioners – targeting areas of doctor shortages	0.0	0.4	57.8	132.4	224.9	<b>415.5</b>
Improving Access to Medicines – encouraging greater use of generic and biosimilar medicines	-4.5	-17.2	39.0	119.7	165.5	<b>302.6</b>
Social Welfare Debt Recovery	0.0	0.0	-8.8	-8.1	316.1	<b>299.3</b>
Establishment of the Home Affairs Portfolio – efficiencies	0.6	28.6	52.7	76.6	97.7	<b>256.3</b>
Encouraging Self-Sufficiency for Newly Arrived Migrants – extension	0.7	-0.2	-1.0	-1.6	204.6	<b>202.5</b>
Maintaining the Level of Official Development Assistance	0.0	10.2	10.2	10.2	110.5	<b>141.1</b>
Improving Access to Medicines – strengthening the quality use of healthcare services	-0.1	-1.2	8.9	28.2	41.8	<b>77.6</b>
Streamlining Services for Refugees	0.0	4.0	16.8	21.8	25.6	<b>68.1</b>
Endeavour Leadership Program – efficiencies	0.0	7.2	15.2	17.2	23.3	<b>62.9</b>
Improved Dental and Allied Health	0.0	-1.1	17.2	13.8	10.7	<b>40.7</b>

All figures are in net fiscal impact terms.  
Totals may not sum due to rounding.

Appendix E

# Detailed economic forecasts<sup>(a)</sup>

The table below shows the Government's macroeconomic forecasts. More comprehensive information is provided in Budget Paper No.1, Statement 2

	Outcomes (b)		Forecasts	
	2016-17	2017-18	2018-19	2019-20
<b>Real gross domestic product</b>	2.1	<b>2 3/4</b>	<b>3</b>	<b>3</b>
Household consumption	2.6	2 3/4	2 3/4	3
Dwelling investment	2.8	-3	1 1/2	0
Total business investment(c)	-4.0	4 1/2	3	4 1/2
By industry				
Mining investment	-24.2	-11	-7	3 1/2
Non-mining investment	6.1	10 1/2	5 1/2	5
Private final demand(c)	1.4	2 1/2	2 1/2	3
Public final demand(c)	5.1	4 3/4	3	2 3/4
Change in inventories(d)	0.1	-1/4	0	0
Gross national expenditure	2.4	3	2 3/4	3
Exports of goods and services	5.5	2 1/2	4	2 1/2
Imports of goods and services	4.9	5	2	2 1/2
Net exports(d)	0.0	-1/2	1/4	0
Nominal gross domestic product	5.9	4 1/4	3 3/4	4 3/4
Prices and wages				
Consumer price index(e)	1.9	2	2 1/4	2 1/2
Wage price index(f)	1.9	2 1/4	2 3/4	3 1/4
GDP deflator	3.8	1 3/4	3/4	1 1/2
Labour market				
Participation rate (per cent)(g)	65.0	65 1/2	65 1/2	65 1/2
Employment(f)	1.9	2 3/4	1 1/2	1 1/2
Unemployment rate (per cent)(g)	5.6	5 1/2	5 1/4	5 1/4
Balance of payments				
Terms of trade(h)	14.4	1 1/2	-5 1/4	-2 1/4
Current account balance (per cent of GDP)	-2.1	-2 1/4	-2 3/4	-3 1/4

(a) Percentage change on preceding year unless otherwise indicated.

(b) Calculated using original data unless otherwise indicated.

(c) Excluding second-hand asset sales from the public sector to the private sector.

(d) Percentage point contribution to growth in GDP.

(e) Through-the-year growth rate to the June quarter.

(f) Seasonally adjusted, through-the-year growth rate to the June quarter.

(g) Seasonally adjusted rate for the June quarter.

(h) The forecasts are underpinned by price assumptions for iron ore, metallurgical coal and thermal coal.

Note: The forecasts for the domestic economy are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level – a trade-weighted index of around 63 and a US\$ exchange rate of around 77 US cents. Interest rates are assumed to move broadly in line with market expectations. World oil prices (Malaysian Tapis) are assumed to remain around US\$71 per barrel.

Source: ABS cat. no. 5206.0, 5302.0, 6202.0, 6345.0, 6401.0, unpublished ABS data and Treasury.

Appendix F

# Historical budget and net financial worth data

This table provides historical data and forward estimates for Australian Government General Government Sector

	Receipts(a)		Payments(b)		Underlying cash balance(c)		Net financial worth(d)	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1999-00	166,199	25.1	153,192	23.2	13,007	2.0	-70,414	-10.7
2000-01	182,996	26.0	177,123	25.1	5,872	0.8	-75,544	-10.7
2001-02	187,588	24.9	188,655	25.0	-1,067	-0.1	-81,707	-10.8
2002-03	204,613	25.6	197,243	24.6	7,370	0.9	-86,456	-10.8
2003-04	217,775	25.3	209,785	24.4	7,990	0.9	-75,976	-8.8
2004-05	235,984	25.6	222,407	24.1	13,577	1.5	-62,372	-6.8
2005-06	255,943	25.7	240,136	24.1	15,757	1.6	-63,442	-6.4
2006-07	272,637	25.1	253,321	23.3	17,190	1.6	-39,370	-3.6
2007-08	294,917	25.1	271,843	23.1	19,754	1.7	-18,428	-1.6
2008-09	292,600	23.3	316,046	25.1	-27,013	-2.1	-75,465	-6.0
2009-10	284,662	21.9	336,900	25.9	-54,494	-4.2	-148,930	-11.5
2010-11	302,024	21.4	346,102	24.5	-47,463	-3.4	-203,904	-14.4
2011-12	329,874	22.0	371,032	24.8	-43,360	-2.9	-360,672	-24.1
2012-13	351,052	22.9	367,204	23.9	-18,834	-1.2	-317,843	-20.7
2013-14	360,322	22.6	406,430	25.5	-48,456	-3.0	-375,882	-23.6
2014-15	378,301	23.3	412,079	25.4	-37,867	-2.3	-427,169	-26.3
2015-16	386,924	23.3	423,328	25.5	-39,606	-2.4	-548,028	-33.0
2016-17	409,868	23.3	439,375	25.0	-33,151	-1.9	-529,225	-30.1
2017-18 (e)	445,146	24.3	459,881	25.1	-18,238	-1.0	-466,301	-25.4
<b>2018-19 (e)</b>	<b>473,745</b>	<b>24.9</b>	<b>484,648</b>	<b>25.4</b>	<b>-14,462</b>	<b>-0.8</b>	<b>-482,917</b>	<b>-25.4</b>
2019-20 (e)	503,666	25.3	497,514	25.0	2,234	0.1	-482,097	-24.2
2020-21 (p)	525,458	25.2	514,501	24.7	10,957	0.5	-471,324	-22.6
2021-22 (p)	553,966	25.5	537,347	24.7	16,619	0.8	-453,871	-20.9

- (a) Receipts are equal to cash receipts from operating activities and sales of non-financial assets.  
 (b) Payments are equal to cash payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.  
 (c) Between 2005-06 and 2019-20, the underlying cash balance is equal to receipts less payments, less net Future Fund earnings. For the years 1970-71 to 2004-05 and from 2020-21 onwards, the underlying cash balance is equal to receipts less payments.  
 (d) Net financial worth is equal to financial assets less total liabilities.  
 (e) Estimates.  
 (p) Projections.