



Australian Council of Social Service

Federal Budget 2013 – 14

Initial Analysis

ACOSS Paper 201

May, 2013



ACOSS would like to thank Solange Frost, NCOSS, for her assistance in the production of this paper.

First published in 2013 by the
Australian Council of Social Service

The Australian Council of Social Service is the peak body of the community services and welfare sector and the national voice for people affected by poverty and inequality. ACOSS' vision is for a fair, inclusive and sustainable Australia where all individuals and communities can participate in and benefit from social and economic life.

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ISSN: 1326 7124
ISBN: 978 0 85871 060 3

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Part I: Introduction

This initial ACOSS briefing on the 2013-14 Federal Budget outlines key measures announced in the Budget in areas of interest to ACOSS members, to assist members in their work. This briefing does not offer extensive comment on the merit or otherwise of these measures.

This paper begins with a general background on Budget revenue and expenses. The key measures in ACOSS' major policy areas are then outlined: income support; employment, education and training; health; housing, community services; policies affecting Aboriginal and Torres Strait Islander peoples; energy, climate change and taxation. The paper ends with a general outline of the major initiatives and savings as nominated by the Government.

a. Budget deficit

The Budget remains in deficit in 2013-14 by \$18 billion or 1.1% of GDP (table 1). The shift from a forecast surplus of \$1 billion to a deficit is due to lower revenue estimates, mainly from company income tax as the mining boom has peaked. If revenue had maintained its 2007-08 level (in proportion to GDP) the Government would now collect over \$20 billion more and the Budget would be in surplus.

The Government has maintained its commitment to keep a 2% (real) per annum cap on spending increases in place until the surplus reaches at least 1% of Gross Domestic Product (GDP), or around \$16 billion.

Table 1: Australian Government Budget revenue, expenses and balances

	Actual	Estimates			Projections	
	2011-12 \$b	2012-13 \$b	2013-14 \$b	2014-15 \$b	2015-16 \$b	2016-17 \$b
Receipts	329.9	350.4	376.0	401.2	428.9	453.6
Per cent of GDP	22.4	23.0	23.5	23.9	24.3	24.4
Payments(a)	371.0	367.3	391.2	409.1	425.0	443.7
Per cent of GDP	25.2	24.2	24.5	24.4	24.0	23.8
Net Future Fund earnings	2.2	2.5	2.8	2.9	3.1	3.3
Underlying cash balance(b)	-43.4	-19.4	-18.0	-10.9	0.8	6.6
Per cent of GDP	-2.9	-1.3	-1.1	-0.6	0.0	0.4
Revenue	338.1	360.0	387.7	411.6	438.1	468.6
Per cent of GDP	22.9	23.7	24.3	24.5	24.8	25.2
Expenses	377.7	381.4	398.3	415.7	431.0	454.7
Per cent of GDP	25.6	25.1	24.9	24.8	24.4	24.4
Net operating balance	-39.6	-21.5	-10.6	-4.1	7.1	13.8
Net capital investment	4.9	-1.2	2.9	2.2	1.1	3.0
Fiscal balance	-44.5	-20.3	-13.5	-6.3	6.0	10.8
Per cent of GDP	-3.0	-1.3	-0.8	-0.4	0.3	0.6
<i>Memorandum item:</i>						
Headline cash balance	-47.0	-22.2	-25.3	-21.0	-8.6	-3.3

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

(b) Excludes net Future Fund earnings.

Source: Budget Paper No 1

b. Impact of economic conditions and policy decisions on the Budget

In our 'Cutting Waste in the Federal Budget to fund essential services' report¹ and our Budget Priority Statement (BPS) for 2013², ACOSS argued that the Budget should curb wasteful and poorly targeted spending and tax breaks to make room for necessary investments in economic and social infrastructure (including a National Disability Insurance Scheme and increases in the lowest social security payments). Many of the savings measures advocated by ACOSS have been announced in this Budget, as can be seen in following tables.

As shown in Table 2, policy decisions since the end of last year are estimated to add \$300 million to revenue in 2013-14 and \$5,600 million in 2014-15, and to increase spending by \$1,000 million in 2013-14 but reduce it by \$600 million in 2014-15.

¹ ACOSS 2013 Available at:

http://acoss.org.au/images/uploads/ACOSS%20cutting%20budget%20waste%20March%202013_final.pdf

² ACOSS 2013. Available at: http://acoss.org.au/papers/acoss_budget_priorities_statement_2013

Table 2: Reconciliation of 2012-13 Budget, 2012-13 MYEFO and 2013-14 Budget underlying cash balance estimates

	Estimates			Projections
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
2012-13 Budget underlying cash balance(a)	1,536	2,044	5,318	7,469
Per cent of GDP	0.1	0.1	0.3	0.4
Changes from 2012-13 Budget to 2012-13 MYEFO				
Effect of policy decisions(b)	1,411	5,121	1,917	1,897
Effect of parameter and other variations	-1,869	-5,000	-3,910	-2,958
Total variations	-458	121	-1,993	-1,061
2012-13 MYEFO underlying cash balance(a)	1,077	2,165	3,325	6,408
Per cent of GDP	0.1	0.1	0.2	0.4
Changes from 2012-13 MYEFO to 2013-14 Budget				
Effect of policy decisions(b)(c)				
<i>Receipts</i>	-56	255	5,603	9,521
<i>Payments</i>	2,302	975	-584	-2,803
Total policy decisions impact on underlying cash balance	-2,358	-720	6,188	12,324
Effect of parameter and other variations(c)				
<i>Receipts(d)</i>	-16,358	-17,024	-14,557	-15,306
<i>Payments</i>	1,738	2,464	5,843	2,576
Total parameter and other variations impact on underlying cash balance	-18,096	-19,488	-20,400	-17,882
2013-14 Budget underlying cash balance(a)	-19,377	-18,043	-10,888	849
Per cent of GDP	-1.3	-1.1	-0.6	0.0

(a) 2012-13 MYEFO and 2013-14 Budget figures exclude expected net Future Fund earnings, whereas 2012-13 Budget figures exclude expected gross Future Fund earnings.

(b) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

(c) A positive number for revenue indicates an increase in the fiscal balance, while a positive number for expenses and net capital investment indicates a decrease in the fiscal balance.

(d) Receipts will differ from the cash receipts reconciliation published in Budget Statement 5 as the table above excludes Future Fund earnings while Statement 5 includes Future Fund earnings.

Source: Budget Paper No 1

c. Estimates for key economic indicators

Economic growth is estimated at 2.75% in 2013-14, rising to 3% in 2014-15.

Unemployment is forecast to rise from 5.5% to 5.75%. Increases in the Consumer Price Index (CPI) are expected to remain stable at 2.25%. These are some of the assumptions and parameters that affect Budget revenue and expenditure, as outlined in Table 3.

Table 3: Domestic economy forecasts

	Outcomes(b)		Forecasts	
	2011-12	2012-13	2013-14	2014-15
Panel A - Demand and output(c)				
Household consumption	3.2	2 1/2	3	3
Private investment				
Dwellings	-3.6	1/2	5	5 1/2
Total business investment(d)	20.8	10 1/2	4 1/2	1
Non-dwelling construction(d)	37.6	18 1/2	5	-2 1/2
Machinery and equipment(d)	10.1	1 1/2	2 1/2	5
Private final demand(d)	6.2	4	3 1/2	2 3/4
Public final demand(d)	2.3	- 1/2	0	1/2
Total final demand	5.3	3	2 3/4	2 1/4
Change in inventories(e)	-0.1	0	0	0
Gross national expenditure	5.2	3	2 3/4	2 1/4
Exports of goods and services	4.7	7	6 1/2	7
Imports of goods and services	11.8	5	6	3
Net exports(e)	-1.3	1/2	0	1
Real gross domestic product	3.4	3	2 3/4	3
Non-farm product	3.3	3	2 3/4	3 1/4
Farm product	9.0	-8	4	0
Nominal gross domestic product	5.0	3 1/4	5	5
Panel B - Other selected economic measures				
External accounts				
Terms of trade	0.4	-7 1/2	- 3/4	-1 3/4
Current account balance (per cent of GDP)	-2.7	-3 1/2	-3 3/4	-3 1/4
Labour market				
Employment(f)	1.2	1 1/4	1 1/4	1 1/2
Unemployment rate (per cent)(g)	5.1	5 1/2	5 3/4	5 3/4
Participation rate (per cent)(g)	65.3	65	65	65
Prices and wages				
Consumer price index(h)	1.2	2 1/2	2 1/4	2 1/4
Gross non-farm product deflator	1.7	0	2	1 3/4
Wage price index(f)	3.7	3 1/2	3 1/2	3 1/2

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

(b) Calculated using original data unless otherwise indicated.

(c) Chain volume measures except for nominal gross domestic product which is in current prices.

(d) Excluding second-hand asset sales between the public sector and the private sector.

(e) Percentage point contribution to growth in GDP.

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

(g) Seasonally adjusted rate for the June quarter.

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

Note: The forecasts are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level — a trade-weighted index of around 78 and a United States dollar exchange rate of around 103 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\$106 per barrel. The farm sector forecasts are based on an assumption of average seasonal conditions.

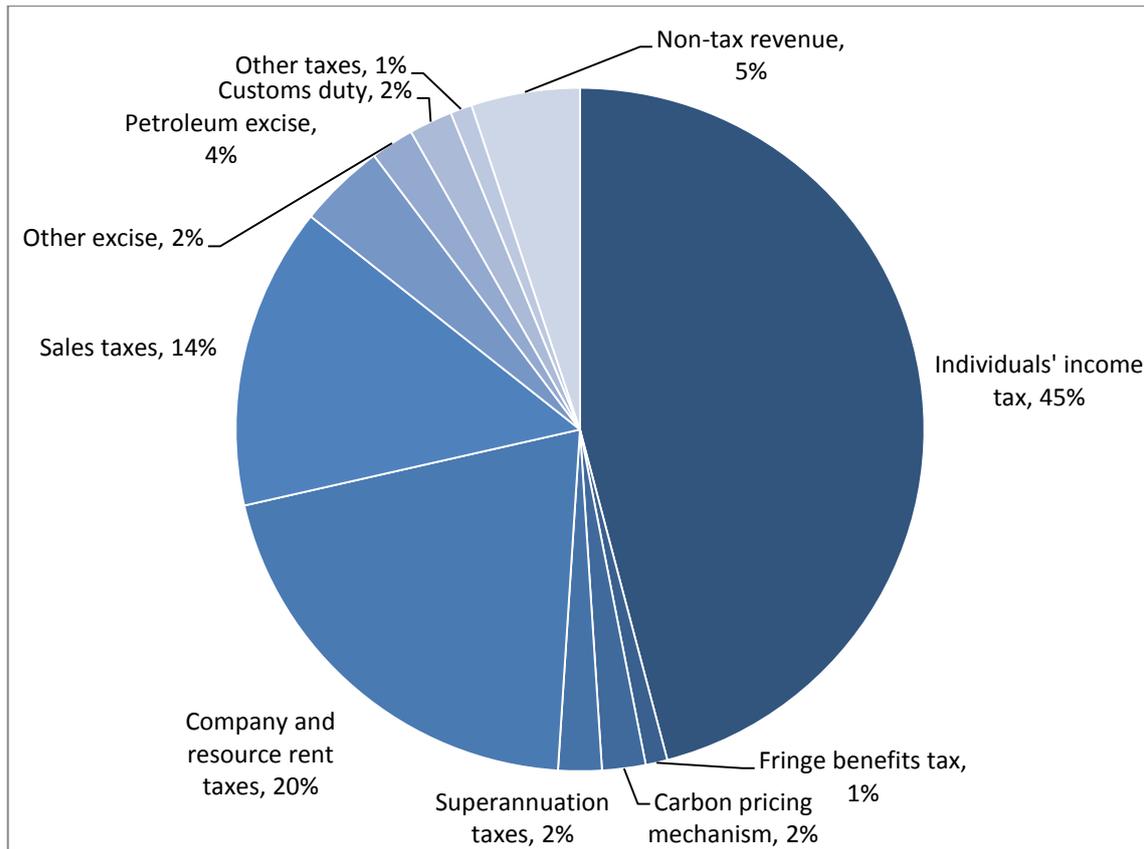
Source: ABS cat. no. 5206.0, 5302.0, 6202.0, 6345.0, 6401.0, unpublished ABS data and Treasury.

Source: Budget Paper No 1

d. Profile of Government revenue and expenditure

The majority of revenue (45%) comes from individuals' income tax.

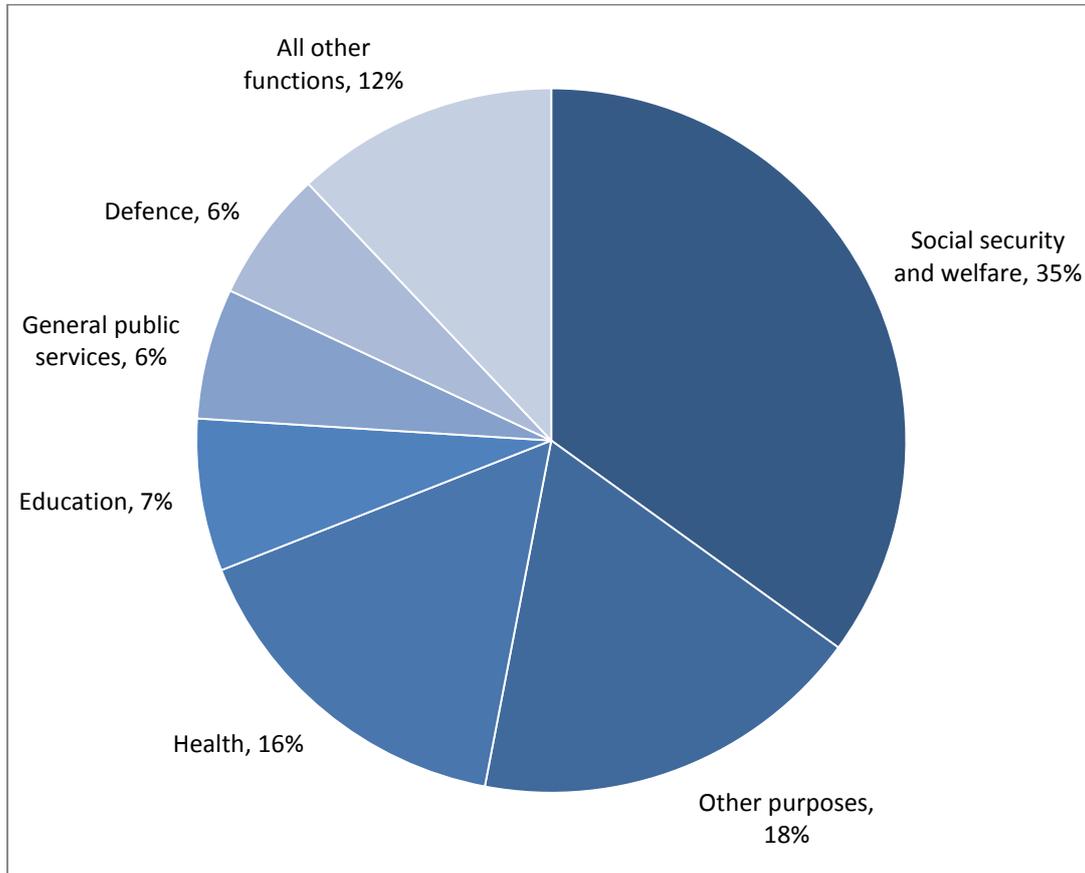
Graph 1: Government Revenue



Source: Budget Overview

The Australian Government spends 58% of its budget, or \$232bn, on social measures. This includes 35% or \$138bn on social security and welfare (including many community services), 16% or \$65bn on health, and 7%, or \$30bn, on education (Graph 2).

Graph 2: Government spending



Source: Budget Overview

Part 2. Analysis

The tables below provide more detailed summaries of key Budget measures in ACOSS' policy areas but do not, of course, include all Budget measures. These areas are listed in alphabetical order.

Note that a positive sign for expenditures indicates a cost to Government, a negative sign is a saving (in red type); conversely a positive sign for a revenue measure is a saving (increased revenue) and a negative sign represents a loss of revenue.

a. Aboriginal and Torres Strait Islander Peoples

Aboriginal and Torres Strait Islander Peoples Measures	Impact	Annual cost \$m in 2013-14	Annual cost \$m in 2014-15
National Congress of Australia's First Peoples	Continued funding to the National Congress of Australia's First Peoples. National Congress also approved as a deductible gift recipient (DGR).	-	5 (15 over 3 years)
Indigenous Education (Targeted Assistance) Act 2000	Extend funding for programs previously funded under the <i>Indigenous Education (Targeted Assistance) Act 2000 (IETA)</i> .	-	(800 over 6 years)
Cape York Welfare Reform See also <i>income support</i>	Continuation of funding for Income Management and support for parents to keep children at school.	7	11
Income Management – WA See also <i>income support</i>	Continue and expand income management in Western Australia. Includes continuation of trials in the Kimberly Region and Perth until 30 June 2014, and the expansion of income management into Laverton and the Ngaanyatjarra which started in April 2013.	12	
Closing the Gap in Indigenous Health Outcomes	New NPA for closing the gap on Indigenous Health Outcomes, announced in April 2013.		777 over 3 years
Aboriginal and Torres Strait Islander Legal Services	Increase in funding over 2 years for Aboriginal and Torres Strait Islander Legal Services.	6	6

b. Community Services

Community Services Measures	Impact	Annual cost \$m in 2013-14	Annual cost \$m in 2014-15
National Disability Insurance Scheme	<p>Full implementation of DisabilityCare Australia to occur by 1 July 2019. This will allow 460,000 people with 'permanent or significant disability' to plan and receive individualised, lifetime care and support.</p> <p>Launch phase in South Australia and Tasmania for children and young adults, along with the Barwon region in Victoria from 2013. ACT and the Barkly region in the NT from 2014. Full coverage in NSW, South Australia and ACT by 2018 and in Victoria, QLD, Tasmania and the NT by 2019.</p> <p>DisabilityCare Australia to continue assisting currently funded disability providers to make the transition to the new scheme.</p> <p>Payments and benefits provided by the scheme will be exempt from income tax. GST law will also be amended to make particular supports delivered under the scheme to be GST-free.</p> <p>Partly funded by an increase in the Medicare levy by half a percentage point from 1.5 to 2% from 2014 (see <i>taxation</i>).</p>	27	27 (14,300 over 7 years)
Extend Child Care Rebate indexation pause	<p>Continue the pause on the indexation of Child Care Rebate (CCR) annual cap for a further three years.</p> <p>Maximum amount of CCR will remain at \$7,500 a year until 2017.</p> <p>This will mainly affect high income families, who have the highest gap fees.</p>	-	-14

Community Services Measures	Impact	Annual cost \$m in 2013-14	Annual cost \$m in 2014-15
Childcare Workforce - Establishment of Early Years Quality Fund	Funding to support early childhood education and support workplace reform. Including \$6.2 million over four years to establish a Pay Equity Unit in the Fair Work Commission.	140	170
Deferral of growth target for overseas aid funding	The 0.5% of GDP target will be deferred from 2016 to 2017		-327
Foundation to Prevent Violence against Women and their Children	Foundation to work with community and business to raise awareness and prevent violence.	-	-
Establish Australian Gambling Research Centre	Establish independent research body within the Australian Institute for Family Studies to research the effects of gambling and harm reduction measures for problem gambling.	-	-
Establish National Gambling Reform Regulator	Regulator to monitor and investigate compliance with gambling legislation, which aims to reduce harm from problem gambling on gaming machines.	-	-
Additional funding to community legal centres	Funding for legal advice on family law, mortgage stress and tenancy law for disadvantaged people.	3	3
Additional funding to State and Territory Legal Aid Commissions	Increase in funding over 2 years for state and territory Legal Aid Commissions.	15	15
Additional funding for financial literacy	Payments to states and territories to improve financial literacy under a new National Partnership for MoneySmart Teaching program.	1	1 (5 over 4 years)
Community Development Financial Institutions (CDFI) Pilot extended	One year extension of the CDFI pilot program which provides access to affordable credit and financial literacy assistance for people excluded from mainstream services.	3	-

c. Employment, Education and Training

Employment, Education and Training Measures	Impact	Annual cost \$m in 2013-14	Annual cost \$m in 2014-15
New funding formula to improve equity and efficiency of schools funding, subject to negotiations with States and Territories	<p>\$9,271 per primary school student and \$12,193 per high school student, plus loadings for schools and including regional and remote schools, small schools, low socioeconomic status students, Indigenous students, students with low English proficiency and students with disabilities.</p> <p>Schools that are 'over-funded' will receive current funding plus 3% real increases each year. Increases funded 65% by Commonwealth and 35% by States.</p> <p>This is partly funded by \$270m in cuts to university funding.</p>	473	479 (9,800 over 6 years)
Extend priority employment area initiatives	<p>These will be extended for one year to 2014, but there is no allocation beyond that.</p> <p>They include Local Employment Coordinators and Jobs Expos.</p>	16	-
Extend Youth attainments and transitions program	<p>Programs currently funded through the Youth Attainment and Transitions National Partnership will be extended for 12 months until the end of 2014, including Youth Connections, School Business Community Partnership Brokers programs and initiatives under the National Career Development (NCD) Strategy.</p>	63	65
Reduction in Job Services Australia funding for voluntary clients	<p>Outcome payments will be removed for these clients where they have not fully participated in employment assistance.</p>	-5	-17
Increase in funding for disability employment services assisting people with moderate intellectual disabilities	<p>A special loading for this client group will increase from 70% to 88%, for providers achieving employment outcomes.</p>		

Employment, Education and Training Measures	Impact	Annual cost \$m in 2013-14	Annual cost \$m in 2014-15
Extend existing Connecting People with Jobs program	This program, which subsidises relocation of jobseekers, will continue for another 2 years.	2	1
Extend existing JET Child Care Assistance for basic education courses	Funding will extend for child care for courses such as Year 12 equivalent courses for parents over 20 years old.	-	-
Higher Education Support Act 2003 - Efficiency dividend	Dividend (funding cut) of 2.0 per cent in 2014 and 1.25 per cent in 2015 to most grants provided under the Higher Education Support Act.	-85	-228
Convert Student Start-up Scholarships to Income Contingent Loans	These scholarships will be offered as income contingent loans to full-time higher education students in receipt of Youth Allowance, Austudy or ABSTUDY.	-38	-233

d. Energy and Climate Change

Energy and Climate Change Measures	Impact	Annual cost \$m in 2013-14	Annual cost \$m in 2014-15
Energy market reform – additional funding to the Australian Energy Regulator	Additional functions of AER arising from proposed changes to the framework for energy network regulation, including enhanced AER scrutiny of network infrastructure and funding for establishment of Consumer Challenge Panel.	7	6 (23 over 4 years)
Energy consumer data system	New data system to assist energy consumers to better manage their energy usage and costs, including by comparing different retail supply offers.	-	-

Energy and Climate Change Measures	Impact	Annual cost \$m in 2013-14	Annual cost \$m in 2014-15
	It is unclear whether this is the existing Australian Energy Regulator (AER)'s price comparison website, Energy Made Easy.		
Australian Renewable Energy Agency – deferral of Funding	Delay funding of 370 million over 3 years to beyond the forward estimates, and extend funding for the Agency's activities by 2 years to 2021-22. Reduces the average annual program funding for the agency, which provides grants and finances for development of renewable energy and related technologies.	0	70
Community Energy Efficiency Programs – concluding rounds	Not proceed with further funding rounds for the <i>Community Energy Efficiency Program</i> and the <i>Low Income Energy Efficiency Program</i> . Existing Round 2 applications will be considered in accordance with the guidelines and funding will continue to be provided for previously agreed projects.	-18	-49

e. Health

Health Measures	Impact	Annual cost \$m in 2013-14	Annual cost \$m in 2014-15
Child Dental Benefits Schedule	ACOSS advocated funding of basic dental health services for children in the BPS. Basic dental health services subsidised through private dentists for children aged 2-17 years. Replaces Medicare Teen Dental	166	516 (2,900 over 6 years)

Health Measures	Impact	Annual cost \$m in 2013-14	Annual cost \$m in 2014-15
	Plan.		
Additional funding for adult public dental health services	National Partnership on Adult Public Dental Services to support the provision of dental health services to adults who rely on the public dental system.	-	201 (1,300 over 4 years)
	Flexible grants program.	-	51 (277 over 4 years)
Reduce Extended Medicare Safety Net (EMSN)	ACOSS advocated abolition of the Extended Safety Net Increase the upper threshold of the EMSN from 1,221.90 to 2,000 from 1 January 2015. (The lower threshold of 610.70 for concession cards holders and FTB A eligible families remains unchanged).	-0.1	-7.8 (-106 over 4 years)
Medicare Benefits Schedule	Realign indexation of the Medicare Benefits Schedule to the financial year rather than 1 November each year. The next indexation will occur on 1 July 2014.	-160	-153
	Remove out-of-hospital rebate for selected MBS items that should be provided in a hospital setting from 1 March 2013.	-	-
	Remove double billing by GPs for standard consultation and chronic disease management items.	0.2	-25.4
Mental Health Nurse Incentive program	Maintain existing service levels for the Mental Health Nurse Incentive program which provides coordinated clinical support for people with severe and persistent mental illness.	24	-
General Practice Rural Incentive Program	Measures to encourage medical practitioners to move to regional and remote communities.	34	-

Health Measures	Impact	Annual cost \$m in 2013-14	Annual cost \$m in 2014-15
Cancer care	Initiatives to improve cancer treatment and support services for people with cancer, including expanding the BreastScreen Australia Program.	-	(226 over 4 years)

f. Income Support

Income Support Measures	Impact	Annual cost \$m in 2013-14	Annual cost \$m in 2014-15
Ease income test for Allowance payments by raising the free area from \$31 pw to \$50 pw and indexing it to the CPI, but no increase in the maximum payment for singles as sought by ACOSS and its members	People can earn \$20 pw more before losing part of their payment; 150,000 gain an average of \$10pw but another 650,000 (80%) of recipients do not benefit because they cannot find employment.	22	77
Pensioner Education Supplement extended to single parents on Newstart Allowance,	Parents studying fulltime receive up to \$31pw more, but over 100,000 single parents will still transfer to the lower Newstart Allowance.	7	12
Single parents transferred to Newstart Allowance under last year's Budget measure can keep their pensioner health concessions for an additional 12 weeks	About 2,000 parents will keep their pensioner cards for longer, but still lose them after 12 weeks.	1	1
Absorb Baby Bonus into Family Tax Benefit and reduce the maximum rates	Reduce maximum rates of Baby Bonus from \$5,000 to \$2,000 for first child and \$1,000 for subsequent children. Low and middle income families not eligible for paid parental leave receive lower payments. Some high income families lose	-143	-369

Income Support Measures	Impact	Annual cost \$m in 2013-14	Annual cost \$m in 2014-15
	the payment, as FTBA cuts out at approx. \$120,000.		
Withdraw planned increases in FTB for low and middle income families (in 2015).	Family Tax Benefit Part A was to rise by up to \$300 for families earning up to approx. \$120,000 with one child and \$600 for families with two or more. Approx 1.5 million families affected.		(1,800 over 4 years)
Continue freeze on upper income thresholds for FTB to 2017	High income families (generally those on more than \$100,000) receive reduced FTB payments.	1	-207
Extend compulsory income management in WA, and introduce automatic income management for vulnerable young people	Continuation of WA trials and extension to new parts of the State. Automatic income management for young people on Special Benefit, including those leaving prison.	12	-
Extend funding for Cape York welfare reforms <i>See also Aboriginal and Torres Strait Islander policy measures</i>	These will extend for a further 3 years, including Income Management and assistance for parents to keep children at school.	7	11
Remove the special (more generous) pension income test 'deeming rules' for superannuation benefits	The standard income test deeming rules will apply to superannuation benefits, equalising the treatment of superannuation and other investments.	1	2

g. Housing and homelessness

Housing and Homelessness Measures	Impact	Annual cost \$m in 2013-14	Annual cost \$m in 2014-15
Continue funding for National Partnership Agreement on Homelessness (NPAH) for one year	<i>ACOSS advocated continuation in BPS</i> This is a transitional agreement. Includes a \$38 million development fund for additional accommodation.	159	-
Supporting Senior Australians – Housing Help for Seniors	Trial a means test exemption (for proceeds of sale up to \$200,000 held in a special account and untouched) for Age Pension recipients who downsize and move to more ‘age-appropriate’ housing.	4.7	13.3

h. Taxation

Taxation Measures	Impact	Annual revenue \$m in 2013-14	Annual revenue \$m in 2014-15
Cap the Self Education Expenses tax deduction at \$2,000 per year	<i>Advocated in ACOSS BPS</i>	-	(520 over 4 years)
Curb profit shifting by international companies by tightening the thin capitalisation rules	<i>Advocated in ACOSS BPS</i>		190
Phase out of net medical expenses tax offset	<i>Advocated in ACOSS BPS</i> This tax offset reimburses part of ‘gap fees’ (payments not covered by Medicare or the PBS) for medical services exceeding \$2,000 in a year.		(964 over 4 years)
Fund an ATO Task Force to crack down on tax evasion using private trusts	<i>Reform of tax treatment of these trusts advocated in ACOSS BPS</i> This is estimated to collect much more revenue than it costs, by	11	63

Taxation Measures	Impact	Annual revenue \$m in 2013-14	Annual revenue \$m in 2014-15
	cracking down on tax evasion using trust structures.		
Cap the tax exemption for earnings from super funds yielding earnings streams (benefit payments for retirees) at the first \$100,000 in contributions	<p><i>Similar reforms advocated by ACOSS</i></p> <p>This means that, generally speaking, all fund earnings are taxed at the same rate (15%). Affects 16,000 retirees with funds of more \$2 million invested.</p>		<p>2 (356 over 4 years)</p>
<p>Increase concessional superannuation contributions cap for people over 50, from \$25,000 to \$35,000.</p> <p>The cap is the maximum amount that can be contributed in a year to attract tax concessions</p>	<p>This is less than the previously announced increase to \$50,000 so is technically a savings measure.</p> <p>However, the cap is increased to about half average earnings, above what most people can afford to contribute, so will mainly benefit high earners.</p>		
Increase Medicare Levy from 1.5% to 2.0% from July 2014 to fund DisabilityCare	<p>Increase in tax for average wage earner of approx. \$50 per year; low income families exempted. Covers part of the future cost of DisabilityCare Australia (see above).</p>		<p>3,300</p>
Withdraw previously announced increase in tax free threshold (to compensate for higher carbon price post 2015)	<p>The threshold would have increased from \$18,200 to \$19,400, along with an increase in the tax rate for those earning \$37,000- \$80,000).</p> <p>This was a clean energy compensation measure and was not considered necessary unless the carbon price rises to its previously expected level.</p>		<p>(1,490 over 4 years)</p>
Tighten targeting of deduction for mining exploration activity	<p>The deduction will no longer be available immediately for 'intangible' costs.</p>	<p>100</p>	<p>400</p>
Tighten access to Capital Gains Tax exemptions for overseas investors in Australian property			<p>20</p>

i. Major initiatives and savings

The tables below from the Government's Budget Overview paper summarise major initiatives and savings in the 2013-14 Budget and their impact on the fiscal balance. Please note that, in these two tables, new spending is negatively signed (-) and savings are positively signed.

Table 5: Major initiatives in the 2013-14 Budget

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	Total \$m
Nation building infrastructure ^(a)	-195.3	0.0	-517.7	-862.8	-1,510.5	-3,086.3
Bruce Highway						
Brisbane Cross River Rail and Melbourne Metro						
Sydney Motorways (M4 extension, M5 duplication and F3-M2)						
Brisbane Gateway North Upgrade, Melbourne M80 Ring Road widening and Adelaide South Road Upgrade						
Regional projects: Swan Valley Bypass in Western Australia and Midlands Highway in Tasmania						
A National Plan for School Improvement	-17.7	-532.0	-559.9	-754.5	-1,120.4	-2,984.3
New school funding model						
Continued support for students with disabilities						
DisabilityCare Australia	-11.0	-26.6	-44.4	-240.7	-1,563.1	-1,885.8
Boosting productivity through education, skills and research	-16.2	-575.6	-481.0	-76.7	-78.3	-1,227.9
Early Childhood Education – National Partnership Agreement						
Early Years Quality Fund – establishment						
Priority postgraduate and sub-bachelor courses; additional places						
Alternative Pathways Program – establishment						
Future Fellowships scheme – continuation						
Helping the most vulnerable in our society	-66.8	-374.4	-260.6	-195.3	-81.7	-978.8
Youth Attainment and Transitions – extension						
Homelessness National Partnership Agreement						
Increase income-free area for Newstart						
Royal Commission into Institutional Responses to Child Sexual Abuse						
Investing in key health services	-34.3	-207.3	-192.6	-211.0	-231.3	-876.5
Pharmaceutical Benefits Scheme – new and amended listings						
World leading cancer care						
Defence operations and procurement	0.0	-555.4	-226.2	-32.6	-9.7	-823.9
Supporting industry and business	-3.9	-140.0	-181.2	-91.1	-106.4	-522.5
Industry Innovation Precincts						
Opening up opportunities through Australian Industry Participation						
Responding to environmental needs and challenges	-223.7	-133.2	-102.7	-4.4	-16.7	-480.7
Natural Disaster Recovery and Rebuilding						
National Insurance Affordability Initiative						
Drought reform package						
Farm Finance						
Supporting Senior Australians	0.0	-15.5	-16.5	-35.9	-59.0	-127.0
Housing help for seniors - pilot						
Andrew Fisher Applied Policy Institute for Ageing						
Keeping seniors connected						

(a) These programs have been provisioned for in the contingency reserve

SOURCE: Budget Overview, Appendix E

Table 6: Major savings in the 2013-14 Budget

	2012-13	2013-14	2014-15	2015-16	2016-17	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Strong and stable funding for DisabilityCare Australia	0.0	0.0	3342.6	3936.5	4273.7	11,552.7
Medicare Levy increase dedicated to disability spending						
Protecting the corporate tax base	0.0	108.4	895.3	1,499.3	1,693.5	4,196.5
Tightening the rules to prevent profit shifting						
Removal of immediate deductibility for expenditure on exploration rights and information						
Amendments to improve the integrity of the consolidation regime						
Targeting offshore marketing hubs and business restructures						
Improving the operation of the Offshore Banking Unit regime						
Improving the integrity of the foreign resident CGT regime						
Preventing dividend washing						
Funding our National Plan for School Improvement	-1.0	117.9	459.8	966.6	1,060.1	2,603.3
Student Start-up Scholarships as income contingent loans						
1.5% and 1.25% efficiency dividend for two years only for Higher Education additional funding						
Cap deductions for work-related education expenses at \$2,000						
Not proceeding with the additional increase to FTB Part A	0.0	615.8	623.3	632.0	646.4	2,517.5
Family payment reform	-0.5	154.6	488.7	742.8	976.0	2,361.7
Increase FTB - A to replace the baby bonus from 1 March 2014						
Indexation pause extension for upper income test limits for family payments and supplements until the end of the forward estimates						
Changes to Clean Energy Future package	109.8	191.8	256.6	1542.3	1326.7	3,427.3
ODA – Deferring Australia's Growth Target	0.0	0.0	326.5	688.2	906.5	1,921.2
Sustainable health spending	-0.1	154.8	335.3	506.6	736.8	1,733.4
Increase general threshold of Extended Medicare Safety Net						
Realign indexation of MBS to financial year						
Phase out net medical expense tax offset (NMETO)						
Other revenue	0.0	91.6	538.7	1,494.2	999.8	3,124.3
Monthly instalment payments (PAYG) for large taxpayers						
Research and development (R&D) tax incentive savings						
Import Processing Charge – ensuring full cost recovery						
Other	275.0	713.5	2,130.6	3,573.3	4,029.4	10,721.8
Total saves ^(a)	383.3	2,148.4	9,397.4	15,581.6	16,649.0	44,159.8

(a) In underlying cash terms, the Budget delivers savings of \$43 billion over five years.

SOURCE: Budget Overview, Appendix F

