

# Mid-Year Economic and Fiscal Outlook 2016-17

DECEMBER 2016

Statement by

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and

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For the information of honourable members

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## NOTES

- (a) The following definitions are used in this Mid-Year Economic and Fiscal Outlook (MYEFO):
- 'real' means adjusted for the effect of inflation;
  - real growth in expenses and payments is calculated by the Consumer Price Index (CPI) as the deflator;
  - the Budget year refers to 2016-17, while the forward years refer to 2017-18, 2018-19 and 2019-20; and
  - one billion is equal to one thousand million.
- (b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:
- estimates under \$100,000 are rounded to the nearest thousand;
  - estimates \$100,000 and over are generally rounded to the nearest tenth of a million;
  - estimates midway between rounding points are rounded up; and
  - the percentage changes in statistical tables are calculated using unrounded data.
- (c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.
- (d) The following notations are used:
- |         |   |
|---------|---|
| -       | nil   |
| na      | not applicable (unless otherwise specified) |
| \$m     | millions of dollars                         |
| \$b     | billions of dollars                         |
| nfp     | not for publication                         |
| (e)     | estimates (unless otherwise specified)      |
| (p)     | projections (unless otherwise specified)    |
| NEC/nec | not elsewhere classified                    |

- (e) The Australian Capital Territory and the Northern Territory are referred to as 'the Territories'. References to the 'States' or 'each State' include the Territories. The following abbreviations are used for the names of the States, where appropriate:

NSW	New South Wales
VIC	Victoria
QLD	Queensland
WA	Western Australia
SA	South Australia
TAS	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

- (f) In this paper the term Commonwealth refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

The term Australian Government is used when referring to the Government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.

# FOREWORD

The *Mid-Year Economic and Fiscal Outlook 2016-17* (MYEFO) has been prepared in accordance with the *Charter of Budget Honesty Act 1998*. The Charter requires that the Government provide a mid-year budget report which provides updated information on the Government's fiscal position.

Consistent with these requirements:

- **Part 1: Overview** – contains summary information on the key fiscal and economic indicators and outlook.
- **Part 2: Economic outlook** – discusses the domestic and international economic forecasts and projections that underpin the budget estimates.
- **Part 3: Fiscal strategy and outlook** – provides a discussion of the fiscal strategy and outlook, in addition to a summary of the factors explaining variations in the cash flow statement, the operating statement and the balance sheet since the 2016 Pre-election Economic and Fiscal Outlook (PEFO). This part includes discussion of the sensitivity of the budget estimates to changes in economic parameters, confidence intervals around forecasts, expenses by function, tax expenditures, payments to the States, and a debt statement.
- **Appendix A: Policy decisions taken since the 2016 PEFO** – provides details of decisions taken since the 2016 PEFO that affect revenue, expense and capital estimates.
- **Appendix B: Australian Government Budget Financial Statements** – provides financial statements for the general government, public non-financial corporations and total non-financial public sectors.
- **Appendix C: Statement of risks** – provides details of general developments or specific events that may have an impact on the fiscal position, and contingent liabilities which are costs the government may possibly face, some of which are quantified.
- **Appendix D: Historical Australian Government data** – provides historical data for the Australian Government's key fiscal aggregates.



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# PART 1: OVERVIEW

The Government is delivering on its plan for economic growth and jobs, with the budget maintaining an improving trajectory consistent with the Government's fiscal strategy. The budget is projected to return to surplus in 2020-21, the same year as at the 2016 Pre-election Economic and Fiscal Outlook (PEFO).

The net impact of decisions taken since the 2016 PEFO is an improvement to the underlying cash balance of \$2.5 billion over the forward estimates. The Government has also made significant headway in legislating measures to repair the budget, with over \$22 billion of budget repair measures implemented since the election.

The Australian economy continues to transition from the investment phase to the production phase of the mining boom. Economic growth is expected to increase over the forecast period, as the drag from the decline in mining investment dissipates and the economy transitions to broader-based growth, supported by historically low interest rates and a lower Australian dollar.

The Government is delivering on its 2016 election commitments, with new investments designed to support innovation and growth in Australia's cities and regions. These investments build on the Government's economic plan, while further decisions taken to improve the integrity of welfare and taxation systems will assist in maintaining the budget position.

## UPDATED FISCAL OUTLOOK

The underlying cash deficit is expected to narrow from \$36.5 billion (2.1 per cent of GDP) in 2016-17 to \$10.0 billion (0.5 per cent of GDP) in 2019-20. The average annual pace of fiscal consolidation is 0.5 per cent of GDP over the forward estimates period.

**Table 1.1: Budget aggregates**

	Estimates					
	2016-17			2017-18		
	Budget	PEFO	MYEFO	Budget	PEFO	MYEFO
<b>Underlying cash balance(\$b)(a)</b>	<b>-37.1</b>	<b>-37.1</b>	<b>-36.5</b>	<b>-26.1</b>	<b>-26.1</b>	<b>-28.7</b>
Per cent of GDP	-2.2	-2.2	-2.1	-1.4	-1.4	-1.6
<b>Fiscal balance(\$b)</b>	<b>-37.1</b>	<b>-37.1</b>	<b>-41.5</b>	<b>-18.7</b>	<b>-18.7</b>	<b>-22.3</b>
Per cent of GDP	-2.2	-2.2	-2.4	-1.0	-1.0	-1.2
	Projections					
	2018-19			2019-20		
	Budget	PEFO	MYEFO	Budget	PEFO	MYEFO
<b>Underlying cash balance(\$b)(a)</b>	<b>-15.4</b>	<b>-15.4</b>	<b>-19.7</b>	<b>-6.0</b>	<b>-5.9</b>	<b>-10.0</b>
Per cent of GDP	-0.8	-0.8	-1.0	-0.3	-0.3	-0.5
<b>Fiscal balance(\$b)</b>	<b>-9.8</b>	<b>-9.8</b>	<b>-15.3</b>	<b>-2.1</b>	<b>-2.1</b>	<b>-6.4</b>
Per cent of GDP	-0.5	-0.5	-0.8	-0.1	-0.1	-0.3

(a) Excludes expected net Future Fund earnings.

Net debt is projected to peak at 19.0 per cent of GDP in 2018-19 and then decline over the medium term.

The combined impact from both policy decisions and variations means nominal payments are lower in each year of the forward estimates and total payments are forecast to reduce by \$18.5 billion across the forward estimates compared to the 2016 PEFO.

Government payments as a share of GDP have declined since the 2016 PEFO from 25.8 per cent of GDP to 25.2 per cent of GDP in 2016-17 and remain at that level over the forward estimates. Average real growth in payments over the forward estimates is expected to be 1.9 per cent.

Government receipts, although growing, are expected to be affected by softer domestic prices and wages growth. Expected tax receipts, excluding new policy, have been revised down by around \$3.7 billion in 2016-17 and \$30.7 billion over the four years to 2019-20 since the 2016 PEFO.

Recent higher iron ore and coal prices are expected to improve corporate profitability in the mining sector in 2016-17, which is expected to provide some support to tax collections in 2017-18. However, this will be more than offset by the impact of weaker growth in aggregate wages and non-mining profits across the forward estimates.

## UPDATED ECONOMIC OUTLOOK

Real GDP is forecast to grow by 2 per cent in 2016-17, partly reflecting the decline in GDP in the September quarter 2016. Economic growth is expected to pick up to 2¾ per cent in 2017-18 as the detraction from mining investment eases. Exports and household consumption are expected to support growth, with dwelling investment higher in the near term. Non-mining business investment is expected to increase modestly over coming years.

**Table 1.2: Major economic parameters<sup>(a)</sup>**

	Outcomes	Forecasts		Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
Real GDP	2.7	2	2 3/4	3	3
Employment	1.9	1 1/4	1 1/2	1 1/2	1 1/2
Unemployment rate	5.7	5 1/2	5 1/2	5 1/4	5 1/4
Consumer price index	1.0	1 3/4	2	2 1/2	2 1/2
Wage price index	2.1	2 1/4	2 1/2	3 1/4	3 1/2
Nominal GDP	2.3	5 3/4	3 3/4	4 1/4	4 1/2

(a) Year average unless otherwise stated. From 2015-16 to 2017-18, 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 projections.

The outlook for nominal GDP growth is being affected by several competing forces. Inflation and wages growth are expected to be slower than forecast at PEFO, constraining nominal growth – see Part 2. However, the prices of some of Australia’s major commodity exports have risen considerably, which is expected to improve nominal growth in the near term. On balance, it is expected that nominal GDP growth will be stronger than PEFO in 2016-17 but below PEFO in 2017-18 as commodity prices decline from recent levels.

Commodity prices remain a key uncertainty to the outlook for the terms of trade and nominal GDP. After reaching multi-year lows over 2015-16, bulk commodity prices have recently strengthened compared to the assumptions used in the 2016 PEFO. Metallurgical coal prices have increased sharply compared with PEFO, thermal coal prices are significantly higher and iron ore prices have also increased. After broad and deep industry and market consultation, Treasury judged it prudent to suspend the practice of using a recent average of commodity prices to underpin the forecasts for some commodities. An alternative assumption of a phased reduction in prices from recent levels has been adopted in this MYEFO for metallurgical coal and iron ore prices – see Part 2.

Growth in employment will be sustained by continued economic growth and subdued wage growth. The unemployment rate is expected to be relatively stable over the forecast period.

Expectations for global growth have moderated a little since the 2016 PEFO, with weaker than expected outcomes in advanced and emerging economies. While the outlook for global growth remains uncertain, there are some very preliminary signs that are encouraging. The global economy is expected to continue its recovery over coming years.

## **DELIVERING ON THE GOVERNMENT’S ECONOMIC PLAN**

The Government is delivering on its plan for economic growth and jobs, with further investments in infrastructure and regional development building on measures to improve productivity, innovation and competitiveness announced in the 2015-16 MYEFO and 2016-17 Budget.

Subdued income and wage growth highlight the importance of policies that encourage economic growth.

Budget repair remains a key element of the Government’s economic plan. New spending has been more than offset over the forward estimates, with the budget maintaining an improving trajectory consistent with the Government’s fiscal strategy.

## **Progress on budget repair measures**

Since its re-election in July 2016, the Government has made significant progress in working with the Parliament to legislate measures that contribute to the task of repairing the budget. The total impact over the forward estimates of budget repair measures implemented since the 2016 PEFO, including through appropriations and regulations, exceeds \$22 billion.

The passage of the Omnibus Savings Package secured \$6.3 billion in savings over the forward estimates (to 2019-20), growing to around \$25.4 billion over the medium-term (to 2026-27). The majority of the measures in that legislation were spending reductions, including a number of welfare and education spending changes announced in previous updates.

Passage of legislation to increase tobacco excise also achieved a further \$4.7 billion in improvements to the budget over the forward estimates.

The Government also secured passage of the most comprehensive suite of superannuation reforms in a decade, better targeting tax concessions to make the superannuation system fairer and more sustainable while also improving the underlying cash balance by almost \$3 billion over the forward estimates.

There is more work to be done. The revised estimate for the value of the remaining unlegislated budget repair measures announced prior to the 2016-17 MYEFO over the forward estimates on an underlying cash basis, taking account of parameter changes since the original announcement are now a positive impact of \$13.2 billion. This comprises around \$0.7 billion of receipt increases and around \$12.5 billion of payments saves. The Government is committed to working with the Parliament to continue to legislate the savings measures included in the budget bottom line.

## **Decisions taken since PEFO**

The 2016-17 MYEFO includes the budget impacts of implementing the Government's 2016 election commitments, as well as decisions taken since the 2016 PEFO. These decisions continue to build on the Government's economic plan by supporting productivity and growth in Australia's cities and regions.

In keeping with the Government's budget repair strategy, decisions taken since the 2016 PEFO, including the Government's election commitments, improve the budget by \$2.5 billion over the forward estimates.

The Government is continuing its record \$50 billion investment in Australia's land transport infrastructure and is providing \$813 million from 2016-17 to 2019-20 for new projects across Australia under the Infrastructure Investment Programme. Major commitments in the Infrastructure Investment Programme include \$215 million for works on the Pacific Motorway in Queensland and \$60 million for the Outback Way.

The Government will provide \$141 million over four years for new and amended listings on the Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme, as well as \$7.1 million over four years for new and amended items on the Medicare Benefits Schedule and Veterans' Benefits.

The Government remains committed to boosting jobs, investment and growth in regional Australia. The Regional Jobs and Investment package will support regional communities to diversify their economies, stimulate long-term growth and deliver sustainable employment. Similarly, the Building Better Regions Fund will support infrastructure investment and employment generating projects in regional communities.

The Government will deliver on its significant commitments to strengthen and grow Australia's agriculture sector including support for dairy farmers, improving biosecurity and promoting Australian beef. The Government will also provide \$398 million over three years to 2019-20 to secure funding for Commonwealth water functions, consistent with our commitment to deliver the Basin Plan on time and in full. These build on the investments made through the Agriculture White Paper and Northern Australia White Paper.

These commitments build on measures announced in the 2016-17 Budget, including the *ten year enterprise tax plan*, support for young vulnerable people to find a pathway to work and additional funding to secure an advanced local defence manufacturing industry.

The Government also continues to support the productivity of Australian business, including through the National Innovation and Science Agenda, as well as export trade agreements and competition reforms that will drive economic growth and standards of living.

## **Maintaining the budget position**

The Government has taken decisions to improve the integrity of welfare spending and taxation arrangements, which will assist in maintaining the budget position into the medium term.

Consistent with its election commitments, the Government will strengthen the integrity of Australia's social welfare system by ensuring only people in genuine need receive support. Enhanced employment and non-employment income data matching, ensuring accurate disclosure of assets and investments, improved engagement with welfare recipients to better ensure they meet their obligations and improved identification and recovery of debts will improve the Budget by \$2.1 billion over the forward estimates.

## *Part 1: Overview*

The Government is also enhancing the integrity of the tax system by allowing the Australian Taxation Office (ATO) to disclose to credit reporting bureaus the tax debt information of businesses who have not effectively engaged with the ATO to manage these debts. Businesses that do not pay their tax gain an unfair financial and competitive advantage over those that do.

The Government will also provide \$1.6 million to establish a Black Economy Taskforce to develop an innovative, whole-of-government policy response to this problem. Black economy activities disadvantage honest taxpayers, undermine the integrity of our tax and welfare systems and reduce the amount of revenue collected by governments.

The Government has also taken decisions which will strengthen the balance sheet by reducing gross debt and public debt interest payments.

The Government will not proceed with the Asset Recycling Fund (ARF) as announced in the 2014-15 Budget and will continue to progress the closure of the Building Australia Fund (BAF) and Education Investment Fund (EIF). The ARF was intended to contain initial contributions from uncommitted funds in the BAF and EIF and proceeds from the sale of Medibank Private. Given that the ARF is not required to deliver on infrastructure commitments made under the Asset Recycling Initiative, the Government has taken the decision to no longer proceed with its establishment. This decision is projected to reduce gross debt by more than \$10 billion by 2019-20.

From 1 January 2017, the Government will introduce a new vocational education and training (VET) income contingent loans scheme, the VET Student Loans program, to replace the old VET FEE-HELP scheme. Under the old scheme, VET FEE-HELP loans increased from \$26 million in 2009 to over \$2.9 billion in 2015.

The new VET Student Loans program will ensure that vocational education and training loans are student focused and appropriately targeted to industry needs by introducing tougher barriers to entry for providers, introducing loan caps on courses and having stronger course eligibility criteria. This will constrain the unsustainable growth in loans experienced under the VET FEE-HELP loan scheme. The program will reduce the total outstanding HELP debt by an estimated \$7 billion over the forward estimates and \$25 billion over ten years.

The budget remains projected to return to surplus in 2020-21, the same year as at the 2016 PEFO.



## **PART 2: ECONOMIC OUTLOOK**

### **OVERVIEW**

The Australian economy continues to transition from the investment phase to the production phase of the mining boom. Economic growth is expected to increase over the forecast period as the drag from the decline in mining investment dissipates and the economy transitions to broader-based growth, supported by historically low interest rates and a lower Australian dollar.

Real GDP is forecast to grow by 2 per cent in 2016-17, partly reflecting the decline in GDP in the September quarter 2016. Economic growth is expected to pick up to 2¾ per cent in 2017-18 as the detraction from mining investment eases. Exports and household consumption are expected to support growth, with dwelling investment higher in the near term. A modest recovery in non-mining business investment is expected over coming years.

Nominal GDP growth is expected to be 5¾ per cent in 2016-17, stronger than at PEFO. This largely reflects the recent strong gains in commodity prices.

The strength and volatility of commodity prices have presented a particular challenge in framing the forecasts and projections. After broad and deep industry and market consultation, Treasury judged it prudent to suspend the practice of using a recent average of some commodity prices to underpin the forecasts. An alternative assumption of a phased reduction in prices from recent levels has been adopted for metallurgical coal and iron ore.

Coal prices have increased significantly since PEFO as a result of global supply disruptions and changes in Chinese policy that have reduced coal production. Iron ore prices are also higher. Some of the factors driving iron ore and coal prices are likely to be temporary and prices are widely expected to retrace some of their recent gains. In line with this assessment, nominal GDP growth is expected to moderate to 3¾ per cent in 2017-18. Commodity prices remain a key uncertainty to the outlook for the terms of trade and nominal GDP.

Wage growth and consumer price inflation remain weak. With spare capacity in the labour market expected to persist, growth in household incomes and domestic prices are forecast to remain subdued.

### **INTERNATIONAL ECONOMIC OUTLOOK**

The outlook for global growth remains uncertain. While there have been weaker than expected outcomes since the 2016 PEFO in advanced and emerging market economies, there are some very preliminary signs that are encouraging. Global growth is forecast

to pick up from 3 per cent in 2016 to 3¼ per cent in 2017 and 3½ per cent in 2018. This is in part due to higher forecast growth in the United States and Other East Asia economies in 2017 and 2018.

Australia’s major trading partners are forecast to continue to grow at a stronger pace than the global economy, at a rate of 3¾ per cent in 2016 and 4 per cent in 2017 and 2018. This is a slight downward revision from the 2016 PEFO, largely reflecting weaker than expected outcomes in the first half of 2016, including below average growth in the Other East Asia economies.

The global economic environment continues to be characterised by bouts of financial market volatility. The Australian economy has proved resilient during these periods of volatility and remains well placed to manage the economic and financial market uncertainty linked to risks in the global economy.

Global economic growth has been below expectations for some time. The global economy has been characterised by low productivity growth and weak trade growth but relatively low unemployment rates. Inflation has been very subdued. Against this backdrop, major advanced economies’ monetary policies remain accommodative. Uncertainty about the outlook remains elevated and business investment remains weak. The recent support for protectionist sentiments and measures could place further pressure on global growth.

**Table 2.1: International GDP growth forecasts**

	Outcomes	Forecasts		
	2015	2016	2017	2018
China	6.9	6 1/2	6 1/4	6
India	7.2	7 1/2	7 1/2	7 3/4
Japan	1.2	1	1/2	1/2
United States	2.6	1 1/2	2	2
Euro area	1.9	1 1/2	1 1/4	1 1/4
Other East Asia(a)	3.7	3 3/4	4	4 1/4
Major trading partners	4.2	3 3/4	4	4
World	3.2	3	3 1/4	3 1/2

(a) Other East Asia comprises the newly industrialised economies of Hong Kong, South Korea, Singapore and Taiwan and the Association of Southeast Asian Nations group of five (ASEAN 5), comprising Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

Note: World, euro area and Other East Asia growth rates are calculated using GDP weights based on purchasing power parity (PPP), while growth rates for major trading partners are calculated using export trade weights.

Source: National Statistical Agencies, IMF World Economic Outlook October 2016, Thomson Reuters and Treasury.

Growth in the **United States** is forecast to be modest in 2016 following weaker than expected GDP outcomes in the first half of the year. However, momentum in the US economy has improved recently, in part due to businesses restocking inventories. Strong consumption growth and a robust labour market, with falling unemployment and strong jobs growth, should also continue to underpin activity. That said, business investment has been subdued partly due to the ongoing effects of lower oil prices on

energy sector investment. Growth in the US is expected to pick up in 2017 and 2018. The US Federal Reserve resumed raising its policy rate in December 2016 following a rate rise in December 2015, which was the first in more than nine years.

The recovery in the **euro area** is forecast to remain modest. The outcome of the June 2016 'Brexit' referendum resulted in a period of heightened financial market volatility and uncertainty. This volatility has since receded but the economic effects of Brexit can only be judged over a longer timeframe. Banking sector fragility – including high levels of non-performing loans in several countries – remains a risk for the euro area.

The outlook for **China** is particularly important for Australia. The Chinese economy is on track to meet its 2016 annual growth target of between 6.5 and 7 per cent, supported by policy stimulus and strong credit growth. The Chinese authorities continue to seek a balance between providing support to short-term demand, while also progressing longer-term structural reforms aimed at addressing industrial overcapacity and rising risks in the financial system.

Economic activity in the **ASEAN 5** has remained relatively resilient despite subdued global demand. The Indonesian economy has continued to expand, driven by private consumption and public investment. Economic growth in the Philippines and Vietnam has remained strong but has been more moderate in Malaysia and Thailand.

**India** is expected to remain the world's fastest growing major economy over the forecast period, despite some volatility in the near term associated with the withdrawal and exchange of high-denomination currency from circulation. The Indian Government is implementing important reforms to support growth in the medium-term, including a national goods and services tax in 2017 and measures to reduce corruption and formalise the financial sector.

Economic growth in **Japan** is expected to remain subdued through to 2018. The postponement of a consumption tax increase and further stimulus measures announced this year by the Japanese Government and the Bank of Japan are expected to boost growth modestly in the near term. But demographic pressures, persistent low inflation and significant government debt will constrain longer-term growth prospects.

## **DOMESTIC ECONOMIC OUTLOOK**

Australia's real GDP is forecast to grow by 2 per cent in 2016-17. This is weaker than forecast at PEFO, partly reflecting the decline in GDP in the September quarter. Economic growth is forecast to strengthen to 2¾ per cent in 2017-18 as the detraction from mining investment eases. The transition underway in the economy from the investment phase to the production phase of the mining boom is expected to continue. Exports and household consumption are expected to support growth, with dwelling investment higher in the near term. A modest recovery in non-mining business investment is expected over coming years.

**Table 2.2: Domestic economy forecasts<sup>(a)</sup>**

	Outcomes(b)	Forecasts			
	2015-16	2016-17		2017-18	
		PEFO	MYEFO	PEFO	MYEFO
<b>Real gross domestic product</b>	<b>2.7</b>	<b>2 1/2</b>	<b>2</b>	<b>3</b>	<b>2 3/4</b>
Household consumption	2.9	3	2 3/4	3	3
Dwelling investment	10.8	2	4 1/2	1	1/2
Total business investment(c)	-10.4	-5	-6	0	0
<i>By industry</i>					
Mining investment	-27.5	-25 1/2	-21	-14	-12
Non-mining investment	1.2	3 1/2	1 1/2	4 1/2	4 1/2
Private final demand(c)	0.8	1 1/2	1	2 1/2	2 1/2
Public final demand(c)	3.4	2 1/4	3	2	2 1/4
Change in inventories(d)	-0.1	0	0	0	0
Gross national expenditure	1.3	1 3/4	1 3/4	2 1/2	2 1/4
Exports of goods and services	6.7	5	5 1/2	5 1/2	5
Imports of goods and services	-0.3	2 1/2	2	3	3
Net exports(d)	1.4	3/4	3/4	3/4	1/2
Nominal gross domestic product	2.3	4 1/4	5 3/4	5	3 3/4
Prices and wages					
Consumer price index(e)	1.0	2	1 3/4	2 1/4	2
Wage price index(f)	2.1	2 1/2	2 1/4	2 3/4	2 1/2
GDP deflator	-0.3	1 3/4	3 3/4	1 3/4	3/4
Labour market					
Participation rate (per cent)(g)	64.8	65	64 1/2	65	64 1/2
Employment(f)	1.9	1 3/4	1 1/4	1 3/4	1 1/2
Unemployment rate (per cent)(g)	5.7	5 1/2	5 1/2	5 1/2	5 1/2
Balance of payments					
Terms of trade(h)	-10.2	1 1/4	14	0	-3 3/4
Current account balance (per cent of GDP)	-4.5	-4	-1 1/4	-3 1/2	-2

(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 (see Box A).

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 65 and a \$US exchange rate of around 75 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\$49 per barrel.

Source: ABS cat. no. 5204.0, 5206.0, 5302.0, 6202.0, 6345.0, 6401.0, unpublished ABS data, Treasury.

**Household consumption** is expected to continue to grow at a moderate rate, supported by further employment growth and low interest rates. The household saving rate is expected to continue to decline over the forecast period as consumption growth outpaces the modest growth in disposable incomes. Household consumption is forecast to grow by 2¾ per cent in 2016-17 and 3 per cent in 2017-18.

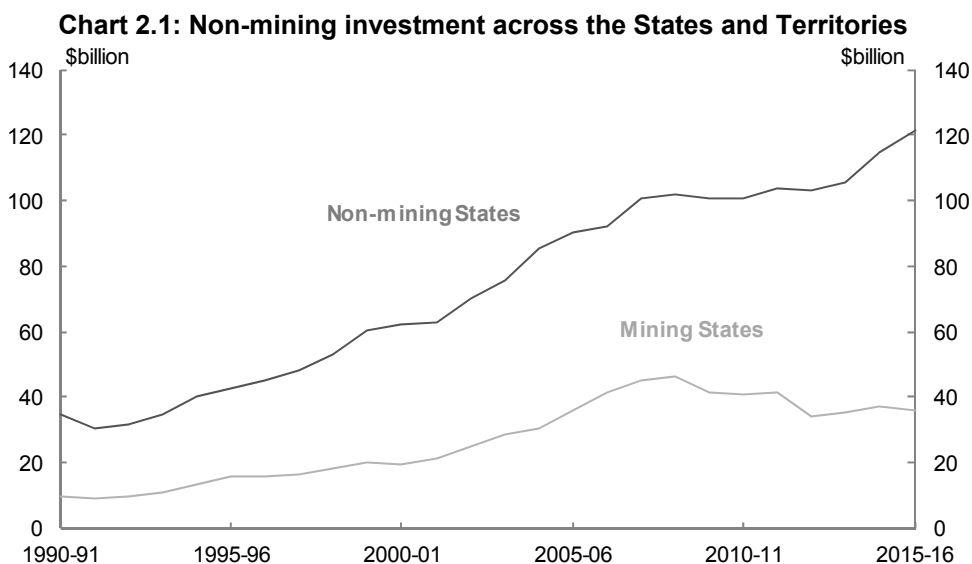
**Dwelling investment** has been robust in recent years, driven by investment in medium-to-high density dwellings. Dwelling investment is forecast to grow by

4½ per cent in 2016-17 before easing to ½ per cent in 2017-18, as the current pipeline of construction – which is evident in the data on building approvals and commencements – is completed.

**Business investment** is forecast to fall by 6 per cent in 2016-17 and to be flat in 2017-18. This reflects further large forecast falls for mining investment of 21 per cent in 2016-17 and 12 per cent in 2017-18. The impact of this decline in mining investment on the economy is expected to diminish over the forecast period.

In line with the transition in the Australian economy, non-mining business investment is expected to rise moderately over coming years. Business conditions in the non-mining sector remain above average and borrowing costs remain low. These factors provide a supportive backdrop for an improvement in non-mining investment.

The transition is playing out differently across the States and Territories. Economic conditions in the mining States remain subdued as mining investment continues to wind down and increased resource exports only partially offset soft domestic demand. In the non-mining States, conditions are generally stronger, with some evidence of a pick-up in non-mining business investment (Chart 2.1).



Note: Investment is in nominal dollars. Mining States comprise Western Australia, Queensland and the Northern Territory. Given data limitations, figures have been interpolated between industries and States using relevant benchmarks to capture estimated activity.

Source: ABS cat. no. 5204.0, 5206.0, 5625.0, 8412.0 and Treasury.

**Exports** are forecast to grow by 5½ per cent in 2016-17 and 5 per cent in 2017-18. Exports are expected to be supported by non-rural commodity exports – LNG and iron ore in particular – and services exports. Services export volumes, including tourism and education services, continue to be supported by a lower exchange rate and rising demand from Asia.

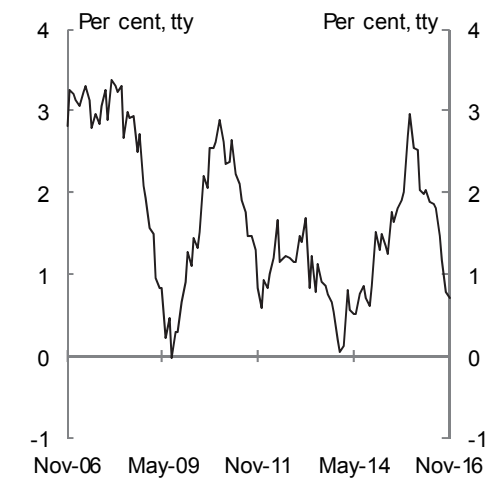
Rural exports are now expected to grow by 1½ per cent in 2016-17 compared to the modest fall forecast at the 2016 PEFO. Rural export volumes in 2016-17 are being supported by high rainfall and other favourable weather conditions. Rural export volumes are expected to grow by 3 per cent in 2017-18.

**Imports** are forecast to grow by 2 per cent in 2016-17 and 3 per cent in 2017-18. Growth in import volumes has been relatively subdued in recent years, reflecting both a lower exchange rate and weakness in capital goods imports as the economy transitions from the investment phase of the mining boom.

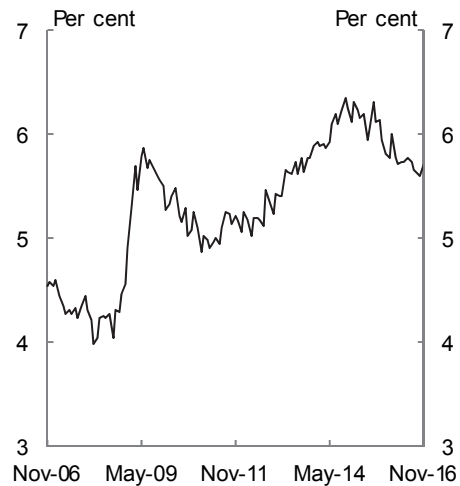
**Employment growth** is expected to be supported by continued economic growth and subdued wage growth. Employment is forecast to grow at a slightly more moderate pace of 1¼ per cent through the year to the June quarter 2017, reflecting more subdued employment growth over recent months (Chart 2.2) and slower output growth. Following the recent highs, which saw almost 300,000 jobs created in 2015, employment growth has been slower in 2016. Employment growth is expected to increase to 1½ per cent through the year to the June quarter 2018 as economic growth strengthens.

The **unemployment rate** has declined since its recent peak of 6.3 per cent in July 2015 (Chart 2.3). The unemployment rate is forecast to remain around 5½ per cent in the June quarters of 2017 and 2018. While the unemployment rate has fallen, the underemployment rate has remained elevated. These developments suggest that spare capacity remains in the labour market. The forecast for the **participation rate** has been revised down since the 2016 PEFO and it is expected to be 64½ per cent in the June quarters of 2017 and 2018.

**Chart 2.2: Employment growth**



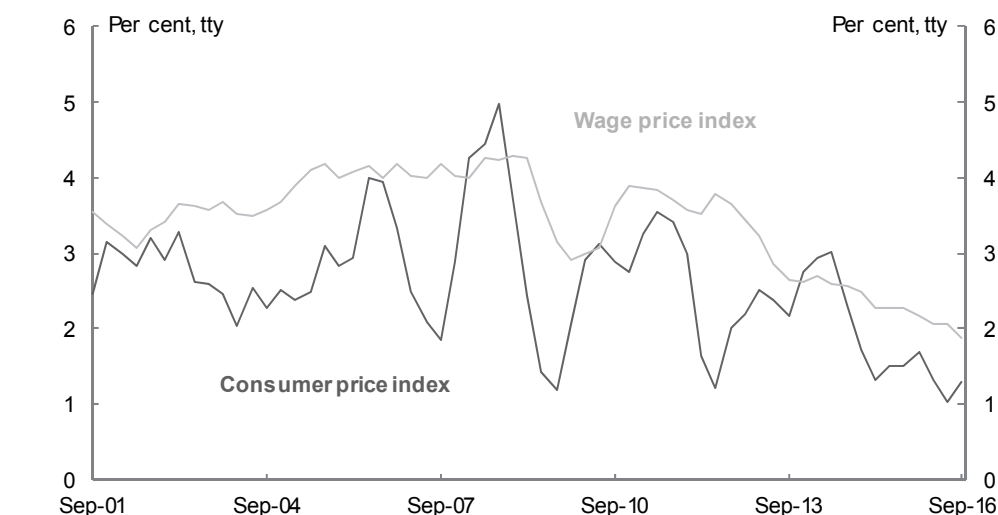
**Chart 2.3: Unemployment rate**



**Consumer price inflation** is low reflecting subdued wage growth and other factors such as heightened competition in the retail sector, slower growth in rents and lower import and petrol prices. There is also a subdued inflationary environment globally. Consumer prices are expected to grow by 1¾ per cent through the year to the June quarter 2017, before picking up to 2 per cent through the year to the June quarter 2018. This is lower than forecast at the 2016 PEFO.

**Wage growth** has also softened since the 2016 PEFO, in line with weaker consumer price outcomes and other factors such as spare capacity in the labour market (Chart 2.4). As with consumer prices, wage growth is expected to increase gradually over the forecast period to be 2¼ per cent through the year to the June quarter 2017 and 2½ per cent through the year to the June quarter 2018.

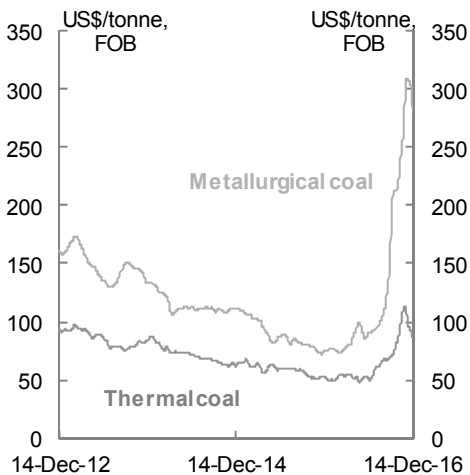
**Chart 2.4: Consumer price inflation and wage growth**



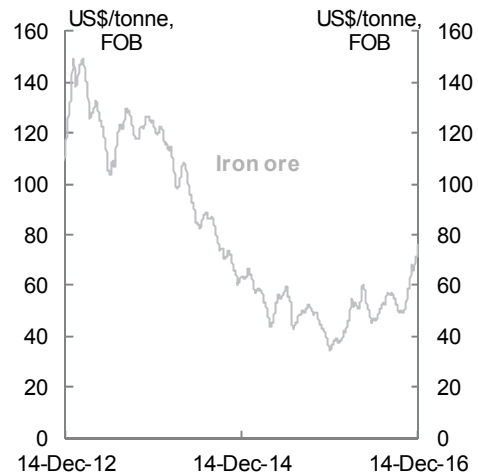
Source: ABS cat. no. 6401.0 and 6345.0.

**Commodity prices** are volatile and remain a key uncertainty to the outlook for the terms of trade and nominal GDP. After reaching multi-year lows over 2015-16, bulk commodity prices have strengthened since the 2016 PEFO (Charts 2.5 and 2.6). In recent years, Budget and MYEFO forecasts have used an assumption that commodity prices would remain around a recent average over the forecast period. In light of the current exceptional circumstances for bulk commodities, this assumption is not considered prudent at this time. An alternative assumption of a phased reduction in prices from recent levels has been adopted for metallurgical coal and iron ore.



**Chart 2.5: Coal price developments**

Note: Spot price data presented as a seven day moving average.  
Source: S&P Global Platts.

**Chart 2.6: Iron ore price developments**

Since the 2016 PEFO, metallurgical coal prices have increased sharply. Liaison with a range of industry contacts revealed a widespread expectation that current price levels will not be sustained. There is considerable uncertainty around the pace and timing of possible price falls. The metallurgical coal price is assumed to be US\$200 per tonne Free on Board (FOB) in line with the December 2016 quarterly contract price, before declining through the September and December quarters of 2017 to reach a level of US\$120 per tonne FOB in the March quarter 2018. This price is consistent with recent industry liaison.

It is difficult to judge when some of the temporary factors boosting metallurgical coal prices may fade. Sensitivity around the impact of this timing assumption is presented in Box A.

Iron ore prices are also higher than the 2016 PEFO and have been volatile. Liaison with industry indicates that there is very considerable uncertainty around the drivers of the recent price movements, with the only consensus being that current elevated prices are unlikely to be sustained. That said, there is no consensus as to when prices may fall and by how far. In this MYEFO, the iron ore price is assumed to decline from its recent average of US\$68 per tonne FOB through the March and June quarters of 2017 to reach a level of US\$55 per tonne FOB in the September quarter 2017. This is the average price that has prevailed since PEFO. As with metallurgical coal prices, sensitivity analysis around changing the timing assumption for iron ore is also presented in Box A.

Thermal coal is typically sold under different contract arrangements than the other bulk commodities. Prices are also significantly higher since the 2016 PEFO. The MYEFO assumption is for thermal coal spot prices to remain at US\$62 per tonne FOB. This is consistent with recent averages before the recent sharp price increases. It is also consistent with the current Japanese fiscal year annual contract price of

US\$62 per tonne FOB. Prices are assumed to remain at this level over the forecast period reflecting the typically longer duration of contracts in the thermal coal market.

In line with these judgments, the **terms of trade** are forecast to rise by 14 per cent in 2016-17 and then fall by 3¾ per cent in 2017-18 as commodity prices retrace some of their recent gains.

**Nominal GDP** growth is forecast to be 5¾ per cent in 2016-17 and 3¾ per cent in 2017-18. The forecast for 2016-17 is stronger than the 2016 PEFO forecast, with higher commodity prices providing an offset to weaker wage growth and domestic price pressures.

### **Key risks**

The global economy continues to pose risks for the domestic outlook, with uncertainty across both advanced and emerging market economies. In China, the main challenge will be around progressing structural reforms needed to sustain growth while managing the risks associated with debt accumulation and excess capacity in parts of the economy. In addition, there are uncertainties regarding the impact of monetary policy normalisation in the United States. Risks also remain in Europe, including banking sector fragility in the euro area and uncertainty around the impact of Brexit.

Large changes in commodity prices can have a significant impact on nominal GDP growth. A permanent ten per cent fall in non-rural commodity prices could reduce nominal GDP by 1 per cent by 2017-18 compared with levels forecast. This, in turn, would be expected to affect tax receipts and payments, reducing the underlying cash balance by around \$1.3 billion in 2016-17 and \$4.6 billion in 2017-18. See Attachment A of Part 3 for further information on the estimated fiscal impact of a fall in the terms of trade.

Notwithstanding the recent improvement in the terms of trade, nominal GDP growth continues to be constrained by weak inflation and wage growth. If inflation and wage growth remain low, this would slow nominal GDP growth and in turn have adverse consequences for tax receipts, somewhat offset by a reduction in payments. For example, if inflation outcomes were consistent with the lower bound of the range presented in the Reserve Bank of Australia (RBA) November 2016 Statement on Monetary Policy, nominal GDP could be around 0.6 per cent lower than forecast by 2017-18, resulting in a deterioration in the underlying cash balance of around \$1.9 billion by 2017-18.

The Australian economy contracted in the September quarter 2016 following modest growth in the June quarter 2016. It is forecast that this period of weaker growth is temporary and that the economy will accelerate over the forecast period. Smaller declines in mining investment coupled with low interest rates and a lower exchange rate are expected to support this acceleration. However, slower growth in household

consumption and uncertainty about dwelling and business investment are risks to this forecast.

Household consumption growth has been relatively steady in recent years and has decelerated a little in the past few quarters. It is forecast to increase over the forecast period. However, factors such as sustained subdued income growth may result in slower growth in consumer spending.

There is also some uncertainty around the outlook for dwelling investment over the forecast horizon, given increasing concerns of oversupply in the high-rise apartment market in some areas, and weak demand in some mining-dependent regions.

As the economy transitions from the investment phase to the production phase of the mining boom, the pace and timing of a pick-up in non-mining business investment also remains a key source of uncertainty in the forecasts.

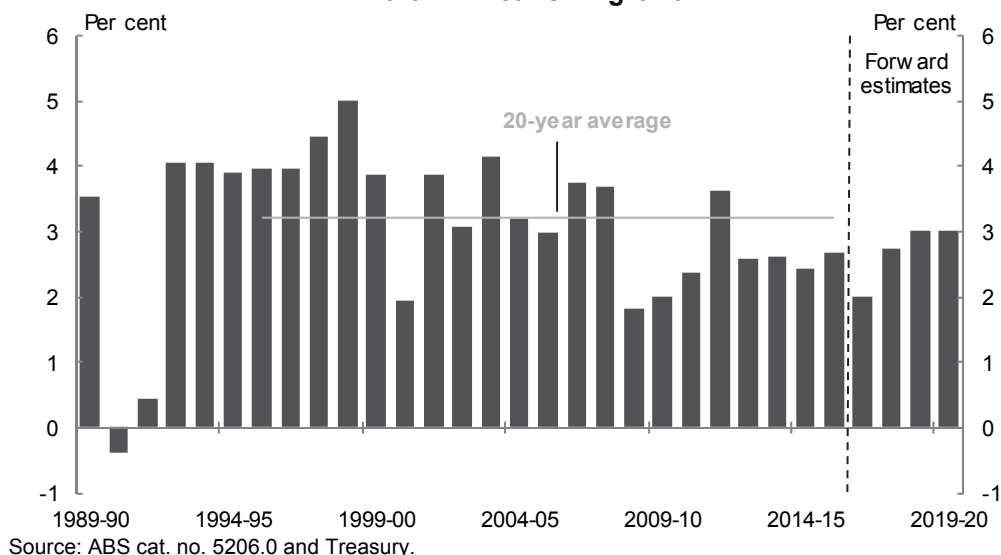
### **Medium-term projections**

The fiscal aggregates in the MYEFO are underpinned by economic forecasts for the budget year and the subsequent financial year and then by economic projections for the following two financial years. These projections are not forecasts. Rather they are based on a medium-term methodology and some key assumptions.

Crucially, the medium-term projection methodology (as outlined in the 2014-15 Budget) assumes that spare capacity is absorbed over five years following the forecast period. The sensitivity of the projections to a different adjustment period was presented in 2016-17 Budget Paper No. 1 Statement 7: Forecasting Performance and Scenario Analysis.

As spare capacity is absorbed, labour market variables including employment and the participation rate converge to their long-run trend levels. To absorb the spare capacity in the economy, from 2018-19 real GDP is projected to grow faster than potential at 3 per cent. By the end of 2022-23 spare capacity is absorbed and real GDP is projected to grow at its potential rate thereafter.

**Chart 2.7: Real GDP growth**



Potential GDP is estimated based on analysis of underlying trends for population, productivity and participation. Australia’s potential GDP growth is estimated to be 2¾ per cent over the next few years. The unemployment rate is projected to converge to 5 per cent over the medium-term, consistent with Treasury’s estimate of the non-accelerating inflation rate of unemployment. Inflation is projected to be 2½ per cent, consistent with the mid-point of the RBA’s medium-term target band. The terms of trade are projected to remain flat at around its 2005 level from 2019-20.

**Box A — Sensitivity analysis: Commodity prices**

Since the 2016 PEFO, bulk commodity prices have risen sharply. Metallurgical coal, thermal coal and iron ore have seen significant price increases.

Coal prices have increased sharply as a result of global supply disruptions and changes in Chinese policy that have reduced coal production. It is expected that higher spot prices will be reflected in the prices that Australian exporters receive, although there is some uncertainty around this relationship.

The metallurgical coal spot price is sharply higher than at PEFO. The outlook for metallurgical coal prices is highly uncertain, with some of the factors driving recent price increases likely to be temporary. Prices are widely expected by industry to retrace some of their recent gains. The timing and pace of the expected price falls is uncertain. The metallurgical coal price is assumed to be US\$200 per tonne Free on Board (FOB) in line with the December 2016 quarterly contract price, before declining through the September and December quarters of 2017 to reach a level of US\$120 per tonne FOB in the March quarter 2018. This latter price is in line with industry liaison.

If metallurgical coal prices remain elevated at US\$200 per tonne FOB for two quarters longer and then step down to US\$120 per tonne FOB, nominal GDP could be around \$4.5 billion higher than forecast in 2017-18, resulting in an increase in tax receipts of around \$0.5 billion in 2017-18 and a similar amount in 2018-19 (Table A.1).

In contrast, if metallurgical coal prices step down two quarters earlier to US\$120 per tonne FOB, nominal GDP could be around \$4.5 billion lower than forecast in 2017-18, resulting in a decrease in tax receipts of around \$0.6 billion in 2017-18 and a smaller amount in 2018-19.

**Table A.1: Sensitivity analysis of an earlier and later step down in metallurgical coal spot prices**

	Later fall to US\$120/tonne FOB <sup>(a)</sup> spot price		Earlier fall to US\$120/tonne FOB spot price	
	2016-17	2017-18	2016-17	2017-18
Nominal GDP (\$billion)	0	4.5	0	-4.5
Tax Receipts (\$billion)	0	0.5	0	-0.6

(a) FOB is the free on board price which excludes freight costs.

Source: Treasury.

**Box A — Sensitivity analysis: Commodity prices (continued)**

Iron ore prices are also higher than at the 2016 PEFO and have also been volatile. Liaison with industry indicates there is significant uncertainty around the drivers of the recent price movements, with the current elevated prices not considered likely to be sustained. There is uncertainty as to when prices could fall and by how far. It is assumed that the iron ore price will decline from its recent average of US\$68 per tonne FOB through the March and June quarters of 2017 to reach a level US\$55 per tonne FOB in the September quarter 2017. This is the average price that has prevailed since PEFO.

If iron ore prices remain elevated at US\$68 per tonne for two quarters longer and then step down to US\$55 per tonne, nominal GDP could be around \$3.3 billion higher than forecast in 2016-17 and around \$0.6 billion higher than forecast in 2017-18, resulting in an increase in tax receipts of around \$0.2 billion in 2016-17 and around \$0.6 billion in 2017-18 (Table A.2).

In contrast, if iron ore prices step down to US\$55 per tonne two quarters earlier, nominal GDP could be around \$3.5 billion lower than forecast in 2016-17 and \$0.2 billion lower than forecast in 2017-18, resulting in a decrease in tax receipts of around \$0.2 billion in 2016-17 and \$0.6 billion in 2017-18.

**Table A.2: Sensitivity analysis of an earlier and later step down in iron ore spot prices**

	Later fall to US\$55/tonne FOB <sup>(a)</sup> spot price		Earlier fall to US\$55/tonne FOB spot price	
	2016-17	2017-18	2016-17	2017-18
Nominal GDP (\$billion)	3.3	0.6	-3.5	-0.2
Tax Receipts (\$billion)	0.2	0.6	-0.2	-0.6

(a) FOB is the free on board price which excludes freight costs.

Source: Treasury.

## PART 3: FISCAL STRATEGY AND OUTLOOK

### OVERVIEW

The fiscal position is forecast to maintain an improving trajectory over the forward estimates period, consistent with the Government's commitment to returning the budget to a sustainable position and reducing debt over the medium term. In line with the 2016 PEFO, the underlying cash balance is projected to return to surplus in 2020-21.

The underlying cash deficit is expected to fall from \$36.5 billion (2.1 per cent of GDP) in 2016-17 to \$10.0 billion (0.5 per cent of GDP) in 2019-20. Likewise, the fiscal deficit is expected to improve from \$41.5 billion (2.4 per cent of GDP) in 2016-17 to \$6.4 billion (0.3 per cent of GDP) in 2019-20 (see Table 3.1).

**Table 3.1: Budget aggregates**

	Estimates					
	2016-17			2017-18		
	Budget	PEFO	MYEFO	Budget	PEFO	MYEFO
<b>Underlying cash balance(\$b)(a)</b>	<b>-37.1</b>	<b>-37.1</b>	<b>-36.5</b>	<b>-26.1</b>	<b>-26.1</b>	<b>-28.7</b>
Per cent of GDP	-2.2	-2.2	-2.1	-1.4	-1.4	-1.6
<b>Fiscal balance(\$b)</b>	<b>-37.1</b>	<b>-37.1</b>	<b>-41.5</b>	<b>-18.7</b>	<b>-18.7</b>	<b>-22.3</b>
Per cent of GDP	-2.2	-2.2	-2.4	-1.0	-1.0	-1.2
	Projections					
	2018-19			2019-20		
	Budget	PEFO	MYEFO	Budget	PEFO	MYEFO
<b>Underlying cash balance(\$b)(a)</b>	<b>-15.4</b>	<b>-15.4</b>	<b>-19.7</b>	<b>-6.0</b>	<b>-5.9</b>	<b>-10.0</b>
Per cent of GDP	-0.8	-0.8	-1.0	-0.3	-0.3	-0.5
<b>Fiscal balance(\$b)</b>	<b>-9.8</b>	<b>-9.8</b>	<b>-15.3</b>	<b>-2.1</b>	<b>-2.1</b>	<b>-6.4</b>
Per cent of GDP	-0.5	-0.5	-0.8	-0.1	-0.1	-0.3

(a) Excludes expected net Future Fund earnings.

The Government remains committed to repairing the budget by controlling expenditure. Since the 2016 PEFO, payments have reduced from 25.8 per cent of GDP to 25.2 per cent of GDP in 2016-17 and are expected to remain steady at 25.2 per cent over the forward estimates.

Consistent with the Government's fiscal strategy, spending decisions taken since the 2016 PEFO have been more than offset by reductions in spending elsewhere in the budget. Decisions taken since the 2016 PEFO, including those taken to implement the Government's election commitments, improve the budget by \$2.5 billion over the forward estimates. The Government has also made significant progress in legislating over \$22 billion of budget repair measures since the election.

Economic parameter and other variations since the 2016 PEFO have contributed to a \$30.5 billion downward revision to total receipts over the four years to 2019-20. Recent higher iron ore and coal prices are expected to improve corporate profitability in the mining sector in 2016-17, which is expected to provide some support to tax collections in 2017-18. However, this will be more than offset by the impact of weaker growth in aggregate wages and non-mining profits across the forward estimates, as well as weaker-than-expected tax collections since the 2016 PEFO. As a result of parameter and other variations, payments over the four years to 2019-20 are now expected to be \$16.5 billion lower than anticipated at the 2016 PEFO.

## FISCAL STRATEGY

The Government's fiscal strategy, consistent with the requirements of the *Charter of Budget Honesty Act 1998*, is outlined in Box A.

### **Box A: The Government's fiscal strategy**

#### **Medium-term fiscal strategy**

The Government's medium-term fiscal strategy is to achieve budget surpluses, on average, over the course of the economic cycle. The fiscal strategy underlines the commitment to budget discipline and outlines how the Government will set medium-term fiscal policy while allowing for flexibility in response to changing economic conditions.

The strategy is underpinned by the following four policy elements:

- investing in a stronger economy by redirecting Government spending to quality investment to boost productivity and workforce participation;
- maintaining strong fiscal discipline by controlling expenditure to reduce the Government's share of the economy over time in order to free up resources for private investment to drive jobs and economic growth, with:
  - the payments-to-GDP ratio falling;
  - stabilising and then reducing net debt over time;
- supporting revenue growth by supporting policies that drive earnings and economic growth; and
- strengthening the Government's balance sheet by improving net financial worth over time.



## **Box A: The Government's fiscal strategy (continued)**

### **Budget repair strategy**

The Budget repair strategy is designed to deliver sustainable budget surpluses building to at least 1 per cent of GDP as soon as possible, consistent with the medium-term fiscal strategy.

The strategy sets out that:

- new spending measures will be more than offset by reductions in spending elsewhere within the budget;
- the overall impact of shifts in receipts and payments due to changes in the economy will be banked as an improvement to the budget bottom line, if this impact is positive; and
- a clear path back to surplus is underpinned by decisions that build over time.

The Budget repair strategy will stay in place until a strong and sustainable surplus is achieved and so long as economic growth prospects are sound and unemployment remains low.

## **Supporting jobs and growth**

Australia's economic transition from the investment phase to the production phase of the mining boom is expected to continue.

The Government is carefully supporting Australia's transition by redirecting spending to boost productivity and workforce participation, while also continuing to control expenditure growth.

Across the country, spending has been redirected towards investments in productivity-enhancing infrastructure. These investments are improving Australians' quality of life by increasing road safety, relieving congestion and by providing better road and rail links between markets and domestic producers.

The Government is continuing its record \$50 billion investment in Australia's land transport infrastructure and is providing \$813 million from 2016-17 to 2019-20 for new projects across Australia under the Infrastructure Investment Programme. Major commitments in the Infrastructure Investment Programme include \$215 million for works on the Pacific Motorway in Queensland and \$60 million for the Outback Way.

Initiatives to improve Australia's cities and urban areas, such as the Townsville Eastern Access Rail Corridor for which the Commonwealth is contributing \$150 million, are also included in City Deals. The first three city deals are being delivered in Townsville, Launceston and Western Sydney. City Deals will enhance productivity and liveability, support more integrated planning and improve the delivery of infrastructure.

The Government is working to further support jobs and growth in regional areas through the Regional Jobs and Investment Package which will provide funding of \$220 million over four years from 2016-17. This package will support regional communities to diversify their economies, stimulate long-term growth and deliver sustainable employment. Similarly, the Building Better Regions Fund will support infrastructure investment and employment-generating projects in regional communities.

To support NBN Co Limited (NBN Co) in completing the remaining rollout of critical national infrastructure, the Government is providing a loan of \$19.5 billion to NBN Co on terms consistent with NBN Co's indicative credit rating from ratings agencies, in the expectation that the loan will be privately refinanced in 2020-21.

The Government will also provide \$141 million over four years for new and amended listings on the Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme, as well as \$7.1 million over four years for new and amended items on the Medicare Benefits Schedule and Veterans' Benefits.

In addition, decisions since the 2016 PEFO to improve the integrity of the welfare and taxation systems will have a positive impact of \$2.2 billion over the forward estimates.

The purpose of strengthening the integrity of Australia's social welfare system is to ensure only people in genuine need receive support. Enhanced employment and non-employment income data matching, ensuring accurate disclosure of assets and investments, improved engagement with welfare recipients to better ensure they meet their obligations and improved identification and recovery of debts will improve the budget by \$2.1 billion over the forward estimates.

The Government will prevent the distribution of franking credits where a distribution to shareholders is funded by particular capital raising activities. This measure will address the issues raised by the Australian Taxation Office (ATO) in Taxpayer Alert TA 2015/2: *Franked distributions funded by raising capital to release credits to shareholders*.

The Government is also enhancing the integrity of the tax system by allowing the ATO to disclose to credit reporting bureaus the tax debt information of businesses who have not effectively engaged with the ATO to manage these debts. Businesses that do not pay their tax gain an unfair competitive and financial advantage over those that do.

The Government will also provide \$1.6 million to establish a Black Economy Taskforce to develop an innovative, whole-of-government policy response to this problem. Black economy activities disadvantage honest taxpayers, undermine the integrity of our tax and welfare systems and reduce the amount of revenue collected by governments.

Implementation of the Government's election commitments continue to build on the measures previously announced, including the *ten year enterprise tax plan*, supporting vulnerable people to find a pathway to work and additional funding to secure an advanced local defence manufacturing industry.

The Government also continues to support the culture of innovation and entrepreneurship, including through the National Innovation and Science Agenda, as well as trade agreements and competition reforms that will lift the level of private investment in our economy and improve standards of living.

The Government has announced a reform package that opens the door to competition in the provision of Australian cash equities clearing and settlement facilities. It has also introduced legislation facilitating crowd-source equity funding for small businesses and start-ups, and is creating opportunities for FinTech innovators in the Australian market.

### **Returning the budget to surplus**

The Government remains committed to returning the budget to a sustainable surplus as soon as possible. Sustained discipline to offset new expenditure and pass existing budget repair measures is needed to consolidate the budget and to lower government debt, particularly against the continuing backdrop of a challenging global economic outlook.

Government receipts, although growing, will be affected by softer domestic prices and wages growth. Expected tax receipts, excluding new policy, have been revised lower by around \$3.7 billion in 2016-17 and \$30.7 billion over the four years to 2019-20, relative to the levels expected at the time of the 2016 PEFO.

Government payments as a share of GDP have declined since the 2016 PEFO from 25.8 per cent of GDP to 25.2 per cent of GDP in 2016-17. Relative to the 2016 PEFO, payments as a share of GDP are lower in the years 2016-17 to 2018-19, remaining steady at 25.2 per cent over the forward estimates. Real growth in payments over the forward estimates is 1.9 per cent, consistent with the 2016-17 Budget. Nominal payments are lower in each year of the forward estimates and total payments are forecast to reduce by \$18.5 billion across the forward estimates compared to the 2016 PEFO. The reduction in payments is driven by program specific variations in child care related programs and the income support for seniors and carers programs. Further information on these variations is discussed in the Fiscal Outlook.

Including parameter variations, the reduction in expected payments more than offsets the lower expected receipts in 2016-17. As a result, compared with the 2016 PEFO, the underlying cash balance has improved by \$569 million in 2016-17. Over the forward estimates, parameter and other variations have had an adverse underlying cash impact of \$12.8 billion, with positive payment outcomes offset by negative tax receipt impacts.

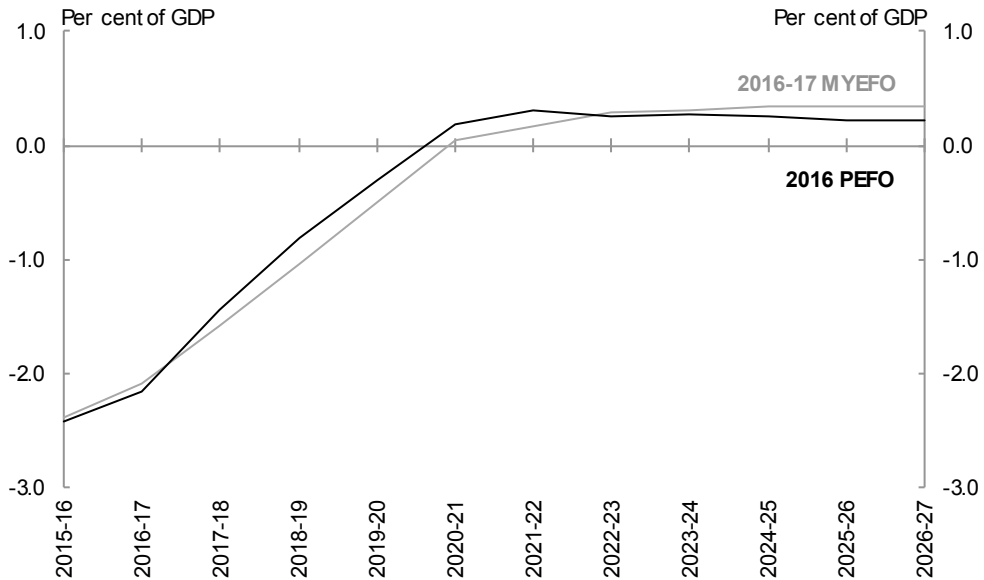
The size of the deficit is expected to decline from \$36.5 billion (2.1 per cent of GDP) in 2016-17 to \$10.0 billion (0.5 per cent of GDP) in 2019-20. While the underlying cash balance is expected to maintain an improving trajectory over the forward estimates, the level of the deficit has increased in the years 2017-18 to 2019-20 relative to the 2016 PEFO. Consistent with the 2016 PEFO, the underlying cash balance is projected to return to surplus in 2020-21.

The Government remains committed to more than offsetting all new policy decisions and has made decisions improving the underlying cash balance over the forward estimates by \$2.5 billion since the 2016 PEFO. These include the Government's election commitments.

The average annual pace of fiscal consolidation across the forward estimates is 0.5 per cent of GDP.

The underlying cash balance is projected to return to surplus in 2020-21, in line with the 2016 PEFO (see Chart 3.1). Modest surpluses are projected over the remainder of the medium term. A surplus of 0.4 per cent of GDP is projected in 2026-27, up from 0.2 per cent at the 2016 PEFO. This incorporates tax receipts reaching the tax-to-GDP 'cap' of 23.9 per cent in 2022-23, beyond which tax receipts are assumed to remain at a constant share of GDP. In the 2016 PEFO, the 'cap' was reached in 2021-22.

The improvement over the medium term has been driven by lower projected payments, in particular payments related to childcare, which have more than offset the lower tax receipts and an increase in the Government's borrowing costs as a result of higher yields and larger deficits over the forward estimates (see Attachment E: Debt Statement).

**Chart 3.1: Underlying cash balance projected to 2026-27**

Note: A tax-to-GDP cap of 23.9 per cent is applied to the 2016-17 MYEFO projections from 2022-23. This tax cap applied to the 2016 PEFO projections from 2021-22. Net Future Fund earnings are included in projections of the underlying cash balance from 2020-21 when drawdowns from the Future Fund commence. Source: Treasury projections.

### Structural budget balance

Restoring the structural integrity of the budget is crucial for achieving surpluses on average over the economic cycle and paying down government debt, consistent with the medium-term fiscal strategy. Considered in conjunction with other measures, estimates of the structural budget balance can provide insight into the sustainability of current fiscal settings.

The structural budget balance removes factors that have a temporary effect on revenues and expenditures, such as fluctuations in commodity prices and the extent of spare capacity in the economy.

Over the forward estimates, the structural budget balance is 0.4 percentage points lower, on average annually compared with the 2016 PEFO. This reflects a 0.7 percentage point average annual decrease in structural revenues and a 0.3 percentage point average annual fall in structural expenditures.

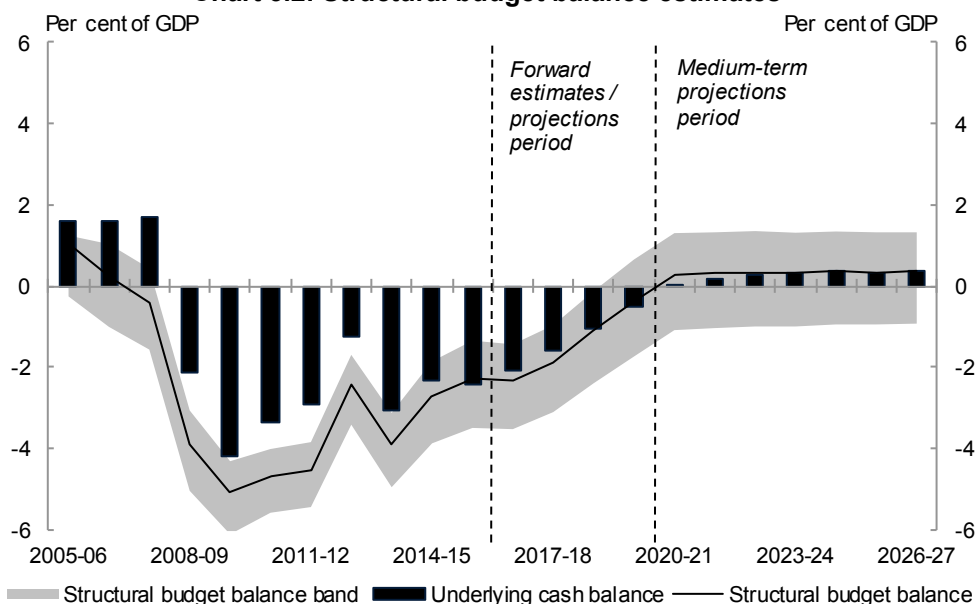
The structural budget balance is consistent with the 2016 PEFO in the medium term. Over the medium term, a slight decrease in structural revenues is offset by a decrease in average annual structural expenditures.

On average over the whole period, estimates of the structural budget balance have declined marginally since the 2016 PEFO. This reflects falls in structural revenues being slightly larger than falls in structural expenditures.

The overall level of the structural budget balance is a deficit of around 2.3 per cent of GDP in 2016-17, and consistent with the 2016 PEFO, returns to surplus from 2020-21 onwards.

Cyclical factors, including the terms of trade and output gap, are expected to dissipate by the end of 2021-22. From there the structural budget balance converges to the underlying cash balance (see Chart 3.2).

**Chart 3.2: Structural budget balance estimates**



Note: The methodology for producing structural budget balance estimates was detailed in Treasury Working Paper 2013-01 and incorporates the medium-term projection methodology detailed in Treasury Working Paper 2014-02.

## Maintaining fiscal discipline

The Government remains committed to fiscal discipline by controlling expenditure. Strong fiscal discipline will reduce the Government's share of the economy over time and ensure that the budget is returned to surplus and debt is reduced.

## Payments-to-GDP

Compared with the 2016 PEFO, total payments are expected to be lower in each year of the forward estimates and lower by a total of \$18.5 billion over the forward estimates. Government payments as a share of GDP are lower than estimated at the 2016 PEFO over the years 2016-17 to 2018-19, remaining steady at 25.2 per cent of GDP over the forward estimates.

In the four years to 2019-20 real growth in payments averages 1.9 per cent per annum. This rate is projected to increase to 3.0 per cent on average over the medium-term period (2020-21 to 2026-27), indicating that further restraint in structural expenditures

is necessary if payments growth is to remain in line with the lower rates of the forward estimates period.

### **Progress on budget repair measures**

Since the 2016 PEFO, the Government has made significant progress in implementing unlegislated budget repair measures, including through appropriations and regulations. The total impact over the forward estimates of budget repair measures implemented since the 2016 PEFO is over \$22 billion.

At this MYEFO, continued delays in passing legislation which implements remaining budget repair measures will negatively impact the bottom line over the forward estimates by \$1 billion. The revised estimate for the value of the remaining unlegislated budget repair measures announced prior to the 2016-17 MYEFO over the forward estimates on an underlying cash basis, taking account of parameter changes since the original announcement, is now a positive impact of \$13.2 billion. This comprises around \$0.7 billion of receipt increases and around \$12.5 billion of payments saves. The Government is committed to continuing to work with the Parliament to secure the successful passage of all remaining unlegislated measures that contribute to the task of budget repair.

## Strong balance sheet

### **Box B: Managing the Government's balance sheet**

A strong Government balance sheet means that there is greater flexibility to respond to any future economic shock by being better able to access debt markets. A number of recent decisions affect the Government's balance sheet.

The Government will not proceed with the Asset Recycling Fund (ARF) and will close the Building Australia Fund and Education Investment Fund. Infrastructure commitments that were to have been met from the ARF will continue to be funded through existing legislative and appropriation mechanisms.

This decision will provide the Government with more flexibility in managing its balance sheet and is projected to reduce gross debt by more than \$10 billion by 2019-20. Associated public debt interest savings are expected to exceed the net earnings that would have been returned by the ARF over this period.

Further, from 1 January 2017, the Government will introduce a new vocational education and training (VET) income contingent loans scheme, the VET Student Loans program to replace the old VET FEE-HELP scheme.

Under the old VET FEE-HELP scheme, providers were able to use unscrupulous marketing practices to target potential students into signing up for courses that they may not have been ready to undertake, or to request a loan for a course without the proper resources to make an informed decision. As a consequence, VET FEE-HELP loans increased from \$26 million in 2009 to over \$2.9 billion in 2015 with a large proportion of VET FEE-HELP loans not expected to be repaid.

The new VET Student Loans program will constrain the unsustainable growth in loans experienced under the VET FEE-HELP scheme by introducing tougher barriers to entry for providers, introducing loan caps on courses and having stronger course eligibility criteria. The program will reduce the total outstanding HELP debt by an estimated \$7 billion over the forward estimates and \$25 billion over 10 years.

On 18 November 2016, the Government announced that it would lend \$19.5 billion to NBN Co to complete its remaining rollout. The terms of this loan are consistent with the indicative credit ratings the NBN Co obtained from credit rating agencies. The loan is expected to be refinanced by NBN Co on external markets in 2020-21. This represents a prudent approach to managing the Government's balance sheet risk while at the same time allowing NBN Co to focus on the remaining rollout.

Table 3.2 provides a summary of Australian Government general government sector net worth, net financial worth, net debt and net interest payments over the forward estimates.



**Table 3.2: Australian Government general government sector net worth, net financial worth, net debt and net interest payments**

	Estimates			
	2016-17		2017-18	
	PEFO	MYEFO	PEFO	MYEFO
	\$b	\$b	\$b	\$b
Financial assets	383.3	383.9	413.9	406.5
Non-financial assets	126.2	138.8	130.6	143.1
<b>Total assets</b>	<b>509.5</b>	<b>522.7</b>	<b>544.4</b>	<b>549.6</b>
<b>Total liabilities</b>	<b>810.5</b>	<b>803.4</b>	<b>859.1</b>	<b>850.6</b>
<b>Net worth</b>	<b>-301.0</b>	<b>-280.7</b>	<b>-314.7</b>	<b>-300.9</b>
<b>Net financial worth(a)</b>	<b>-427.2</b>	<b>-419.5</b>	<b>-445.3</b>	<b>-444.0</b>
Per cent of GDP	-24.8	-24.0	-24.6	-24.5
<b>Net debt(b)</b>	<b>326.1</b>	<b>317.2</b>	<b>347.1</b>	<b>343.0</b>
Per cent of GDP	18.9	18.1	19.2	18.9
<b>Net interest payments</b>	<b>12.6</b>	<b>12.4</b>	<b>13.4</b>	<b>13.4</b>
Per cent of GDP	0.7	0.7	0.7	0.7
	Projections			
	2018-19		2019-20	
	PEFO	MYEFO	PEFO	MYEFO
	\$b	\$b	\$b	\$b
Financial assets	432.1	431.6	453.3	456.6
Non-financial assets	134.9	147.6	139.7	152.2
<b>Total assets</b>	<b>567.1</b>	<b>579.1</b>	<b>593.0</b>	<b>608.9</b>
<b>Total liabilities</b>	<b>886.5</b>	<b>892.7</b>	<b>909.1</b>	<b>925.6</b>
<b>Net worth</b>	<b>-319.5</b>	<b>-313.6</b>	<b>-316.2</b>	<b>-316.7</b>
<b>Net financial worth(a)</b>	<b>-454.4</b>	<b>-461.1</b>	<b>-455.8</b>	<b>-468.9</b>
Per cent of GDP	-24.0	-24.4	-22.9	-23.8
<b>Net debt(b)</b>	<b>356.7</b>	<b>359.0</b>	<b>355.4</b>	<b>363.8</b>
Per cent of GDP	18.8	19.0	17.8	18.4
<b>Net interest payments</b>	<b>14.2</b>	<b>14.3</b>	<b>14.2</b>	<b>14.7</b>
Per cent of GDP	0.8	0.8	0.7	0.7

(a) Net financial worth equals total financial assets minus total liabilities.

(b) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

**Net debt** is expected to be \$317.2 billion (18.1 per cent of GDP) in 2016-17, an improvement on the estimate at the 2016 PEFO owing to valuation effects associated with an increase in yields and an increase in investments, loans and placements. Net debt is forecast to peak as a proportion of GDP at 19.0 per cent in 2018-19, before falling to 18.4 per cent of GDP in 2019-20. The peak in net debt is both lower and one year later than was expected at the 2016 PEFO, when it was forecast to peak at 19.2 per cent of GDP in 2017-18.

**Net financial worth** is estimated to be -\$419.5 billion (-24.0 per cent of GDP) in 2016-17 and is expected to be -\$468.9 billion (-23.8 per cent of GDP) by the end of the forward estimates in 2019-20. Compared with the 2016 PEFO, net financial worth has improved in the first two years of the forward estimates. In the latter two years, the deterioration reflects higher Commonwealth Government Securities (CGS) on issue.

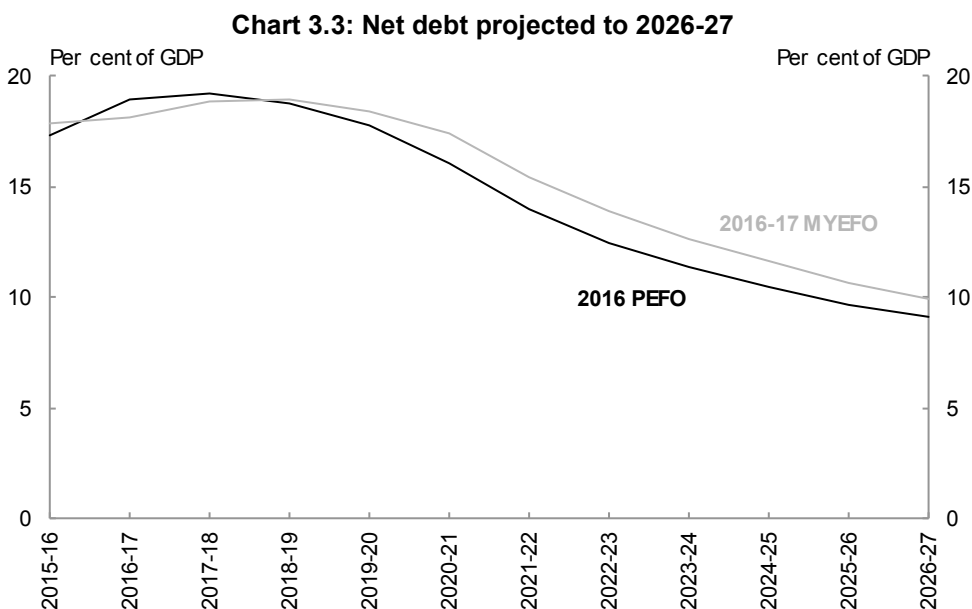
## Government debt

The Government is focused on stabilising and then reducing net debt over time. Paying down debt is important as it enhances flexibility to respond to unanticipated events and reduces the Government’s interest payments, freeing up resources to deliver vital services and for use in priority areas.

Gross debt measures the face value of CGS on issue at a point in time. Net debt is equal to the sum of deposits held, government securities (at market value), loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements. As net debt incorporates both selected financial assets and liabilities at their fair value, it provides a broader measure of the financial position of the Commonwealth than gross debt.

Net debt is estimated to peak as a proportion of GDP at 19.0 per cent in 2018-19, before reducing to 18.4 per cent of GDP by the end of the forward estimates. Net debt is projected to continue to decline over the medium term, reaching 9.9 per cent of GDP by 2026-27.

Over the medium term, net debt is higher than at the 2016 PEFO (Chart 3.3). This is primarily the result of lower underlying cash balances over the last three years of the forward estimates compared with PEFO, partly offset by a decrease in the market value of CGS on issue owing to higher average yields.



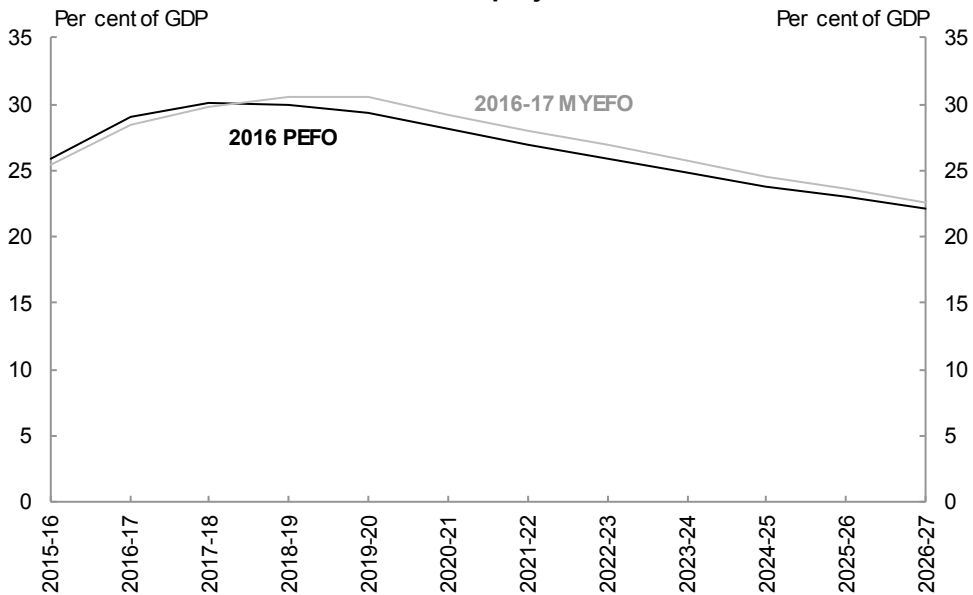
Note: A tax-to-GDP cap of 23.9 per cent is applied to MYEFO projections from 2022-23. This tax cap applied to the 2016 PEFO projections from 2021-22.

Source: Treasury projections.

Gross debt, as measured by the face value of CGS on issue, is estimated to rise from \$498 billion in 2016-17 to \$604 billion by the end of the forward estimates period. Gross debt is projected to continue to rise over the medium term, reaching \$648 billion by 2026-27, broadly in line with the 2016 PEFO.

As a proportion of GDP, gross debt is expected to peak at 30.6 per cent in 2019-20 (Chart 3.4), later than the peak of 30.2 per cent of GDP in 2017-18 at the time of the 2016 PEFO. Over the remainder of the projection period, as a proportion of GDP, gross debt is expected to decline to 22.6 per cent by 2026-27, broadly in line with the 2016 PEFO.

**Chart 3.4: Gross debt projected to 2026-27**



Note: A tax-to-GDP cap of 23.9 per cent is applied to MYEFO projections from 2022-23. This tax cap applied to the 2016 PEFO projections from 2021-22.

Source: Australian Office of Financial Management and Treasury projections.

## FISCAL OUTLOOK

### Budget aggregates

An underlying cash deficit of \$36.5 billion (2.1 per cent of GDP) is expected in 2016-17, improving to a deficit of \$10.0 billion (0.5 per cent of GDP) in 2019-20.

A headline cash deficit of \$52.5 billion (3.0 per cent of GDP) is expected in 2016-17, improving to a deficit of \$17.9 billion (0.9 per cent of GDP) in 2019-20.

In accrual terms, a fiscal deficit of \$41.5 billion (2.4 per cent of GDP) is expected in 2016-17, improving to a deficit of \$6.4 billion (0.3 per cent of GDP) in 2019-20.

Table 3.3 provides key budget aggregates for the Australian Government general government sector.

**Table 3.3: Australian Government general government sector budget aggregates**

	Estimates			
	2016-17		2017-18	
	PEFO \$b	MYEFO \$b	PEFO \$b	MYEFO \$b
<b>Receipts</b>	<b>411.3</b>	<b>407.4</b>	<b>437.4</b>	<b>431.2</b>
Per cent of GDP	23.9	23.3	24.2	23.8
<b>Payments(a)</b>	<b>445.0</b>	<b>441.1</b>	<b>459.9</b>	<b>456.5</b>
Per cent of GDP	25.8	25.2	25.5	25.2
Net Future Fund earnings	3.3	2.8	3.6	3.4
<b>Underlying cash balance(b)</b>	<b>-37.1</b>	<b>-36.5</b>	<b>-26.1</b>	<b>-28.7</b>
Per cent of GDP	-2.2	-2.1	-1.4	-1.6
<b>Revenue</b>	<b>416.9</b>	<b>411.1</b>	<b>449.5</b>	<b>441.2</b>
Per cent of GDP	24.2	23.5	24.9	24.3
<b>Expenses</b>	<b>450.6</b>	<b>448.6</b>	<b>464.8</b>	<b>460.4</b>
Per cent of GDP	26.2	25.6	25.7	25.4
Net operating balance	-33.7	-37.5	-15.3	-19.2
Net capital investment	3.4	4.0	3.4	3.1
<b>Fiscal balance</b>	<b>-37.1</b>	<b>-41.5</b>	<b>-18.7</b>	<b>-22.3</b>
Per cent of GDP	-2.2	-2.4	-1.0	-1.2
<i>Memorandum item:</i>				
Headline cash balance	-53.5	-52.5	-34.3	-45.2
	Projections			
	2018-19		2019-20	
	PEFO \$b	MYEFO \$b	PEFO \$b	MYEFO \$b
<b>Receipts</b>	<b>469.9</b>	<b>460.7</b>	<b>500.7</b>	<b>490.0</b>
Per cent of GDP	24.8	24.4	25.1	24.8
<b>Payments(a)</b>	<b>481.5</b>	<b>476.8</b>	<b>502.6</b>	<b>496.2</b>
Per cent of GDP	25.4	25.2	25.2	25.2
Net Future Fund earnings	3.8	3.6	4.1	3.9
<b>Underlying cash balance(b)</b>	<b>-15.4</b>	<b>-19.7</b>	<b>-5.9</b>	<b>-10.0</b>
Per cent of GDP	-0.8	-1.0	-0.3	-0.5
<b>Revenue</b>	<b>484.4</b>	<b>473.1</b>	<b>515.1</b>	<b>502.7</b>
Per cent of GDP	25.5	25.0	25.9	25.5
<b>Expenses</b>	<b>489.3</b>	<b>483.6</b>	<b>511.6</b>	<b>504.0</b>
Per cent of GDP	25.8	25.6	25.7	25.6
Net operating balance	-5.0	-10.6	3.5	-1.3
Net capital investment	4.9	4.7	5.5	5.2
<b>Fiscal balance</b>	<b>-9.8</b>	<b>-15.3</b>	<b>-2.1</b>	<b>-6.4</b>
Per cent of GDP	-0.5	-0.8	-0.1	-0.3
<i>Memorandum item:</i>				
Headline cash balance	-24.0	-32.3	-14.4	-17.9

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

(b) Excludes expected net Future Fund earnings.

## Underlying cash balance estimates

**Table 3.4: Summary of Australian Government general government sector cash flows<sup>(a)</sup>**

	Estimates			
	2016-17		2017-18	
	PEFO \$b	MYEFO \$b	PEFO \$b	MYEFO \$b
Cash receipts				
Operating cash receipts	408.9	405.0	436.8	430.7
Capital cash receipts(b)	2.4	2.3	0.6	0.6
Total cash receipts	411.3	407.4	437.4	431.2
Cash payments				
Operating cash payments	433.8	428.8	447.4	443.6
Capital cash payments(c)	11.2	12.3	12.6	12.9
Total cash payments	445.0	441.1	459.9	456.5
Finance leases and similar arrangements(d)	0.0	0.0	0.0	0.0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-33.8</b>	<b>-33.7</b>	<b>-22.5</b>	<b>-25.3</b>
Per cent of GDP	-2.0	-1.9	-1.2	-1.4
<i>less</i> Net Future Fund earnings	3.3	2.8	3.6	3.4
<b>Underlying cash balance(e)</b>	<b>-37.1</b>	<b>-36.5</b>	<b>-26.1</b>	<b>-28.7</b>
Per cent of GDP	-2.2	-2.1	-1.4	-1.6
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes	-19.8	-18.8	-11.8	-19.9
<i>plus</i> Net Future Fund earnings	3.3	2.8	3.6	3.4
<b>Headline cash balance</b>	<b>-53.5</b>	<b>-52.5</b>	<b>-34.3</b>	<b>-45.2</b>
	Projections			
	2018-19		2019-20	
	PEFO \$b	MYEFO \$b	PEFO \$b	MYEFO \$b
Cash receipts				
Operating cash receipts	469.4	460.2	500.5	489.8
Capital cash receipts(b)	0.6	0.5	0.2	0.2
Total cash receipts	469.9	460.7	500.7	490.0
Cash payments				
Operating cash payments	468.5	463.1	488.8	481.6
Capital cash payments(c)	13.0	13.7	13.7	14.6
Total cash payments	481.5	476.8	502.6	496.2
Finance leases and similar arrangements(d)	0.0	0.0	0.0	0.0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-11.6</b>	<b>-16.1</b>	<b>-1.8</b>	<b>-6.1</b>
Per cent of GDP	-0.6	-0.9	-0.1	-0.3
<i>less</i> Net Future Fund earnings	3.8	3.6	4.1	3.9
<b>Underlying cash balance(e)</b>	<b>-15.4</b>	<b>-19.7</b>	<b>-5.9</b>	<b>-10.0</b>
Per cent of GDP	-0.8	-1.0	-0.3	-0.5
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes	-12.4	-16.2	-12.6	-11.8
<i>plus</i> Net Future Fund earnings	3.8	3.6	4.1	3.9
<b>Headline cash balance</b>	<b>-24.0</b>	<b>-32.3</b>	<b>-14.4</b>	<b>-17.9</b>

(a) The numbers in the PEFO column were not published in the 2016 PEFO.

(b) Equivalent to cash receipts from the sale of non-financial assets in the cash flow statement.

(c) Equivalent to cash payments for purchases of non-financial assets in the cash flow statement.

(d) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

(e) Excludes expected net Future Fund earnings.

The 2016-17 underlying cash deficit has improved by \$569 million since the 2016 PEFO.

Since the 2016 PEFO, the effect of parameter and other variations has resulted in a \$30.5 billion reduction in receipts across the four years to 2019-20, partly offset by a \$16.5 billion reduction in payments.

**Table 3.5: Reconciliation of general government sector underlying cash balance estimates**

	Estimates		Projections		Total
	2016-17	2017-18	2018-19	2019-20	
	\$m	\$m	\$m	\$m	\$m
<b>2016-17 Budget underlying cash balance(a)</b>	<b>-37,081</b>	<b>-26,123</b>	<b>-15,406</b>	<b>-5,955</b>	<b>-84,565</b>
Per cent of GDP	-2.2	-1.4	-0.8	-0.3	
<b>Changes from 2016-17 Budget to 2016 PEFO</b>					
Effect of policy decisions(b)	-2	0	3	6	7
Effect of parameter and other variations	0	0	0	0	0
<b>Total variations</b>	<b>-2</b>	<b>0</b>	<b>3</b>	<b>6</b>	<b>7</b>
<b>2016 PEFO underlying cash balance(a)</b>	<b>-37,083</b>	<b>-26,123</b>	<b>-15,403</b>	<b>-5,949</b>	<b>-84,558</b>
Per cent of GDP	-2.2	-1.4	-0.8	-0.3	
<b>Changes from 2016 PEFO to 2016-17 MYEFO</b>					
Effect of policy decisions(b)(c)					
<i>Receipts</i>	-325	-144	391	543	464
<i>Payments</i>	-366	-457	-516	-680	-2,019
Total policy decisions impact on underlying cash balance	40	313	907	1,223	2,483
Effect of parameter and other variations(c)					
<i>Receipts</i>	-3,609	-6,008	-9,643	-11,245	-30,505
<i>Payments</i>	-3,618	-2,971	-4,196	-5,713	-16,498
<i>less Net Future Fund earnings</i>	-520	-153	-231	-266	-1,170
Total parameter and other variations impact on underlying cash balance	529	-2,884	-5,216	-5,266	-12,837
<b>2016-17 MYEFO underlying cash balance(a)</b>	<b>-36,514</b>	<b>-28,694</b>	<b>-19,711</b>	<b>-9,992</b>	<b>-94,912</b>
Per cent of GDP	-2.1	-1.6	-1.0	-0.5	

(a) Excludes expected net 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 receipts indicates an increase in the underlying cash balance, while a positive number for payments indicates a decrease in the underlying cash balance.

Further details of the impact of policy decisions and major variations arising from parameter and other variations on the fiscal outlook are provided in the receipt estimates and payment estimates sections below.

### Receipts estimates

Total receipts are expected to be \$3.9 billion lower in 2016-17 than estimated at the 2016 PEFO. Tax receipts are \$4.0 billion lower and non-tax receipts are \$80 million higher compared with the 2016 PEFO.

Table 3.6 and Table 3.7 provide a summary of changes in total receipts in 2016-17 and 2017-18.

**Table 3.6: Reconciliation of 2016-17 general government sector (cash) receipts<sup>(a)</sup>**

	Estimates		Change on PEFO	
	PEFO \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	181,900	179,200	-2,700	-1.5
Gross other individuals	44,400	44,400	0	0.0
less: Refunds	29,350	28,900	-450	-1.5
Total individuals and other withholding tax	196,950	194,700	-2,250	-1.1
Fringe benefits tax	4,670	4,450	-220	-4.7
Company tax	69,000	67,800	-1,200	-1.7
Superannuation fund taxes	7,380	8,030	650	8.8
Petroleum resource rent tax(b)	800	950	150	18.8
<b>Income taxation receipts</b>	<b>278,800</b>	<b>275,930</b>	<b>-2,870</b>	<b>-1.0</b>
Goods and services tax	60,928	59,953	-974	-1.6
Wine equalisation tax	900	880	-20	-2.2
Luxury car tax	570	630	60	10.5
Excise and customs duty				
Petrol	6,450	6,200	-250	-3.9
Diesel	9,860	9,960	100	1.0
Other fuel products	2,230	1,940	-290	-13.0
Tobacco	10,160	10,670	510	5.0
Beer	2,390	2,400	10	0.4
Spirits	2,100	2,120	20	1.0
Other alcoholic beverages(c)	940	930	-10	-1.1
Other customs duty				
Textiles, clothing and footwear	310	300	-10	-3.2
Passenger motor vehicles	590	500	-90	-15.3
Other imports	1,170	1,050	-120	-10.3
less: Refunds and drawbacks	420	420	0	0.0
Total excise and customs duty	35,780	35,650	-130	-0.4
Agricultural levies	494	519	26	5.2
Other taxes	5,298	5,193	-105	-2.0
<b>Indirect taxation receipts</b>	<b>103,969</b>	<b>102,826</b>	<b>-1,144</b>	<b>-1.1</b>
<b>Taxation receipts</b>	<b>382,769</b>	<b>378,756</b>	<b>-4,014</b>	<b>-1.0</b>
Sales of goods and services	9,176	8,766	-411	-4.5
Interest received	3,262	2,990	-271	-8.3
Dividends	5,833	5,828	-5	-0.1
Other non-taxation receipts	10,244	11,010	766	7.5
<b>Non-taxation receipts</b>	<b>28,515</b>	<b>28,594</b>	<b>80</b>	<b>0.3</b>
<b>Total receipts</b>	<b>411,284</b>	<b>407,350</b>	<b>-3,934</b>	<b>-1.0</b>
<i>Memorandum:</i>				
<i>Total excise</i>	<i>21,770</i>	<i>21,390</i>	<i>-380</i>	<i>-1.7</i>
<i>Total customs duty</i>	<i>14,010</i>	<i>14,260</i>	<i>250</i>	<i>1.8</i>
<i>Capital gains tax(d)</i>	<i>12,300</i>	<i>12,000</i>	<i>-300</i>	<i>-2.4</i>
<i>Medicare and DisabilityCare Australia levy</i>	<i>15,440</i>	<i>15,140</i>	<i>-300</i>	<i>-1.9</i>

(a) The numbers in the PEFO column were not published in the 2016 PEFO.

(b) This item includes a small amount of MRRT receipts relating to a pre-2013-14 income year which cannot be separately disclosed owing to taxpayer confidentiality.

(c) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(d) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

**Table 3.7: Reconciliation of 2017-18 general government sector (cash) receipts<sup>(a)</sup>**

	Estimates		Change on PEFO	
	PEFO \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	193,300	188,700	-4,600	-2.4
Gross other individuals	48,300	46,000	-2,300	-4.8
<i>less:</i> Refunds	31,250	29,550	-1,700	-5.4
Total individuals and other withholding tax	210,350	205,150	-5,200	-2.5
Fringe benefits tax	4,560	4,460	-100	-2.2
Company tax	76,700	77,200	500	0.7
Superannuation fund taxes	8,960	8,710	-250	-2.8
Petroleum resource rent tax	800	900	100	12.5
<b>Income taxation receipts</b>	<b>301,370</b>	<b>296,420</b>	<b>-4,950</b>	<b>-1.6</b>
Goods and services tax	64,220	62,960	-1,260	-2.0
Wine equalisation tax	990	930	-60	-6.1
Luxury car tax	570	640	70	12.3
Excise and customs duty				
Petrol	6,700	6,400	-300	-4.5
Diesel	10,260	10,360	100	1.0
Other fuel products	2,270	1,940	-330	-14.5
Tobacco	10,990	11,440	450	4.1
Beer	2,450	2,450	0	0.0
Spirits	2,130	2,180	50	2.3
Other alcoholic beverages(b)	960	960	0	0.0
Other customs duty				
Textiles, clothing and footwear	260	240	-20	-7.7
Passenger motor vehicles	630	500	-130	-20.6
Other imports	890	720	-170	-19.1
<i>less:</i> Refunds and drawbacks	420	420	0	0.0
Total excise and customs duty	37,120	36,770	-350	-0.9
Agricultural levies	495	518	23	4.7
Other taxes	5,400	5,363	-37	-0.7
<b>Indirect taxation receipts</b>	<b>108,795</b>	<b>107,181</b>	<b>-1,613</b>	<b>-1.5</b>
<b>Taxation receipts</b>	<b>410,165</b>	<b>403,601</b>	<b>-6,563</b>	<b>-1.6</b>
Sales of goods and services	11,954	11,698	-257	-2.1
Interest received	3,470	3,166	-304	-8.8
Dividends	3,462	3,370	-93	-2.7
Other non-taxation receipts	8,334	9,398	1,064	12.8
<b>Non-taxation receipts</b>	<b>27,221</b>	<b>27,632</b>	<b>411</b>	<b>1.5</b>
<b>Total receipts</b>	<b>437,385</b>	<b>431,233</b>	<b>-6,153</b>	<b>-1.4</b>
<i>Memorandum:</i>				
<i>Total excise</i>	22,530	22,070	-460	-2.0
<i>Total customs duty</i>	14,590	14,700	110	0.8
<i>Capital gains tax(c)</i>	13,900	14,100	200	1.4
<i>Medicare and DisabilityCare Australia levy</i>	16,100	15,820	-280	-1.7

(a) The numbers in the PEFO column were not published in the 2016 PEFO.

(b) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) 'Capital gains tax' is part of gross other individuals, 'company tax and superannuation fund taxes.

Table 3.8 shows the Australian Government general government cash receipts from 2015-16 to 2019-20 by heads of revenue.



**Table 3.8: Australian Government general government sector (cash) receipts**

	Actual	Estimates		Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Individuals and other withholding taxes					
Gross income tax withholding	173,436	179,200	188,700	201,100	213,700
Gross other individuals	41,746	44,400	46,000	48,700	52,600
less: Refunds	28,081	28,900	29,550	31,250	32,000
Total individuals and other withholding tax	187,101	194,700	205,150	218,550	234,300
Fringe benefits tax	4,368	4,450	4,460	4,580	4,850
Company tax	62,897	67,800	77,200	82,500	87,400
Superannuation fund taxes	6,834	8,030	8,710	9,760	10,760
Petroleum resource rent tax(a)	741	950	900	900	900
<b>Income taxation receipts</b>	<b>261,941</b>	<b>275,930</b>	<b>296,420</b>	<b>316,290</b>	<b>338,210</b>
Goods and services tax	57,457	59,953	62,960	66,181	69,175
Wine equalisation tax	854	880	930	1,030	1,090
Luxury car tax	602	630	640	660	700
Excise and customs duty					
Petrol	6,150	6,200	6,400	6,700	7,150
Diesel	9,726	9,960	10,360	10,910	11,670
Other fuel products	2,115	1,940	1,940	1,970	2,060
Tobacco	9,816	10,670	11,440	12,680	13,810
Beer	2,373	2,400	2,450	2,510	2,630
Spirits	2,068	2,120	2,180	2,270	2,370
Other alcoholic beverages(b)	912	930	960	990	1,040
Other customs duty					
Textiles, clothing and footwear	498	300	240	260	290
Passenger motor vehicles	614	500	500	560	630
Other imports	1,589	1,050	720	750	820
less: Refunds and drawbacks	436	420	420	420	420
Total excise and customs duty	35,424	35,650	36,770	39,180	42,050
Agricultural levies	517	519	518	528	533
Other taxes	5,167	5,193	5,363	5,471	5,615
<b>Indirect taxation receipts</b>	<b>100,021</b>	<b>102,826</b>	<b>107,181</b>	<b>113,050</b>	<b>119,163</b>
<b>Taxation receipts</b>	<b>361,962</b>	<b>378,756</b>	<b>403,601</b>	<b>429,340</b>	<b>457,373</b>
Sales of goods and services	7,592	8,766	11,698	15,358	16,538
Interest received	2,936	2,990	3,166	3,521	4,046
Dividends	5,540	5,828	3,370	3,517	3,895
Other non-taxation receipts	8,895	11,010	9,398	8,933	8,188
<b>Non-taxation receipts</b>	<b>24,962</b>	<b>28,594</b>	<b>27,632</b>	<b>31,329</b>	<b>32,667</b>
<b>Total receipts</b>	<b>386,924</b>	<b>407,350</b>	<b>431,233</b>	<b>460,669</b>	<b>490,040</b>
<i>Memorandum:</i>					
Total excise	21,492	21,390	22,070	23,040	24,510
Total customs duty	13,932	14,260	14,700	16,140	17,540
Capital gains tax(c)	10,700	12,000	14,100	15,800	17,500
Medicare and DisabilityCare					
Australia levy	15,030	15,140	15,820	16,430	17,210

(a) This item includes a small amount of MRRT receipts relating to a pre-2013-14 income year which cannot be separately disclosed owing to taxpayer confidentiality.

(b) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes. The 2015-16 reported figure is an estimate.

## Policy decisions

Policy decisions since the 2016 PEFO have reduced total receipts by \$325 million in 2016-17 and increased total receipts by \$464 million over the forward estimates period.

## Parameter and other variations

Parameter and other variations have reduced total receipts since the 2016 PEFO by \$3.6 billion in 2016-17 and \$30.5 billion over the forward estimates period.

Parameter and other variations have reduced tax receipts since the 2016 PEFO by \$3.7 billion in 2016-17 and \$30.7 billion over the forward estimates period.

The key economic parameters that influence tax receipts and tax revenue are shown in Table 3.9. The table shows effects on the Australian Government's main tax bases of the changed circumstances and outlook since the 2016 PEFO.

**Table 3.9: Key economic parameters<sup>(a)</sup>**

	Outcome	Estimates		Projections	
	2015-16 %	2016-17 %	2017-18 %	2018-19 %	2019-20 %
<b>Revenue parameters at 2016-17 MYEFO</b>					
Nominal gross domestic product	2.3	5 3/4	3 3/4	4 1/4	4 1/2
<i>Change since 2016 PEFO</i>	-0.2	1 1/2	-1 1/4	- 3/4	- 1/2
Compensation of employees(b)	3.1	3 1/4	4	5	5 1/4
<i>Change since 2016 PEFO</i>	0.0	- 3/4	- 1/2	1/2	1/4
Corporate gross operating surplus(c)	-1.9	12 3/4	2 1/2	1 3/4	2 3/4
<i>Change since 2016 PEFO</i>	-3.1	7 1/2	-3 1/4	-3 1/2	-2
Unincorporated business income	8.0	3 1/4	4 1/2	3	3
<i>Change since 2016 PEFO</i>	3.5	- 3/4	-1	-2 1/2	-1 3/4
Property income(d)	3.4	4 3/4	6 1/4	4 3/4	4 3/4
<i>Change since 2016 PEFO</i>	1.6	- 1/4	0	- 1/4	- 1/2
Consumption subject to GST	4.0	3 1/2	5	5 1/2	5 1/4
<i>Change since 2016 PEFO</i>	0.1	-1 1/4	- 1/4	0	0

(a) Current prices, per cent change on previous year. Changes since the 2016 PEFO are percentage points and may not reconcile due to rounding.

(b) Compensation of employees measures total remuneration earned by employees.

(c) Corporate gross operating surplus is an Australian System of National Accounts measure of company profits, gross of depreciation.

(d) Property income measures income derived from interest, rent and dividends.

Tax collections since the 2016 PEFO have been lower than expected, and this softness is expected to persist over the forward estimates. Recent higher commodity prices are expected to improve corporate profitability in the mining sector in 2016-17, and therefore provide some support to tax collections in 2017-18. However, this will be more than offset by the impact of weaker growth in aggregate wages and non-mining profits over the forward estimates, as well as weaker-than-expected tax collections since the 2016 PEFO.

Excluding policy decisions, individuals and other withholding tax has been revised down by \$2.1 billion (-1.1 per cent) in 2016-17 and \$18.3 billion over the forward estimates. This reflects a weaker outlook for aggregate wages, as well as weaker-than-expected collections since the 2016 PEFO.

Excluding policy decisions, company tax receipts have been revised down by \$1.0 billion (-1.4 per cent) in 2016-17 and \$5.9 billion over the forward estimates. This largely reflects weaker non-mining corporate profits, partly offset by higher mining profits from stronger commodity prices over 2016-17 flowing through to higher receipts in 2017-18 (see Box C).

Excluding policy decisions, goods and services tax receipts have been revised down by \$5.3 billion over the forward estimates. This is consistent with lower forecasts for domestic prices, as well as weaker-than-expected collections.

Excluding policy decisions, excise and excise-equivalent customs duty has been revised down by \$0.5 billion over the forward estimates, largely owing to lower receipts from fuel products, partially offset by stronger tobacco receipts.

Analysis of the sensitivity of the receipts estimates to changes in the economic outlook is provided in Attachment A to this part.

### **Box C: Illustrative example of the company tax payments system**

The design of the company tax payments system means that there may be significant delays between accruing profit and paying the associated tax liability.

Large companies pay their tax in twelve monthly instalments during the year and a balancing payment after the end of the year. For a large company reporting on a year ending on 30 June 2017, the balancing payment is due on 1 December 2017. The tax return is lodged around a month later, in early 2018.

The instalment payments are calculated as a share of the company's ordinary business income ('turnover'), with the rate determined from the company's last assessed tax return.

Consider a company with usual turnover of \$600 million and expenses of \$500 million, resulting in taxable income of \$100 million and a tax liability of \$30 million (30 per cent). The tax is therefore 5 per cent of turnover. This company would be required to pay monthly tax instalments of \$2.5 million.

If the company's turnover suddenly doubles from 1 July 2016, to \$1,200 million for the year with no change to expenses – a windfall gain – then its taxable income for this year will be \$700 million and its associated tax liability will be \$210 million.

The company's instalments will continue to be paid as 5 per cent of turnover, which amounts to only \$60 million in twelve payments of \$5 million. These are paid with a one month delay, so only \$55 million of the \$210 million liability will be paid during 2016-17.

**Box C: Illustrative example of the company tax payments system (continued)**

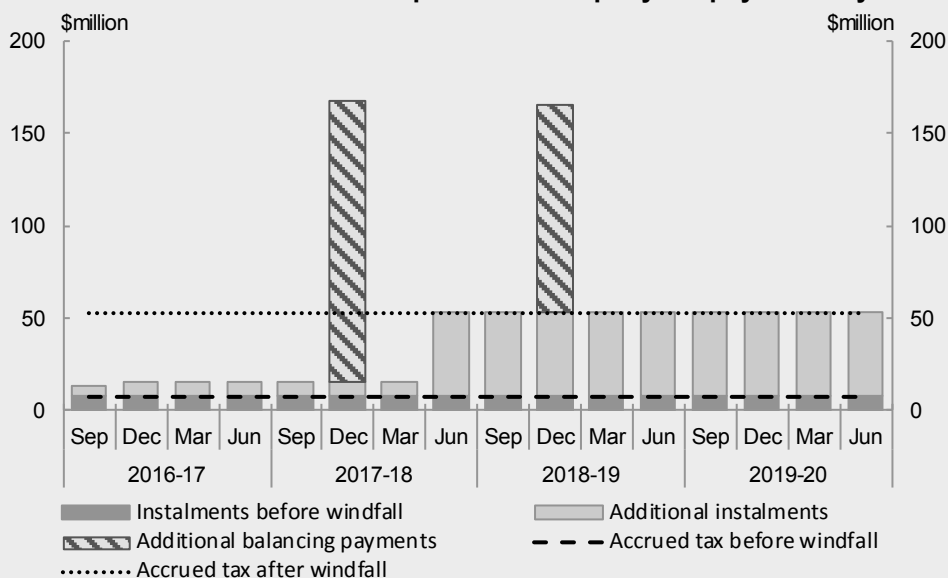
Most of the tax liability – the remaining \$155 million – will be paid as a balancing payment on 1 December 2017 (during the 2017-18 year).

The company’s 2016-17 tax return, lodged in early 2018, will show that it was liable for \$210 million of tax on a turnover of \$1,200 million. From the following payment period (assumed here to be during the June quarter 2018), the company will pay its instalments at a rate of 17.5 per cent of its turnover.

This means that, in this example, the full impact of the increase in income will only be seen in tax collections from the June quarter 2018 (that is, at least 18 months after the initial increase in turnover in mid-2016). The impact will be seen for an entire year only from 2018-19.

Chart 3.5 illustrates the above scenario on a quarterly basis. Tax receipts only increase by around \$30 million in the first year – through higher instalments – even though the accrued tax liability has increased by \$180 million. In the second year the difference between accrued tax and instalments from the previous year is paid as a balancing payment, but the instalment rates do not increase to reflect the increased profitability of the company until the final quarter. This means that an additional balancing payment falls in the third year, which is the first full year that the increased instalments reflect the increased profitability of the company.

**Chart 3.5: An illustrative example of the company tax payments system**



The 2016-17 MYEFO continues to include a provision for the Environmental Goods Agreement as this agreement has still not been finalised.

The 2016-17 MYEFO also includes new provisions for a number of Free Trade Agreements (FTAs) for which negotiating mandates are in place being:

- FTA with the Gulf Cooperation Council (GCC).
- India FTA – Comprehensive Economic Cooperation Agreement (CECA).
- Pacific Agreement on closer economic relations (PACER) plus.
- Regional Comprehensive Economic Partnership (RCEP).
- Australia’s accession to the World Trade Organisation (WTO) Government Procurement Agreement (GPA).
- Indonesia Australia Comprehensive Economic Partnership Agreement.

As is standard practice, measures will be published once the agreements have been formally signed.

### **Payments estimates**

Since the 2016 PEFO, estimated cash payments for 2016-17 have decreased by \$4.0 billion. The overall net impact of payment related decisions has decreased total cash payments by \$2.0 billion over the four years to 2019-20, with parameter and other variations decreasing payments by a further \$16.5 billion.

### **Policy decisions**

Major policy decisions since the 2016 PEFO that increase payments include:

- providing additional funding for the *Infrastructure Investment Programme* for 75 infrastructure projects across Australia, which is expected to increase payments by \$42 million in 2016-17 (\$813 million over four years to 2019-20). This measure delivers on the Government’s election commitment;
- providing funding to deliver important community infrastructure projects across Australia, which is expected to increase payments by \$62 million in 2016-17 (\$541 million over four years to 2019-20). This measure delivers on the Government’s election commitment with the majority of the projects delivered through the *Community Development Grants Programme*;
- establishing the Building Better Regions Fund, which is expected to increase payments by \$298 million over three years to 2019-20. This measure delivers on the Government’s election commitment;
- continuing funding for Commonwealth water functions, which is expected to increase payments by \$398 million over three years to 2019-20;

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- restoring funding for the Australian Renewable Energy Agency, which is expected to increase payments by \$553 million over three years from 2017-18 (\$800 million over five years to 2021-22). This was part of a range of policy amendments that secured the passage of the Budget Savings (Omnibus) Bill 2016; and
- delaying commencement of the 2015-16 MYEFO measure *Medicare Benefits Schedule – changes to diagnostic imaging and pathology services bulk billing incentives* until 1 July 2017 to allow for further consultation. This measure is expected to increase payments by \$198 million in 2016-17 (\$200 million over four years to 2019-20).

Major policy decisions since the 2016 PEFO that decrease cash payments, include:

- redirecting uncommitted infrastructure funding consistent with the Government's election policy statement *The Coalition's Policy for a Stronger Economy and Balanced Budget*, which is expected to decrease payments by \$864 million in 2016-17 and \$2.2 billion over four years to 2019-20. This measure delivers on the Government's election commitment;
- expanding the Department of Human Services' fraud prevention and debt recovery capability, which is expected to achieve savings of \$2.1 billion over four years to 2019-20. This measure delivers on the Government's election commitment;
- not proceeding with the 2014-15 Budget measure to establish the ARF, which is expected to decrease public debt interest payments by \$701 million over three years from 2017-18, more than offsetting the reduction in expected earnings from the ARF. Infrastructure commitments that were to have been paid from the ARF will continue to be funded through existing mechanisms;
- ceasing the Family Tax Benefit (FTB) Part A end-of-year supplement for families with a household income in excess of \$80,000 per year from 1 July 2016, which is expected to decrease payments by \$644 million over four years to 2019-20. This was part of a range of policy amendments that secured the passage of the Budget Savings (Omnibus) Bill 2016; and
- capping the amount of funding available in the wage subsidy pool of the *jobactive* program for those aged 25 years and over, which is expected to decrease payments by \$329 million over four years to 2019-20.

#### Parameter and other variations

Parameter and other variations since the 2016 PEFO have decreased payments by \$3.6 billion in 2016-17 and \$16.5 billion over the four years to 2019-20.

Major increases in cash payments in 2016-17 and over the four years to 2019-20 as a result of parameter and other variations since the 2016 PEFO include:

- payments related to the Pharmaceutical Benefits Scheme (PBS), which are expected to increase by \$972 million in 2016-17 (\$745 million over the four years to 2019-20), largely reflecting a higher than anticipated uptake by patients of five Hepatitis C medicines listed on the PBS. This impact is partially offset by an increase in receipts resulting from Special Pricing Arrangements and Risk Share Arrangements with a range of PBS providers;
- payments to the States and Territories under the Natural Disaster Relief and Recovery Arrangements program, which are expected to increase by \$544 million in 2016-17 (\$157 million over the four years to 2019-20), largely reflecting the bring-forward of payments previously expected to be made in 2017-18 following the completion of audits allowing claims to be paid;
- payments relating to the Australian Renewable Energy Agency, which are expected to increase by \$118 million in 2016-17 (\$159 million over the four years to 2019-20), largely reflecting delayed grant payments for projects previously expected to be made in 2015-16 and additional grants provided as part of the Large Scale Solar competitive funding round; and
- payments relating to the Asset Recycling Initiative, which are expected to increase by \$279 million over the four years to 2019-20 (although a reduction in payments of \$154 million is expected in 2016-17), largely reflecting delays in payments to the States and Territories as a result of 2015-16 project milestones not being completed when expected. Funding of \$877 million has also been set aside for future Victorian infrastructure projects.

Major reductions in cash payments in 2016-17 and over the four years to 2019-20 as a result of parameter and other variations since the 2016 PEFO include:

- after overall upward estimates variations over the past six Budget updates since the 2013 PEFO of \$7.8 billion over the relevant forward estimates period, payments related to the Child Care Benefit, Child Care Rebate and Child Care Subsidy, are expected to decrease by \$724 million in 2016-17 (\$7.6 billion over the four years to 2019-20). The number of children accessing subsidised child care is anticipated to grow by almost 300,000 over the forward estimates, from 1.7 million in 2016-17 to 2.0 million in 2019-20;
- payments related to the Income Support for Seniors program, which are expected to decrease by \$656 million in 2016-17 (\$2.7 billion over the four years to 2019-20), largely reflecting slower than expected growth in the number of Age Pension recipients and lower than expected average Age Pension payment rates;
- payments related to the Research and Development Tax Incentive, which are expected to decrease by \$151 million in 2016-17 (\$580 million over the four years to 2019-20), largely reflecting a lower than expected growth in demand for the program following lower take up in 2015-16;

- payments related to the Income Support for Carers program, which are expected to decrease by \$127 million in 2016-17 (\$1.9 billion over the four years to 2019-20), largely reflecting lower than expected growth in the number of Carer Payment recipients.

Consistent with previous budgets, the underlying cash balance has been improved by the regular draw down of the conservative bias allowance. Details of this draw down are provided at Attachment C.

Analysis of the sensitivity of the payments estimates to changes in the economic outlook is provided in Attachment A to this part.

### Fiscal balance estimates

Compared with the 2016 PEFO, the fiscal balance is expected to deteriorate by \$4.4 billion for 2016-17.

Table 3.10 provides a reconciliation of fiscal balance estimates, including the impact of policy decisions and parameter and other variations on revenue, expense and net capital investment.

**Table 3.10: Reconciliation of general government sector fiscal balance estimates**

	Estimates		Projections		Total
	2016-17	2017-18	2018-19	2019-20	
	\$m	\$m	\$m	\$m	\$m
<b>2016-17 Budget fiscal balance</b>	<b>-37,129</b>	<b>-18,675</b>	<b>-9,839</b>	<b>-2,059</b>	<b>-67,701</b>
Per cent of GDP	-2.2	-1.0	-0.5	-0.1	
<b>Changes from 2016-17 Budget to 2016 PEFO</b>					
Effect of policy decisions(a)	-2	0	3	6	7
Effect of parameter and other variations	0	0	0	0	0
<b>Total variations</b>	<b>-2</b>	<b>0</b>	<b>3</b>	<b>6</b>	<b>7</b>
<b>2016 PEFO fiscal balance</b>	<b>-37,130</b>	<b>-18,675</b>	<b>-9,836</b>	<b>-2,053</b>	<b>-67,694</b>
Per cent of GDP	-2.2	-1.0	-0.5	-0.1	
<b>Changes from 2016 PEFO to 2016-17 MYEFO</b>					
Effect of policy decisions(a)(b)					
Revenue	-406	130	866	1,104	1,694
Expenses	-927	-1,138	-367	-270	-2,703
Net capital investment	62	64	8	-10	125
Total policy decisions impact on fiscal balance	459	1,204	1,225	1,383	4,272
Effect of parameter and other variations(b)					
Revenue	-5,343	-8,431	-12,174	-13,467	-39,416
Expenses	-985	-3,291	-5,321	-7,353	-16,949
Net capital investment	453	-334	-166	-347	-394
Total parameter and other variations impact on fiscal balance	-4,811	-4,807	-6,687	-5,767	-22,072
<b>2016-17 MYEFO fiscal balance</b>	<b>-41,482</b>	<b>-22,278</b>	<b>-15,298</b>	<b>-6,437</b>	<b>-85,495</b>
Per cent of GDP	-2.4	-1.2	-0.8	-0.3	

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

(b) 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.



## **Revenue estimates**

Total revenue has been revised down by \$5.7 billion in 2016-17 since the 2016 PEFO.

While changes in tax revenue (measured when the obligation to pay tax is incurred) are generally driven by the same factors as tax receipts (measured when the tax is collected), there are differences as not all revenue raised in a given year is actually paid in that year. These differences exist for most revenue heads, and vary across years.

Detailed Australian Government general government sector revenue estimates for 2016-17 and 2017-18, compared with estimates from the 2016 PEFO, are provided in Tables 3.11 and 3.12 respectively.

**Table 3.11: Reconciliation of 2016-17 general government sector (accrual) revenue<sup>(a)</sup>**

	Estimates		Change on PEFO	
	PEFO \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	183,380	180,680	-2,700	-1.5
Gross other individuals	47,300	46,700	-600	-1.3
<i>less: Refunds</i>	29,350	28,900	-450	-1.5
Total individuals and other withholding tax	201,330	198,480	-2,850	-1.4
Fringe benefits tax	4,760	4,540	-220	-4.6
Company tax	70,100	68,700	-1,400	-2.0
Superannuation fund taxes	7,510	8,080	570	7.6
Petroleum resource rent tax(b)	850	920	70	8.2
<b>Income taxation revenue</b>	<b>284,550</b>	<b>280,720</b>	<b>-3,830</b>	<b>-1.3</b>
Goods and services tax	63,340	62,410	-930	-1.5
Wine equalisation tax	910	910	0	0.0
Luxury car tax	570	640	70	12.3
Excise and customs duty				
Petrol	6,450	6,210	-240	-3.7
Diesel	9,870	9,970	100	1.0
Other fuel products	2,235	1,940	-295	-13.2
Tobacco	10,160	10,670	510	5.0
Beer	2,390	2,400	10	0.4
Spirits	2,100	2,120	20	1.0
Other alcoholic beverages(c)	940	930	-10	-1.1
Other customs duty				
Textiles, clothing and footwear	310	300	-10	-3.2
Passenger motor vehicles	590	500	-90	-15.3
Other imports	1,170	1,050	-120	-10.3
<i>less: Refunds and drawbacks</i>	420	420	0	0.0
Total excise and customs duty	35,795	35,670	-125	-0.3
Agricultural levies	494	519	26	5.2
Other taxes	5,625	5,476	-149	-2.6
<b>Indirect taxation revenue</b>	<b>106,733</b>	<b>105,625</b>	<b>-1,108</b>	<b>-1.0</b>
<b>Taxation revenue</b>	<b>391,283</b>	<b>386,345</b>	<b>-4,938</b>	<b>-1.3</b>
Sales of goods and services	9,249	8,905	-345	-3.7
Interest	4,280	3,771	-509	-11.9
Dividends	3,242	2,687	-555	-17.1
Other non-taxation revenue	8,807	9,404	597	6.8
<b>Non-taxation revenue</b>	<b>25,579</b>	<b>24,767</b>	<b>-811</b>	<b>-3.2</b>
<b>Total revenue</b>	<b>416,862</b>	<b>411,112</b>	<b>-5,749</b>	<b>-1.4</b>
<i>Memorandum:</i>				
<i>Total excise</i>	21,785	21,410	-375	-1.7
<i>Total customs duty</i>	14,010	14,260	250	1.8
<i>Capital gains tax(d)</i>	12,300	12,000	-300	-2.4
<i>Medicare and DisabilityCare Australia levy</i>	15,440	15,140	-300	-1.9

(a) The numbers in the PEFO column were not published in the 2016 PEFO.

(b) This item includes a small amount of MRRT revenue relating to a pre-2013-14 income year which cannot be separately disclosed owing to taxpayer confidentiality.

(c) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(d) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

**Table 3.12: Reconciliation of 2017-18 general government sector (accrual) revenue<sup>(a)</sup>**

	Estimates		Change on PEFO	
	PEFO \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	194,920	190,320	-4,600	-2.4
Gross other individuals	51,530	48,560	-2,970	-5.8
<i>less: Refunds</i>	31,250	29,550	-1,700	-5.4
Total individuals and other withholding tax	215,200	209,330	-5,870	-2.7
Fringe benefits tax	4,650	4,550	-100	-2.2
Company tax	78,300	78,600	300	0.4
Superannuation fund taxes	9,140	8,790	-350	-3.8
Petroleum resource rent tax	780	890	110	14.1
<b>Income taxation revenue</b>	<b>308,070</b>	<b>302,160</b>	<b>-5,910</b>	<b>-1.9</b>
Goods and services tax	66,910	65,680	-1,230	-1.8
Wine equalisation tax	1,000	940	-60	-6.0
Luxury car tax	570	640	70	12.3
Excise and customs duty				
Petrol	6,710	6,410	-300	-4.5
Diesel	10,270	10,370	100	1.0
Other fuel products	2,270	1,940	-330	-14.5
Tobacco	10,990	11,440	450	4.1
Beer	2,450	2,450	0	0.0
Spirits	2,130	2,180	50	2.3
Other alcoholic beverages(b)	960	960	0	0.0
Other customs duty				
Textiles, clothing and footwear	260	240	-20	-7.7
Passenger motor vehicles	650	520	-130	-20.0
Other imports	900	730	-170	-18.9
<i>less: Refunds and drawbacks</i>	420	420	0	0.0
Total excise and customs duty	37,170	36,820	-350	-0.9
Agricultural levies	495	518	23	4.7
Other taxes	5,728	6,083	355	6.2
<b>Indirect taxation revenue</b>	<b>111,873</b>	<b>110,682</b>	<b>-1,192</b>	<b>-1.1</b>
<b>Taxation revenue</b>	<b>419,944</b>	<b>412,842</b>	<b>-7,102</b>	<b>-1.7</b>
Sales of goods and services	12,011	11,737	-274	-2.3
Interest	4,841	4,322	-519	-10.7
Dividends	3,666	3,294	-372	-10.1
Other non-taxation revenue	9,063	9,028	-34	-0.4
<b>Non-taxation revenue</b>	<b>29,581</b>	<b>28,381</b>	<b>-1,200</b>	<b>-4.1</b>
<b>Total revenue</b>	<b>449,524</b>	<b>441,223</b>	<b>-8,301</b>	<b>-1.8</b>
<i>Memorandum:</i>				
<i>Total excise</i>	22,550	22,090	-460	-2.0
<i>Total customs duty</i>	14,620	14,730	110	0.8
<i>Capital gains tax(c)</i>	13,900	14,100	200	1.4
<i>Medicare and DisabilityCare Australia levy</i>	16,100	15,820	-280	-1.7

(a) The numbers in the PEFO column were not published in the 2016 PEFO.

(b) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

Table 3.13 shows the changes to individual heads of revenue over the forward estimates.

**Table 3.13: Australian Government general government sector (accrual) revenue**

	Actual	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Individuals and other withholding taxes					
Gross income tax withholding	174,815	180,680	190,320	202,850	215,550
Gross other individuals	43,261	46,700	48,560	51,560	55,450
less: Refunds	28,081	28,900	29,550	31,250	32,000
Total individuals and other withholding tax	189,996	198,480	209,330	223,160	239,000
Fringe benefits tax	4,453	4,540	4,550	4,670	4,940
Company tax	63,529	68,700	78,600	84,100	88,800
Superannuation fund taxes	6,830	8,080	8,790	9,810	10,820
Petroleum resource rent tax(a)	876	920	890	890	900
<b>Income taxation revenue</b>	<b>265,684</b>	<b>280,720</b>	<b>302,160</b>	<b>322,630</b>	<b>344,460</b>
Goods and services tax	60,312	62,410	65,680	69,270	72,040
Wine equalisation tax	883	910	940	1,040	1,100
Luxury car tax	620	640	640	660	700
Excise and customs duty					
Petrol	6,189	6,210	6,410	6,710	7,030
Diesel	9,788	9,970	10,370	10,920	11,480
Other fuel products	2,125	1,940	1,940	1,970	2,030
Tobacco	9,928	10,670	11,440	12,680	13,810
Beer	2,386	2,400	2,450	2,510	2,570
Spirits	2,071	2,120	2,180	2,270	2,370
Other alcoholic beverages(b)	917	930	960	990	1,040
Other customs duty					
Textiles, clothing and footwear	498	300	240	260	290
Passenger motor vehicles	614	500	520	580	640
Other imports	1,591	1,050	730	760	830
less: Refunds and drawbacks	436	420	420	420	420
Total excise and customs duty	35,671	35,670	36,820	39,230	41,670
Agricultural levies	522	519	518	528	533
Other taxes	5,246	5,476	6,083	6,423	6,703
<b>Indirect taxation revenue</b>	<b>103,255</b>	<b>105,625</b>	<b>110,682</b>	<b>117,150</b>	<b>122,747</b>
<b>Taxation revenue</b>	<b>368,939</b>	<b>386,345</b>	<b>412,842</b>	<b>439,780</b>	<b>467,206</b>
Sales of goods and services	7,619	8,905	11,737	15,434	16,614
Interest	2,930	3,771	4,322	5,142	6,168
Dividends	6,240	2,687	3,294	3,662	4,016
Other non-taxation revenue	9,326	9,404	9,028	9,043	8,695
<b>Non-taxation revenue</b>	<b>26,116</b>	<b>24,767</b>	<b>28,381</b>	<b>33,281</b>	<b>35,492</b>
<b>Total revenue</b>	<b>395,055</b>	<b>411,112</b>	<b>441,223</b>	<b>473,062</b>	<b>502,699</b>
<i>Memorandum:</i>					
<i>Total excise</i>	21,625	21,410	22,090	23,060	24,110
<i>Total customs duty</i>	14,046	14,260	14,730	16,170	17,560
<i>Capital gains tax(c)</i>	10,700	12,000	14,100	15,800	17,500
<i>Medicare and DisabilityCare Australia levy</i>	15,000	15,140	15,820	16,430	17,210

(a) This item includes a small amount of MRRT revenue relating to a pre-2013-14 income year which cannot be separately disclosed owing to taxpayer confidentiality.

(b) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes. The 2015-16 reported figure is an estimate.

## Expense and net capital investment estimates

Movements in accrual expenses and net capital investments over the forward estimates are broadly similar to the movements in cash payments. The key exceptions include:

- superannuation expenses for defined benefit superannuation in 2016-17 are discounted based on the 1 July 2016 bond rate of 2.7 per cent, in accordance with the requirements of Australian Accounting Standards, rather than the actuarially determined discount rate of 6 per cent used for budget reporting purposes. The net increase in expenses in 2016-17 is \$3.6 billion, but with no impact on cash payments; and
- the Natural Disaster Relief and Recovery Arrangements, where expenses are recognised in the financial year in which the disaster occurs, rather than when cash payments are made.

Estimates of Australian Government general government sector expenses by function can be found in Attachment D.

Table 3.14 provides a reconciliation of expense estimates.

**Table 3.14: Reconciliation of general government sector expense estimates**

	Estimates		Projections		Total
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	
<b>2016-17 Budget expenses</b>	<b>450,553</b>	<b>464,812</b>	<b>489,324</b>	<b>511,604</b>	<b>1,916,292</b>
<b>Changes from 2016-17 Budget to 2016 PEFO</b>					
Effect of policy decisions(a)	1	-1	-3	-6	-9
Effect of parameter and other variations	0	0	0	0	0
<b>Total variations</b>	<b>1</b>	<b>-1</b>	<b>-3</b>	<b>-6</b>	<b>-9</b>
<b>2016 PEFO expenses</b>	<b>450,554</b>	<b>464,811</b>	<b>489,320</b>	<b>511,598</b>	<b>1,916,283</b>
<b>Changes from 2016 PEFO to 2016-17 MYEFO</b>					
Effect of policy decisions(a)	-927	-1,138	-367	-270	-2,703
Effect of economic parameter variations					
Total economic parameter variations	-708	-1,242	-1,707	-2,009	-5,665
<i>Unemployment benefits</i>	135	62	-59	-195	-57
<i>Prices and wages</i>	143	-24	-151	-257	-289
<i>Interest and exchange rates</i>	-66	-80	-87	-107	-340
<i>GST payments to the States</i>	-920	-1,200	-1,410	-1,450	-4,980
Public debt interest	-661	-406	-88	462	-692
Program specific parameter variations	595	-1,589	-3,324	-3,481	-7,800
Other variations	-211	-54	-202	-2,325	-2,792
<b>Total variations</b>	<b>-1,912</b>	<b>-4,429</b>	<b>-5,688</b>	<b>-7,623</b>	<b>-19,652</b>
<b>2016-17 MYEFO expenses</b>	<b>448,642</b>	<b>460,382</b>	<b>483,632</b>	<b>503,975</b>	<b>1,896,631</b>

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

Table 3.15 provides a reconciliation of the net capital investment estimates.

**Table 3.15: Reconciliation of general government sector net capital investment estimates**

	Estimates		Projections		Total
	2016-17	2017-18	2018-19	2019-20	
	\$m	\$m	\$m	\$m	\$m
<b>2016-17 Budget net capital investment</b>	<b>3,437</b>	<b>3,388</b>	<b>4,885</b>	<b>5,517</b>	<b>17,227</b>
<b>Changes from 2016-17 Budget to 2016 PEFO</b>					
Effect of policy decisions(a)	1	1	0	0	2
Effect of parameter and other variations	0	0	0	0	0
<b>Total variations</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>2016 PEFO net capital investment</b>	<b>3,438</b>	<b>3,389</b>	<b>4,885</b>	<b>5,517</b>	<b>17,229</b>
<b>Changes from 2016 PEFO to 2016-17 MYEFO</b>					
Effect of policy decisions(a)	62	64	8	-10	125
Effect of parameter and other variations	453	-334	-166	-347	-394
<b>Total variations</b>	<b>515</b>	<b>-270</b>	<b>-158</b>	<b>-357</b>	<b>-269</b>
<b>2016-17 MYEFO net capital investment</b>	<b>3,953</b>	<b>3,119</b>	<b>4,727</b>	<b>5,161</b>	<b>16,960</b>

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

### Headline cash balance

The headline cash balance consists of the underlying cash balance, net cash flows from investments in financial assets for policy purposes (for example, the equity funding of NBN Co) and net Future Fund earnings.

Table 3.16 provides further detail between the underlying and headline cash balance estimates of the Australian Government general government sector.

**Table 3.16: Reconciliation of general government sector underlying and headline cash balance estimates**

	Estimates		Projections		Total
	2016-17	2017-18	2018-19	2019-20	
	\$m	\$m	\$m	\$m	\$m
<b>2016-17 MYEFO underlying cash balance(a)</b>	<b>-36,514</b>	<b>-28,694</b>	<b>-19,711</b>	<b>-9,992</b>	<b>-94,912</b>
<b>plus Net cash flows from investments in financial assets for policy purposes</b>					
Student loans	-7,270	-7,391	-7,267	-7,222	-29,151
NBN investment	-9,225	0	0	0	-9,225
NBN loan	0	-10,287	-6,529	-2,246	-19,062
Residential mortgage backed securities	837	581	731	347	2,496
WestConnex	-617	-722	-576	-85	-2,000
Trade support loans	-232	-235	-237	-239	-943
Asbestos removal in the ACT - Mr Fluffy loose fill asbestos remediation	0	50	50	50	150
Northern Australia Infrastructure Facility	-935	-870	-805	-740	-3,349
Drought and rural assistance loans	-211	-250	-250	-154	-865
National water infrastructure loan facility	-50	-50	-200	-500	-800
Net other	-1,088	-773	-1,085	-998	-3,944
<b>Total net cash flows from investments in financial assets for policy purposes</b>	<b>-18,792</b>	<b>-19,947</b>	<b>-16,168</b>	<b>-11,787</b>	<b>-66,694</b>
plus Net Future Fund earnings	2,801	3,422	3,612	3,874	13,709
<b>2016-17 MYEFO headline cash balance</b>	<b>-52,505</b>	<b>-45,220</b>	<b>-32,267</b>	<b>-17,905</b>	<b>-147,897</b>

(a) Excludes expected net Future Fund earnings.

The headline cash balance for 2016-17 is estimated to be a deficit of \$52.5 billion (-3.0 per cent of GDP), compared with a deficit of \$53.5 billion at the 2016 PEFO. Over the four years to 2019-20, the headline cash deficit is projected to decline to \$17.9 billion in 2019-20. The deterioration in the headline cash balance since the 2016 PEFO has been primarily driven by the deterioration of the underlying cash balance and the Government's loan to NBN Co.





## Attachment A

### FORECAST UNCERTAINTIES, SENSITIVITIES AND SCENARIOS

#### Overview

The macroeconomic and fiscal forecasts presented in the 2016-17 MYEFO incorporate assumptions and judgments based on information available at the time of preparation.

Macroeconomic and fiscal forecasts are important for Government policy and decision making. The budget estimates provide a fiscal baseline against which policy decisions are taken by the Government. Better forecasting and a better understanding of the uncertainties around the forecasts contribute to better policy and decision making.

This Attachment presents estimates of uncertainty around the economic and fiscal forecasts. This assessment is consistent with the practice of many other international fiscal agencies to improve forecasting performance and, more importantly, raise awareness of the uncertainties inherent in forecasting.

The Attachment also presents an analysis of the sensitivity of 2016-17 MYEFO estimates to changes in key assumptions as required under the *Charter of Budget Honesty Act 1998*. An analysis of how changes to technical modelling assumptions can affect the medium-term fiscal outlook is also included.

### CONFIDENCE INTERVALS AROUND ECONOMIC AND FISCAL FORECASTS

#### Measures of uncertainty around economic forecasts

The Government's macroeconomic forecasts are prepared using a range of modelling techniques including macro-econometric models, spreadsheet analysis and accounting frameworks. These are supplemented by survey data, business liaison, professional opinion and judgment.

Forecasts are subject to inherent uncertainties. Generally, these uncertainties tend to increase as the forecast horizon lengthens. Forecast errors (the differences between forecasts and outcomes) can arise for a range of reasons — for example, differences between the assumed path of key variables and outcomes as well as changes in the relationships between different parts of the economy.

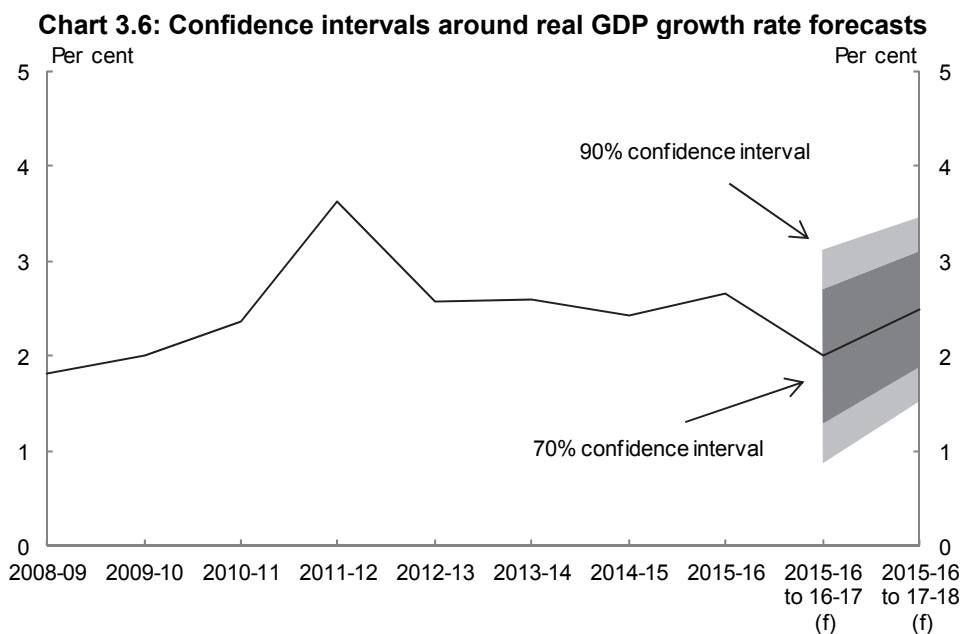
Confidence intervals seek to illustrate that there is a range of plausible outcomes around any forecast. Confidence intervals are based on observed historical patterns of forecast errors. They are a guide to the degree of uncertainty around a forecast and can span a wide range of outcomes.

## Real GDP forecasts

Real GDP forecasts in the Budget are based on a number of key assumptions including the exchange rate, interest rates and commodity prices. The forecasts also incorporate judgments about how developments in one part of the Australian economy affect other parts and how the domestic economy is affected by events in the international economy.

The accuracy of real GDP forecasts depends on the extent to which the assumptions and judgments underpinning them prove to be correct – and also the reliability of the economic relationships embodied in the macroeconomic models used to produce them. Forecast errors for real GDP can also be caused by unexpected shifts in the pace and nature of economic activity during the forecast period.

Chart 3.6 shows that the average annualised growth rate in real GDP in the two years to 2017-18 is expected to be around 2½ per cent, with the 70 per cent confidence interval ranging from 2 to 3 per cent. In other words, if forecast errors are similar to those made over recent years, there is a 70 per cent probability that the growth rate will lie in this range.



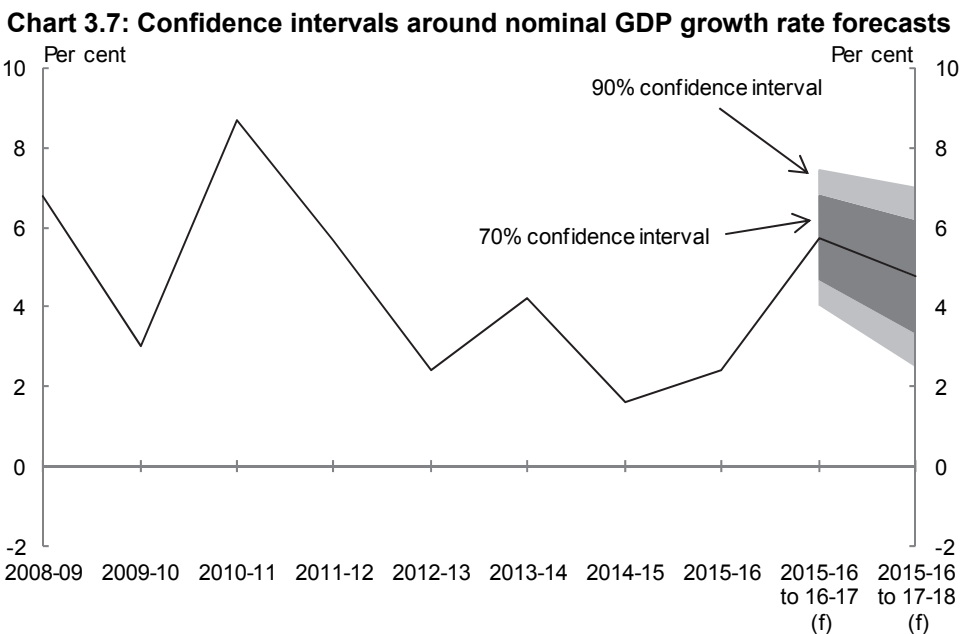
Note: The central line shows the outcomes and the 2016-17 MYEFO forecasts. Annual growth rates are reported for the outcomes. Average annualised growth rates from 2015-16 are reported for 2016-17 onwards. (f) are forecasts. Confidence intervals are based on the root mean squared errors (RMSEs) of MYEFO forecasts from 1998-99 onwards, with outcomes based on September quarter 2016 National Accounts data.

Source: ABS cat. no. 5206.0, Budget papers and Treasury.

## Nominal GDP forecasts

Compared with real GDP forecasts, nominal GDP forecasts are subject to additional sources of uncertainty from the evolution of domestic prices and wages, and world prices for commodities. Difficulty in predicting movements in these factors, particularly global commodity prices, has been the primary driver of nominal GDP forecast errors over the last decade. This additional uncertainty is reflected in the confidence intervals around nominal GDP forecasts, which are wider than those around the real GDP forecasts.

Chart 3.7 shows average annualised growth in nominal GDP in the two years to 2017-18 is expected to be around 4¾ per cent, with the 70 per cent confidence interval ranging from 3¼ to 6¼ per cent.



Note: See note to Chart 3.6.

Source: ABS cat. no. 5206.0, Budget papers and Treasury.

## Measures of uncertainty around fiscal forecasts

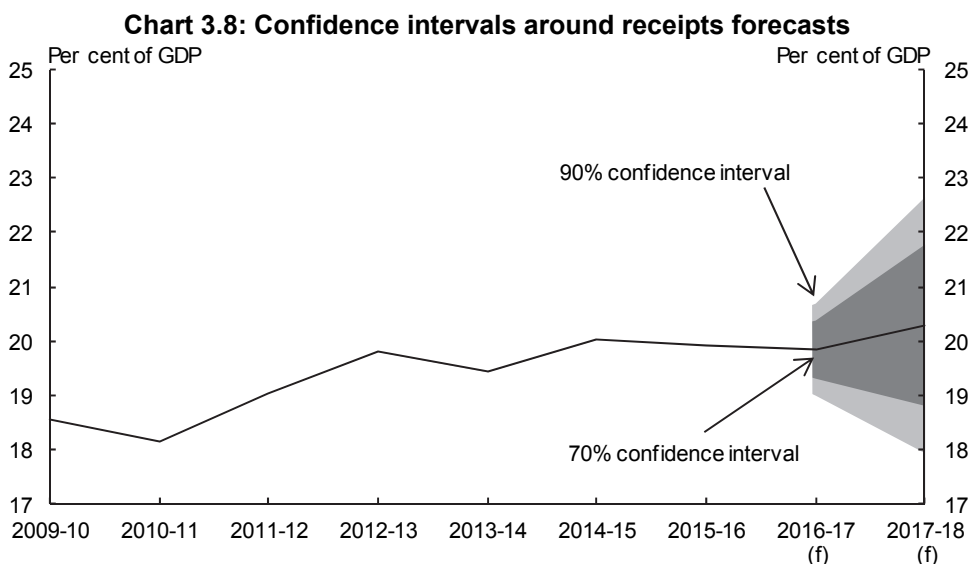
The fiscal estimates contained in the 2016-17 MYEFO are based on economic and demographic forecasts and projections as well as estimates of the impact of Government spending and revenue measures. Changes to the economic or demographic forecasts and projections affect forecasts for receipts and payments and, by extension, estimates of the underlying cash balance and government debt. Even small movements in these economic forecasts and projections can result in large changes to the budget estimates.

## Receipts

The Government’s tax receipts estimates are generally prepared using a ‘base plus growth’ methodology. The last known outcome (2015-16 for the 2016-17 MYEFO) is used as the base to which estimated growth rates are applied, resulting in tax receipts estimates for the current and future years. Estimates for the current year also incorporate recent trends in tax collections.

Chart 3.8 shows confidence intervals around the forecasts for receipts (excluding GST<sup>1</sup> and including Future Fund earnings). Confidence intervals constructed around the receipts forecasts exclude historical variations caused by subsequent policy decisions. These intervals take into account errors caused by parameter and other variations in isolation.

The chart shows that there is always considerable uncertainty around receipts forecasts and that this uncertainty increases as the forecast horizon lengthens. It suggests that in 2016-17, the width of the 70 per cent confidence interval for the 2016-17 MYEFO receipts forecast is approximately 1.1 per cent of GDP (\$20 billion) and the 90 per cent confidence interval is approximately 1.7 per cent of GDP (\$30 billion).



Note: The central line shows the outcomes and the 2016-17 MYEFO point estimate forecasts. Confidence intervals use RMSEs for MYEFO forecasts from the 1998-99 MYEFO onwards. (f) are forecasts.  
Source: Treasury.

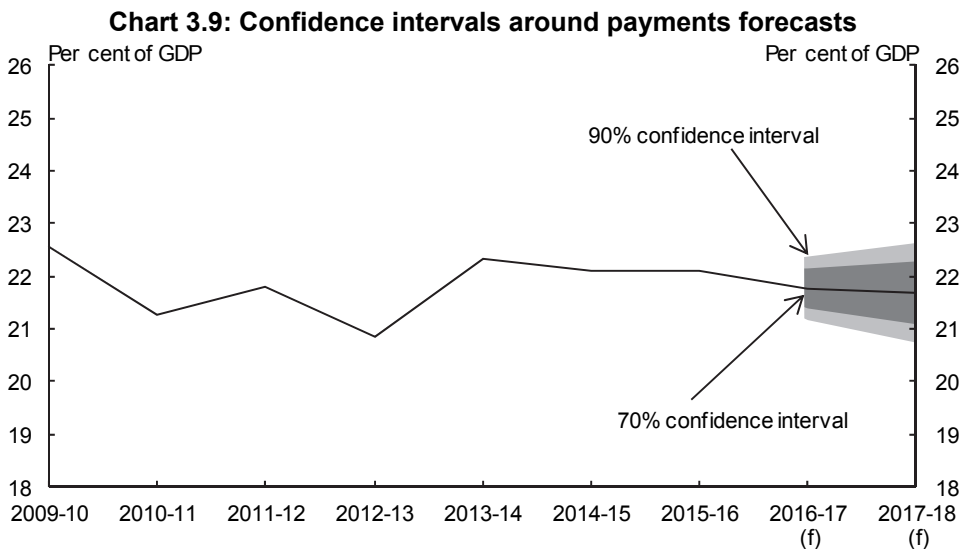
1 GST was not reported as a Commonwealth tax in budget documents prior to the 2008-09 Budget. As a result, GST data have been removed from historical receipts and payments data to abstract from any error associated with this change in accounting treatment.

## Payments

Payments outcomes can differ from forecasts for a number of reasons. Demand-driven programs, such as payments to individuals and some social services, form the bulk of Government expenditure. Forecasts of payments associated with many of these government programs depend on forecasts of economic conditions. For example, higher than forecast unemployment levels will mean that expenditure on related services, including allowances, will be higher than forecast.

Chart 3.9 shows confidence intervals around payments forecasts (excluding GST). As with the receipts estimates, historical policy decisions are excluded<sup>2</sup>, and future policy decisions are out of scope. The estimates include the public debt interest impact of policy decisions.<sup>3</sup>

The chart shows that there is moderate uncertainty around payment forecasts. In 2016-17, the width of the 70 per cent confidence interval for the 2016-17 MYEFO payments forecast is approximately 0.8 per cent of GDP (\$15 billion) and the 90 per cent confidence interval is approximately 1.2 per cent of GDP (\$20 billion).



Note: See note to Chart 3.8.

Source: Treasury.

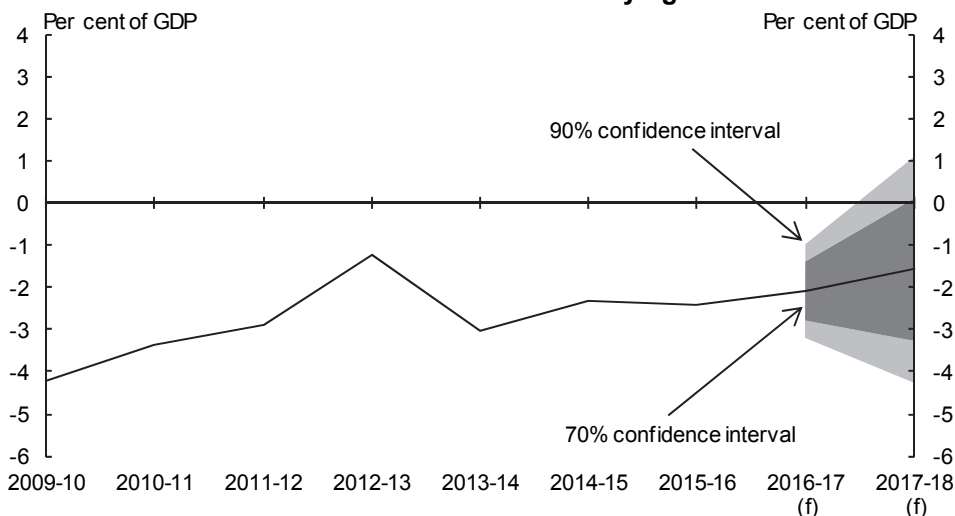
- 2 The allowance for historical policy includes only new policy decisions made at each update. No allowance is made for other decisions, such as assistance for the impact of natural disasters or changes to the timing of projects announced in previous updates. These decisions will contribute to historical forecast errors and therefore increase the size of the confidence intervals around payments.
- 3 The impacts of past policy decisions on historical public debt interest through time cannot be readily identified or estimated. For this reason, no adjustment has been made to exclude these impacts from the analysis.

## Underlying cash balance

The underlying cash balance (UCB) estimates are sensitive to the same forecast errors that affect estimates of receipts and payments. Confidence interval analysis shows that there is considerable uncertainty around the underlying cash balance forecasts (Chart 3.10).

In 2016-17, the width of the 70 per cent confidence interval for the 2016-17 MYEFO UCB forecast is approximately 1.4 per cent of GDP (\$25 billion) and the 90 per cent confidence interval is approximately 2.2 per cent of GDP (\$40 billion). In line with receipts forecasts, uncertainty increases over the estimates period.

**Chart 3.10: Confidence intervals around the underlying cash balance forecasts**



Note: See note to Chart 3.8.

Source: Treasury.

## SENSITIVITY AND SCENARIO ANALYSIS

Chart 3.10 demonstrates that fiscal estimates reflect assumptions and judgments made about the economy as much as they do Government policy. Small changes in the economic forecasts and projections – or to the assumptions and judgments that underpin them – can have a significant impact on fiscal estimates.

This is also the case for the medium-term fiscal projections, which partially reflect the projected path of the economy (particularly nominal GDP and prices growth) over the seven years following the forward estimates period. The medium-term fiscal projections also reflect a number of additional technical assumptions. Examples of technical assumptions implemented in the medium-term fiscal projections include the assumption that tax receipts will not increase beyond 23.9 per cent of GDP and the assumption that yields will rise over the medium-term.

As the assumptions and judgments that underpin fiscal forecasts and projections are subject to considerable uncertainty, it is important to understand how changes to these can affect these estimates and projections. Consideration of alternative scenarios and sensitivity analysis demonstrates the potential impact of these changes and highlights the uncertainties that governments face should risks eventuate — for example, in meeting budget forecasts or fiscal targets.

The analysis presented in the 2016-17 MYEFO considers the impact of changes to the economic outlook over both the forecast years and medium-term fiscal projections. The analysis also considers the impact of changes to technical assumptions on the medium-term fiscal projections.

Scenario 1 explores the sensitivity of fiscal aggregates to a fall in the terms of trade over the forecast years.

Scenario 2 illustrates the sensitivity of the medium-term fiscal projections to changes in assumed long-run yields on Government debt.

### **Sensitivity analysis over the forecast period**

The following scenario provides an indication of the sensitivity of receipts, payments and the underlying cash balance to changes in the terms of trade over the forecast period, that is, 2016-17 and 2017-18.

For further information on the sensitivity of receipts, payments and the underlying cash balance to changes in inflation, please refer to *Part 2: Economic Outlook* of the 2016-17 MYEFO.

#### **Scenario 1: Fall in the terms of trade**

This scenario considers the consequences of a permanent 10 per cent fall in world prices of non-rural commodity exports through 2016-17. The price fall is consistent with a fall in the terms of trade of 4¾ per cent and a reduction in nominal GDP of 1 per cent by 2017-18. The sensitivity analysis shows the flow-on effects to GDP, the labour market and prices. The impacts in Table 3.17 are stylised and refer to percentage deviations from the MYEFO forecast levels.

**Table 3.17: Illustrative impact of a permanent 10 per cent fall in non-rural commodity prices (per cent deviation from the MYEFO level)<sup>4</sup>**

	2016-17 per cent	2017-18 per cent
Real GDP	0	- 1/4
GDP deflator	- 1/2	- 3/4
Nominal GDP	- 1/2	-1
Employment	0	- 1/4
Wages	- 1/4	- 1/2
CPI	0	- 1/4
Company profits	-1 3/4	-3 1/4
Nominal household consumption	0	- 1/2

Assuming no change in exchange rates or interest rates, the fall in export prices leads directly to lower overall output prices (as measured by the GDP deflator) and lower domestic incomes compared with MYEFO levels. Lower domestic incomes cause both consumption and investment to fall, resulting in lower real GDP and employment and further falls in wages. The fall in aggregate demand puts downward pressure on domestic prices.

On the receipts side, a fall in nominal GDP reduces tax collections. The largest impact is on company tax receipts as the fall in export income decreases company profits. The impact on company tax is larger in 2017-18, partly owing to lags in tax collections and a larger impact on company profits in the second year of the scenario period. Lower company profits are assumed to flow through to lower Australian equity prices, therefore reducing capital gains tax from individuals, companies and superannuation funds.

On the payments side, a significant proportion of government expenditure is partially indexed to movements in costs (as reflected in various price and wage indicators). Some forms of expenditure, in particular income support payments, are also driven by the number of beneficiaries.

The overall expenditure on income support payments (including pensions, unemployment benefits and other allowances) increases in both years, reflecting a higher number of unemployment benefit recipients. The increase in spending on unemployment benefits in 2017-18 is partially offset by reduced expenditure on pensions and allowances reflecting slower growth in benefit rates resulting from lower inflation and wages growth. At the same time other payments linked to inflation fall in line with the slower growth in prices.

<sup>4</sup> These results represent a partial economic analysis only and do not attempt to capture all the economic feedback and other policy responses related to changed economic conditions, and assume no change in the exchange rate, interest rates or policy over the forecast period.



Given these assumptions, the overall impact of the fall in the terms of trade is a decrease in the underlying cash balance of around \$1.3 billion in 2016-17 and around \$4.6 billion in 2017-18 (see Table 3.18).

**Table 3.18: Illustrative sensitivity of the budget balance to a permanent 10 per cent fall in non-rural commodity prices**

	2016-17	2017-18
	\$b	\$b
<b>Receipts</b>		
Individuals and other withholding taxes	-0.4	-1.4
Superannuation fund taxes	0.0	-0.1
Company tax	-0.7	-2.6
Goods and services tax	0.0	-0.3
Excise and customs duty	0.0	-0.1
Other taxes	-0.1	-0.2
<b>Total receipts</b>	<b>-1.2</b>	<b>-4.6</b>
<b>Payments</b>		
Income support	-0.1	-0.2
Other payments	0.0	0.0
Goods and services tax	0.0	0.3
<b>Total payments</b>	<b>-0.1</b>	<b>0.1</b>
Public debt interest	0.0	-0.1
<b>Underlying cash balance impact(a)</b>	<b>-1.3</b>	<b>-4.6</b>

(a) Estimated impacts fall within the 70 per cent confidence intervals for years 2016-17 and 2017-18, as shown in Charts 3.8 to 3.10.

Note: Data may not sum due to rounding.

### Sensitivity analysis over the medium term

The economic estimates underlying the fiscal projections divide the forecast horizon into a near-term forecast period and a medium-term projection period. The forecast period covers the two years following the current financial year. The medium-term projection period covers the remaining nine years. For the fiscal projections, the medium term projection period is for the seven years after the Budget forward estimates.

The economic and fiscal projections are not equivalent to the economic and fiscal forecasts. Forecasts are based on a range of short-run forecasting methodologies, which in the case of the economic forecasts are informed by professional opinion and information from business liaison. In contrast, projections are based on a medium-term methodology. It is crucial to note that they are not estimates or judgments about how conditions will unfold over the medium term. An important assumption is that Government policy does not change over this time.

For further information on the economic and fiscal projection frameworks, please refer to *Budget Paper 1, Statement 7: Forecasting Performance and Scenario Analysis* in the 2016-17 Budget.

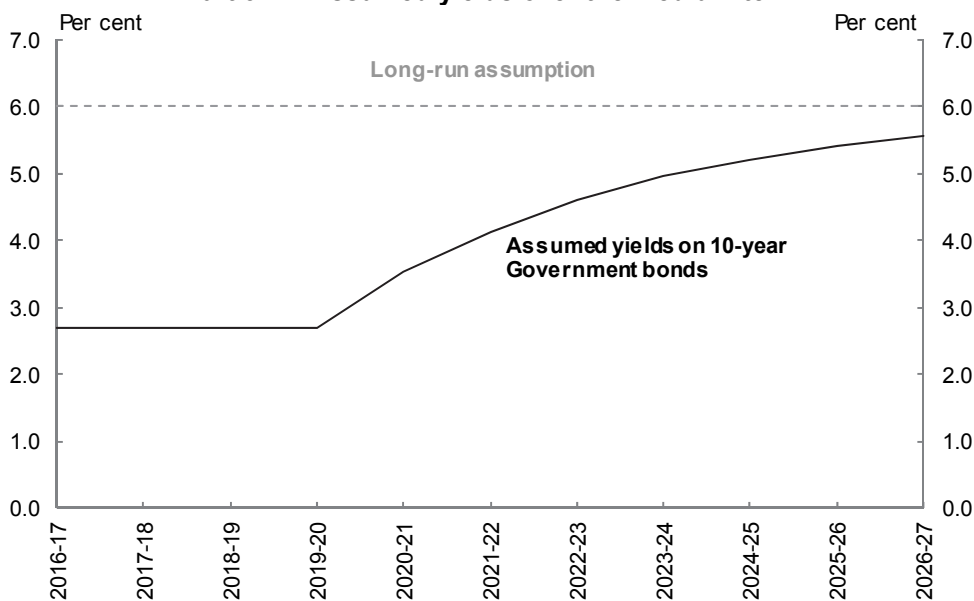
## Scenario 2: Alternative long-term yield assumptions

The following scenario demonstrates the sensitivity of the medium-term fiscal projections to changes in technical modelling assumptions about yields on Government debt.

Technical assumptions are generally used where explicit policy guidance is not available or where replicating recent outcomes produces misleading results or results that are out of line with historical experience. Technical assumptions can affect the level of payments and receipts projections over the medium term and therefore projections of fiscal aggregates such as the underlying cash balance or gross debt. *Budget Paper 1, Statement 3: Fiscal Strategy and Outlook* in the 2016-17 Budget outlined the sensitivity of the medium-term underlying cash balance to changes in the technical assumption relating to the level of tax receipts.

The medium-term fiscal projections assume yields on Government debt converge to a fixed long-term yield curve. The long-term yield curve is based on an assumption that the long-term yield on 10-year Government bonds is 6 per cent. This is consistent with the Long-Term Cost Reports prepared by the Australian Government Actuary. The gap between the current yield curve and the long-term yield curve is closed by a quarter in each year over the medium-term (Chart 3.11). This technical assumption is intended for preparing medium-term fiscal projections only, and is not equivalent to a forecast. For further information on the long-term yield assumption refer to *Appendix C: Methodology* of the 2015 Intergenerational Report.

**Chart 3.11: Assumed yields over the medium term**



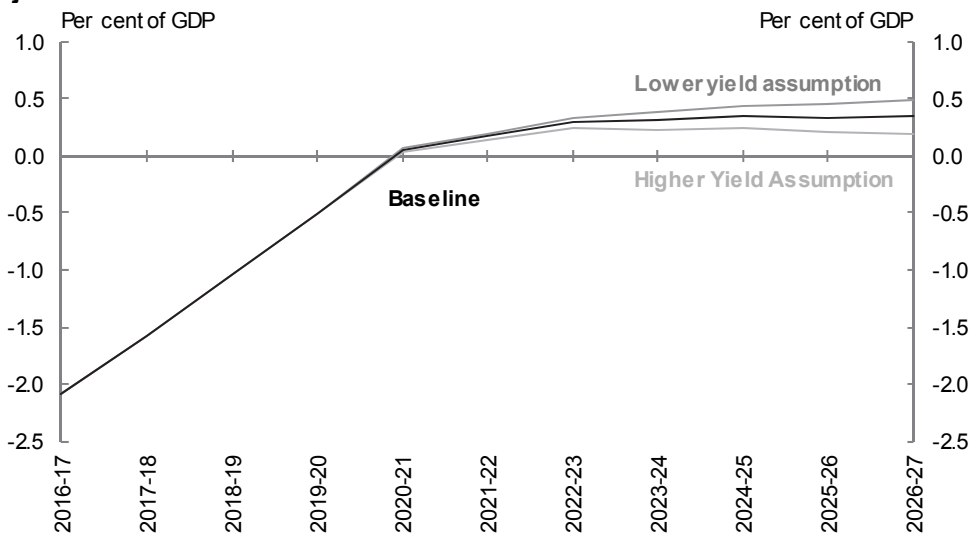
Note: The chart shows the assumed yield on 10-year Government bonds in each year through the forward estimates to the end of the medium term. These are technical assumptions intended for modelling purposes only. They are not forecasts of yields.

Source: Treasury

Yields affect the amount of public debt interest (PDI) the Government has to pay on its borrowings. They can also have an impact on projections of the non-tax receipts the Government earns on its investments, as some government investment funds hold financial assets whose returns can be benchmarked against the yield curve for Government bonds. Further, some Government investment vehicles, such as the Clean Energy Finance Corporation, have investment mandates which explicitly reference yields on Government bonds.

Chart 3.12 outlines the impact on the fiscal projections of an assumed long-term yield curve 100 basis points lower and 100 basis points higher than the current assumed long-term yield curve.

**Chart 3.12: Impact of alternative long-run yields assumptions on UCB Projections**



Source: Treasury projections.

A lower assumed long-term yield curve would result in lower PDI expense projections, partially offset by lower non-tax receipts projections. Compared to the baseline, this would lead to a net improvement in the projected UCB of around 0.1 per cent of GDP by 2026-27 (Chart 3.12).

Conversely, a higher assumed long-term yield curve would result in higher PDI expense projections, partially offset by higher non-tax receipts projections. Compared to the baseline, this would lead to a net deterioration in the projected UCB of around 0.2 per cent of GDP by 2026-27 (Chart 3.12).

## **TAX EXPENDITURES**

This attachment provides information on Australian Government tax expenditures, as required by the *Charter of Budget Honesty Act 1998 (CBHA)*.

Tax expenditure estimates should be interpreted with caution as they do not indicate the revenue gain to the Budget if tax expenditures were to be abolished. In addition, the characterisation of a provision of the tax law as a tax expenditure does not indicate a view on how an activity or class of taxpayer ought to be taxed.

A tax expenditure arises where the actual tax treatment of an activity or class of taxpayer differs from the benchmark tax treatment. Tax expenditures typically involve tax exemptions, deductions or offsets, concessional tax rates and deferrals of tax liability. A positive tax expenditure reduces tax payable relative to the benchmark. A negative tax expenditure increases tax payable relative to the benchmark. Benchmarks represent a standard taxation treatment that applies to similar taxpayers or types of activity. The choice of benchmark unavoidably involves judgment and may therefore be contentious in some cases.

Consistent with most OECD countries, estimates of the size of tax expenditures reflect the existing utilisation of a tax expenditure, similar to Budget estimates of outlays on demand driven expenditure programmes.

- This is known as the 'revenue forgone' approach which, in practice, involves estimating the difference in revenue between the existing and benchmark tax treatments but importantly assuming taxpayer behaviour is the same in each circumstance.

Revenue forgone estimates therefore do not indicate the revenue gain to the Australian Government budget if specific tax expenditures were abolished, as there may be significant changes in taxpayer behaviour were tax expenditures to be removed.

Care needs to be taken when comparing tax expenditures with direct expenditures as they may measure different things. In addition, estimates from different editions of the Tax Expenditures Statement (TES) may not be comparable because of changes or modifications, for example, to benchmarks, tax expenditures, data used or modelling methodology.

The information in Table 3.19 is derived from the 2015 TES and, consistent with longstanding practice, does not include the impact of decisions taken since the 2015-16 MYEFO. Further information on tax expenditures is available in the 2015 TES. Updated tax expenditure estimates will be published in the 2016 TES, to be released in January 2017. This will also include estimates for any new or modified tax expenditures since the 2015 TES.

**Table 3.19: Large measured tax expenditures for 2016-17 to 2019-20**

Tax expenditure	Estimate \$m				
	2016-17	2017-18	2018-19	2019-20	
<b>Large positive tax expenditures</b>					
E6	Capital gains tax main residence exemption — discount component	30,000	30,500	30,500	30,500
E5	Capital gains tax main residence exemption	24,500	25,000	25,000	25,000
C3	Concessional taxation of employer superannuation contributions	16,200	16,850	18,750	19,900
C6	Concessional taxation of superannuation entity earnings	14,100	15,350	18,050	20,850
H28	GST — Food	7,000	7,300	7,600	8,000
E11	Capital gains tax discount for individuals and trusts	6,840	7,600	8,570	9,090
H16	GST — Education	4,550	4,950	5,350	5,800
H19	GST — Health — medical and health services	4,000	4,250	4,550	4,900
H2	GST — Financial supplies — input taxed treatment	3,450	3,650	3,850	4,050
A35	Exemption of Family Tax Benefit payments	2,220	2,220	2,230	2,180
C5	Concessional taxation of non-superannuation termination benefits	1,950	1,900	1,900	1,900
A19	Medicare levy exemption for residents with taxable income below the low-income thresholds	1,960	2,040	2,130	2,230
B13	Exemption from interest withholding tax on certain securities	1,730	1,730	1,730	1,730
A17	Exemption of the Private Health Insurance Rebate	1,610	1,690	1,770	1,910
D10	Exemption for public and not-for-profit hospitals and public ambulance services	1,550	1,650	1,750	1,850
D14	Exemption for public benevolent institutions (excluding public and not-for-profit hospitals)	1,500	1,600	1,650	1,700
A24	Exemption of Child Care Assistance payments	1,550	2,185	2,210	2,240
H5	GST — Child care services	1,390	1,670	1,840	2,020
A49	Philanthropy — deduction for gifts to deductible gift recipients	1,230	1,280	1,330	1,370
F7	Concessional rate of excise levied on aviation gasoline and aviation turbine fuel	1,240	1,310	1,390	1,460
H20	GST — Health — residential care, community care and other care services	1,180	1,260	1,350	1,450
B73	Capital works expenditure deduction	1,035	1,070	1,105	1,145
H6	GST — Water, sewerage and drainage	1,040	1,140	1,240	1,360
B78	Research and development — non-refundable tax offset	850	860	850	850
<b>Large negative tax expenditures</b>					
F11	Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco	-2,140	-2,235	-2,290	-2,375
F23	Customs duty	-1,620	-1,340	-1,450	-1,540

**SUPPLEMENTARY EXPENSES TABLE AND THE CONTINGENCY RESERVE**

**Expenses**

Table 3.20 shows estimates of Australian Government general government expenses by function and sub-function for 2016-17 and the forward years.

Table 3.20: Estimates of Australian Government general government sector expenses by function and sub-function <sup>(a)</sup>

	Estimates						Projections					
	2016-17		2017-18		2018-19		2019-20		2018-19		2019-20	
	Budget \$m	Change on Budget %	Budget \$m	Change on Budget %	Budget \$m	Change on Budget %	Budget \$m	Change on Budget %	Budget \$m	Change on Budget %	Budget \$m	Change on Budget %
<b>General public services</b>												
Legislative and executive affairs	1,334	3	1,077	3	1,107	3	1,099	2	1,126	2	1,331	5
Financial and fiscal affairs	7,536	-13	7,502	-15	6,395	-15	7,595	-17	6,340	-17	7,802	-17
Foreign affairs and economic aid	6,090	3	5,522	2	5,641	2	5,823	1	5,902	1	6,602	0
General research	2,771	-1	2,851	-1	2,828	-1	2,968	-1	2,929	-1	3,065	-2
General services	963	-1	924	-1	907	-2	940	-2	910	-3	943	-5
Government superannuation benefits	3,965	128	3,913	-3	3,805	-3	3,921	-3	3,802	-3	3,794	-3
<b>Defence</b>	27,155	-1	27,937	0	28,030	0	29,384	0	29,436	0	31,525	0
<b>Public order and safety</b>	4,915	4	4,766	0	4,762	0	4,719	-1	4,695	-1	4,675	-1
<b>Education</b>	33,669	-1	33,815	-2	33,087	-2	34,494	-2	33,699	-2	35,804	-2
<b>Health</b>	71,413	2	73,425	2	73,724	0	76,239	0	76,340	0	79,260	-1
<b>Social security and welfare</b>	158,612	-2	166,518	-2	162,723	-2	184,260	-2	178,356	-3	191,828	-4
<b>Housing and community amenities</b>	5,282	-3	5,051	-3	5,142	2	4,455	2	4,541	2	4,412	-4
<b>Recreation and culture</b>	3,401	4	3,337	4	3,448	3	3,249	3	3,351	3	3,301	0
<b>Fuel and energy</b>	6,687	3	6,782	3	7,040	4	7,028	4	7,224	3	7,301	4
<b>Agriculture, fisheries and forestry</b>	3,122	-7	3,084	-7	2,960	-4	2,626	-4	2,765	5	2,269	4
<b>Mining, manufacturing and construction</b>	3,545	14	3,792	14	4,048	7	3,999	7	4,238	6	4,277	5
<b>Transport and communication</b>	11,131	-8	10,606	-8	10,716	1	6,599	15	7,588	15	5,400	17
<b>Other economic affairs</b>												
Tourism and area promotion	188	2	188	-2	184	-2	177	-6	167	-6	180	-8
Labour and employment affairs	3,884	-4	3,941	-4	3,799	-4	3,963	-4	3,787	-4	3,981	-5
Immigration	3,659	4	2,409	1	2,430	1	2,344	-3	2,270	-3	2,203	-2
Other economic affairs nec	2,100	2	2,082	0	2,083	0	2,115	-1	2,100	-1	2,166	-1

**Table 3.20: Estimates of Australian Government general government sector expenses by function and sub-function (a)**  
**(continued)**

	Estimates						Projections					
	2016-17			2017-18			2018-19			2019-20		
	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %
<b>Other purposes</b>												
Public debt interest	16,644	15,984	-4	17,627	17,221	-2	18,346	18,258	0	18,684	19,146	2
Nominal superannuation interest	9,959	8,446	-15	10,330	10,445	1	10,706	10,809	1	11,085	11,179	1
General purpose inter-government transactions	63,553	62,696	-1	66,910	65,728	-2	70,368	68,969	-2	73,497	72,033	-2
Natural disaster relief	27	32	19	11	3	-73	0	1	100	0	0	0
Contingency reserve	-1,055	-2,077	97	412	2,125	416	1,906	4,028	111	6,217	8,158	31
<b>Total expenses</b>	<b>450,553</b>	<b>448,642</b>	<b>0</b>	<b>464,812</b>	<b>460,382</b>	<b>-1</b>	<b>489,324</b>	<b>483,632</b>	<b>-1</b>	<b>511,604</b>	<b>503,975</b>	<b>-1</b>

(a) The 2016-17 Budget numbers are used in this table as this table was not published in the 2016 PEFO.



## Contingency Reserve

The Contingency Reserve (other purposes function) is an allowance, included in aggregate expenses, principally to reflect anticipated events that cannot be assigned to individual programs in the preparation of the Australian Government budget estimates. The Contingency Reserve is used to ensure that the estimates are based on the best information available at the time of the Mid-Year Economic and Fiscal Outlook (MYEFO). It is not a general policy reserve.

While the Contingency Reserve is designed to ensure that aggregate estimates are as close as possible to expected outcomes, it is not appropriated. Allowances that are included in the Contingency Reserve can only be drawn upon once they have been appropriated by Parliament. These allowances are allocated to specific entities for appropriation closer to the time when the associated events occur.

The Contingency Reserve contains an allowance for the tendency for estimates of expenses for existing Government policy to be revised upwards in the forward years, known as the conservative bias allowance (CBA). The increase in expenses in the contingency reserve sub-function from 2016-17 is largely due to the CBA. Since the 2016-17 Budget, the allowance has been drawn down to:

- $\frac{1}{4}$  of a percentage point of total general government sector expenses (excluding GST payments to the States) in the first forward year (2017-18);
- $\frac{3}{4}$  of a percentage point of expenses in the second forward year (2018-19); and
- a  $1\frac{1}{2}$  percentage point provision in the third forward year (2019-20).

The drawdown of the allowance reduced expenses by \$1.0 billion in 2017-18, \$1.1 billion in 2018-19 and \$2.2 billion in 2019-20. The drawdown of the allowance is consistent with long standing practice and does not represent a saving or offset to Government spending measures.

In general, the Contingency Reserve can also include:

- a provision for underspends in the current financial year reflecting the tendency for budgeted expenses for some entities or functions not to be met;
- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately and programs that are yet to be renegotiated with State and Territory governments;
- the effect, on the budget and forward estimates, of economic parameter revisions received late in the process and hence not able to be allocated to individual entities or functions;

- decisions taken but not yet announced by the Government, and decisions made too late for inclusion against individual entity estimates; and
- provisions for other specific events and pressures that are reasonably expected to affect the budget estimates.

Election commitment expenses that will be progressed in the 2017-18 Budget have also been included in the Contingency Reserve as a 'decision taken but not yet announced' and allocated to the contingency reserve sub-function in Table 3.20. The commitments are *Regional Student Access to Education – new Rural and Regional Enterprise Scholarships*, *Help Families with Diabetes*, *Visa Risk Assessment Capability*, and *Regional Investment Corporation*, and parts of *A Stronger Agriculture Sector* and *Regional Student Access to Education – Increase Assistance for Isolated Children*. Funding of \$877 million across the forward estimates has also been set aside for future Victorian infrastructure projects.

## Attachment D

## AUSTRALIA'S FEDERAL RELATIONS

This attachment provides information on payments for specific purposes and general revenue assistance provided to the States and Territories (the States).

The current framework for federal financial relations under the *Intergovernmental Agreement on Federal Financial Relations* (the Intergovernmental Agreement) was introduced on 1 January 2009.

More detailed information on the Intergovernmental Agreement and Australia's federal financial relations is provided in Budget Paper No. 3, *Federal Financial Relations 2016-17*, and at [www.federalfinancialrelations.gov.au](http://www.federalfinancialrelations.gov.au).

### Overview of payments to the States

Payments to the States in 2016-17 are estimated to be \$114.6 billion, or 25.5 per cent of total Commonwealth expenditure for the year. This amount comprises payments for specific purposes of \$54.2 billion and general revenue assistance of \$60.4 billion.

Table 3.21 shows payments for specific purposes and general revenue assistance to the States.

**Table 3.21: Commonwealth payments to the States, 2016-17 to 2019-20**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
<b>2016-17</b>									
Payments for specific purposes	17,101	11,696	11,219	5,833	3,914	1,205	872	1,192	54,195
General revenue assistance	17,419	13,742	14,075	2,008	6,000	2,278	1,175	3,190	60,408
<b>Total payments to the States</b>	<b>34,520</b>	<b>25,439</b>	<b>25,294</b>	<b>7,841</b>	<b>9,914</b>	<b>3,482</b>	<b>2,047</b>	<b>4,382</b>	<b>114,602</b>
<b>2017-18</b>									
Payments for specific purposes	16,915	12,146	12,062	6,222	4,291	1,180	842	1,190	55,878
General revenue assistance	18,315	14,510	14,772	2,107	6,266	2,368	1,231	3,316	63,347
<b>Total payments to the States</b>	<b>35,229</b>	<b>26,657</b>	<b>26,834</b>	<b>8,329</b>	<b>10,557</b>	<b>3,548</b>	<b>2,074</b>	<b>4,506</b>	<b>119,225</b>
<b>2018-19</b>									
Payments for specific purposes	16,854	12,949	12,099	6,502	3,793	1,264	859	900	55,750
General revenue assistance	19,271	15,331	15,515	2,211	6,549	2,464	1,291	3,450	66,495
<b>Total payments to the States</b>	<b>36,126</b>	<b>28,280</b>	<b>27,614</b>	<b>8,713</b>	<b>10,342</b>	<b>3,728</b>	<b>2,150</b>	<b>4,350</b>	<b>122,245</b>
<b>2019-20</b>									
Payments for specific purposes	16,048	12,131	11,736	6,308	3,581	1,092	898	872	52,785
General revenue assistance	20,168	16,109	16,203	2,310	6,808	2,550	1,347	3,570	69,458
<b>Total payments to the States</b>	<b>36,216</b>	<b>28,240</b>	<b>27,939</b>	<b>8,618</b>	<b>10,389</b>	<b>3,642</b>	<b>2,244</b>	<b>4,442</b>	<b>122,243</b>

(a) As State allocations for some programs have yet to be determined, relevant payments are not included in State totals. Consequently, total payments may not equal the sum of State totals.

## **Payments for specific purposes**

The Commonwealth provides payments to the States for specific purposes in areas administered by the States. Payments to the States for specific purposes are estimated to total \$54.2 billion in 2016-17, which is 12.1 per cent of total Commonwealth expenditure for the year and an increase of \$6 billion (or 12.5 per cent) on the \$48.2 billion the States received in 2015-16.

The Commonwealth provides the following types of specific purpose payments (SPPs) to the States:

- National Specific Purpose Payments (National SPPs) in respect of key service delivery sectors – disability services, skills and workforce development, and affordable housing;
- National Health Reform (NHR) funding, largely for public hospital services;
- Students First funding for government and non-government schools; and
- National Partnership payments in a wide range of areas.

Table 3.22 shows total payments for specific purposes by each type of SPP.

**Table 3.22: Total payments for specific purposes by category, 2016-17 to 2019-20**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
<b>2016-17</b>									
National Specific Purpose Payments	1,379	1,083	863	468	304	92	71	43	4,303
National Health Reform funding	5,717	4,373	3,630	2,011	1,268	365	341	206	17,911
Students First funding	5,277	4,256	3,656	1,683	1,187	399	279	316	17,055
National Partnership payments(b)	4,729	1,985	3,069	1,671	1,155	348	182	626	14,926
<b>Total payments for specific purposes</b>	<b>17,101</b>	<b>11,696</b>	<b>11,219</b>	<b>5,833</b>	<b>3,914</b>	<b>1,205</b>	<b>872</b>	<b>1,192</b>	<b>54,195</b>
<b>2017-18</b>									
National Specific Purpose Payments	1,406	1,109	879	477	308	93	47	44	4,362
National Health Reform funding	6,051	4,607	3,860	2,146	1,328	380	365	229	18,966
Students First funding	5,592	4,487	3,839	1,869	1,259	411	294	314	18,066
National Partnership payments(b)	3,866	1,943	3,484	1,731	1,396	296	137	603	14,484
<b>Total payments for specific purposes</b>	<b>16,915</b>	<b>12,146</b>	<b>12,062</b>	<b>6,222</b>	<b>4,291</b>	<b>1,180</b>	<b>842</b>	<b>1,190</b>	<b>55,878</b>
<b>2018-19</b>									
National Specific Purpose Payments	928	1,138	896	487	202	94	47	44	3,836
National Health Reform funding	6,402	4,853	4,103	2,289	1,391	395	391	253	20,076
Students First funding(c)	5,786	4,710	3,978	2,062	1,331	419	313	305	18,906
National Partnership payments(b)	3,739	2,247	3,121	1,664	870	356	108	298	12,933
<b>Total payments for specific purposes</b>	<b>16,854</b>	<b>12,949</b>	<b>12,099</b>	<b>6,502</b>	<b>3,793</b>	<b>1,264</b>	<b>859</b>	<b>900</b>	<b>55,750</b>
<b>2019-20</b>									
National Specific Purpose Payments	941	748	586	498	203	61	48	29	3,114
National Health Reform funding	6,770	5,112	4,360	2,440	1,456	411	418	278	21,245
Students First funding(c)	6,037	4,954	4,216	2,170	1,389	433	330	322	19,853
National Partnership payments(b)	2,300	1,318	2,575	1,199	533	188	101	243	8,574
<b>Total payments for specific purposes</b>	<b>16,048</b>	<b>12,131</b>	<b>11,736</b>	<b>6,308</b>	<b>3,581</b>	<b>1,092</b>	<b>898</b>	<b>872</b>	<b>52,785</b>

(a) As State allocations for some programs have yet to be determined, relevant payments are not included in State totals. Consequently, total payments may not equal the sum of State totals.

(b) Includes financial assistance grants for local government.

(c) State allocations from the 2018 school year onwards are indicative only and final allocations are subject to formal negotiations between the Commonwealth, the States and the non-government schools sector.

Payments for specific purposes cover most areas of State and local government activity including health, education, skills and workforce development, community services, affordable housing, infrastructure and the environment. Table 3.23 shows total payments for specific purposes by sector.

**Table 3.23: Payments for specific purposes by sector, 2016-17 to 2019-20**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
<b>2016-17</b>									
Health	5,793	4,440	3,688	2,046	1,281	394	344	305	18,396
Education	5,440	4,385	3,771	1,746	1,227	410	289	369	17,639
Skills and workforce development	639	500	409	214	142	45	32	21	2,003
Community services	794	557	416	484	182	55	75	92	2,657
Affordable housing	460	361	431	291	118	32	24	222	1,938
Infrastructure	3,058	621	1,877	727	696	160	18	122	8,328
Environment	114	220	79	11	93	26	30	17	596
Contingent payments	2	3	24	..	1	1	-	1	32
Other(b)	800	608	525	314	175	81	61	42	2,608
<b>Total payments for specific purposes</b>	<b>17,101</b>	<b>11,696</b>	<b>11,219</b>	<b>5,833</b>	<b>3,914</b>	<b>1,205</b>	<b>872</b>	<b>1,192</b>	<b>54,195</b>
<b>2017-18</b>									
Health	6,100	4,645	3,904	2,178	1,338	411	368	266	19,323
Education	5,710	4,578	3,924	1,912	1,288	420	300	365	18,498
Skills and workforce development	479	378	299	162	105	32	24	15	1,494
Community services	921	623	464	455	208	60	17	89	2,839
Affordable housing	466	367	413	247	117	32	24	207	1,872
Infrastructure	2,253	735	2,410	938	951	119	17	200	8,511
Environment	158	192	65	5	107	24	30	4	612
Contingent payments	..	..	3	..	..	-	-	..	4
Other(b)	827	628	580	324	178	82	62	43	2,725
<b>Total payments for specific purposes</b>	<b>16,915</b>	<b>12,146</b>	<b>12,062</b>	<b>6,222</b>	<b>4,291</b>	<b>1,180</b>	<b>842</b>	<b>1,190</b>	<b>55,878</b>
<b>2018-19</b>									
Health	6,448	4,890	4,143	2,317	1,400	421	393	278	20,403
Education	5,786	4,710	3,978	2,062	1,331	419	313	345	18,945
Skills and workforce development	486	385	303	165	106	32	25	15	1,516
Community services	1,047	1,466	1,217	602	243	138	17	86	4,819
Affordable housing	442	350	275	150	96	29	22	17	1,381
Infrastructure	1,640	380	1,549	870	416	128	7	113	5,451
Environment	146	119	58	1	18	14	18	2	441
Contingent payments	..	-	1	-	-	-	-	-	1
Other(b)	859	649	576	336	183	84	64	44	2,793
<b>Total payments for specific purposes</b>	<b>16,854</b>	<b>12,949</b>	<b>12,099</b>	<b>6,502</b>	<b>3,793</b>	<b>1,264</b>	<b>859</b>	<b>900</b>	<b>55,750</b>
<b>2019-20</b>									
Health	6,817	5,147	4,400	2,459	1,465	424	421	288	21,426
Education	6,037	4,954	4,216	2,170	1,389	433	330	362	19,892
Skills and workforce development	493	392	307	167	107	32	25	15	1,537
Community services	321	260	205	331	76	24	18	88	1,324
Affordable housing	448	356	279	152	97	29	23	17	1,401
Infrastructure	1,030	309	1,744	679	258	65	14	56	4,155
Environment	15	37	19	-	2	-	..	2	186
Contingent payments	..	-	-	-	-	-	-	-	..
Other(b)	887	675	566	350	189	86	66	45	2,864
<b>Total payments for specific purposes</b>	<b>16,048</b>	<b>12,131</b>	<b>11,736</b>	<b>6,308</b>	<b>3,581</b>	<b>1,092</b>	<b>898</b>	<b>872</b>	<b>52,785</b>

(a) As State allocations for some programs have yet to be determined, relevant payments are not included in State totals. Consequently, total payments may not equal the sum of State totals.

(b) Includes financial assistance grants for local government.

Table 3.24 shows total payments for specific purposes by sector and category (National SPPs, NHR funding, Students First funding and National Partnership payments).

**Table 3.24: Payments for specific purposes by sector and category, 2016-17 to 2019-20**

\$million	2016-17	2017-18	2018-19	2019-20
<i>Health</i>				
National Health Reform funding	17,911	18,966	20,076	21,245
National Partnerships	485	357	327	181
<i>Education</i>				
Students First funding	17,055	18,066	18,906	19,853
National Partnerships	583	432	40	40
<i>Skills and workforce development</i>				
National Skills and Workforce Development SPP	1,476	1,494	1,516	1,537
National Partnerships	527	-	-	-
<i>Community services</i>				
National Disability SPP	1,484	1,510	942	180
National Partnerships	1,173	1,330	3,877	1,144
<i>Affordable housing</i>				
National Affordable Housing SPP	1,343	1,359	1,378	1,397
National Partnerships	595	514	4	4
<i>Infrastructure</i>				
National Partnerships	8,328	8,511	5,451	4,155
<i>Environment</i>				
National Partnerships	596	612	441	186
<i>Contingent payments</i>				
National Partnerships	32	4	1	..
<i>Other</i>				
National Partnerships(a)	2,608	2,725	2,793	2,864
<b>Total payments for specific purposes</b>	<b>54,195</b>	<b>55,878</b>	<b>55,750</b>	<b>52,785</b>

(a) Includes financial assistance grants for local government.

Detailed tables of payments for specific purposes are provided in Annex A (available online).

The Commonwealth provides funding under the Natural Disaster Relief and Recovery Arrangements (NDRRA) to assist the States following natural disasters. For accounting purposes, the Commonwealth recognises a liability equal to the present value of future payments expected to be made to the States under the NDRRA. This is regardless of whether or not a State has completed eligible reconstruction work or submitted an eligible claim under the NDRRA. Estimated NDRRA cash payments are shown in Table 3.25 below. Accrual estimates are presented in Table A.8 in Annex A (available online).

**Table 3.25: Estimated NDRRA cash payments, 2016-17 to 2019-20**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2016-17	115,097	121,954	1,115,217	13,214	4,377	70,626	-	35,799	1,476,284
2017-18	4,514	3,171	141,424	7,625	753	-	-	25,512	182,999
2018-19	-	-	53,045	-	25	-	-	-	53,070
2019-20	-	-	-	-	-	-	-	-	-

## General revenue assistance

General revenue assistance is provided to the States without conditions, and can be spent by the States according to their own budget priorities.

In 2016-17, the States are expected to receive \$60.4 billion in general revenue assistance from the Commonwealth, comprising \$59.7 billion in GST entitlements and \$667.5 million in other general revenue assistance. This is a 4.1 per cent increase in general revenue assistance on the \$58.0 billion the States received in 2015-16. General revenue assistance to the States is estimated to represent 13.5 per cent of total Commonwealth expenditure in 2016-17.

Table 3.26 summarises GST and other general revenue assistance payments to the States. Detailed tables of GST and other general revenue assistance, including State shares of each payment, are provided in Annex A (available online).

**Table 3.26: General revenue assistance, 2016-17 to 2019-20**

\$million	2016-17	2017-18	2018-19	2019-20
GST entitlements	59,740.0	62,740.0	65,940.0	68,920.0
Other payments				
<i>ACT municipal services</i>	39.1	39.5	40.1	40.6
<i>Compensation for reduced royalties</i>	31.9	31.3	28.1	28.1
<i>Royalties</i>	521.5	460.8	411.7	394.0
<i>Snowy Hydro Ltd tax compensation</i>	75.0	75.0	75.0	75.0
Total other	667.5	606.7	554.9	537.8
Total GST and other payments	60,407.5	63,346.7	66,494.9	69,457.8

## GST payments

Under the Intergovernmental Agreement, the States are entitled to receive payments from the Commonwealth broadly equivalent to the revenue raised from the GST in any given financial year, after some minor adjustments, as discussed below.

The Commonwealth makes monthly payments (advances) to the States throughout the year based on GST estimates for that year. Estimates of the GST are used, as the actual amount of GST revenue for the financial year is unknown until after the end of the financial year. Once the amount of GST revenue is known, the Treasurer makes a determination of the GST entitlement for that year. A balancing adjustment payment is then made to each State to ensure the States receive the GST to which they are entitled. These balancing adjustments (referred to as the 'prior year balancing adjustment') are made in the following financial year.

States compensate the Commonwealth for the agreed costs incurred by the Australian Taxation Office (ATO) in administering the GST. In practice, this is achieved by the Commonwealth reducing the monthly GST payments to the States by the GST administration costs.



### Calculating the GST payments

Some additional adjustments are made to GST revenue in order to calculate the amount of GST paid to the States in any given year.

- Some GST revenue accrued during a financial year is not remitted to the ATO by 30 June of that year because it is not due to be paid until Business Activity Statements (BAS) are lodged the following financial year.
- Penalties owed to the ATO, other than general interest charge (GIC) penalties, are not included in the GST to be paid to the States, as defined in the *Federal Financial Relations Act 2009*.
- Some GST collected by Commonwealth agencies is not remitted to the ATO by 30 June in each financial year, because it is not due to be paid until the next BAS is lodged.

In 2015-16, the States' GST entitlement was \$98.4 million lower than the advances paid during that year. A balancing adjustment was made to States' GST payments in 2016-17 to account for this.

A reconciliation of GST revenue and the States' GST entitlement is provided in Table 3.27.

**Table 3.27: Reconciling GST revenue and the States' GST entitlement**

\$million	Outcome	Estimates			
	2015-16	2016-17	2017-18	2018-19	2019-20
GST revenue	60,312	62,410	65,680	69,270	72,040
less Change in GST receivables	2,855	2,457	2,720	3,089	2,865
GST receipts	57,457	59,953	62,960	66,181	69,175
less Non-GIC penalties collected	185	200	220	240	250
less GST collected by Commonwealth agencies but not yet remitted to the ATO	-79	13	..	1	5
States' GST entitlement	57,352	59,740	62,740	65,940	68,920

Table 3.28 provides a reconciliation of estimates of the States' GST entitlement since the *Pre-election Economic and Fiscal Outlook 2016* (2016 PEFO). The reconciliation accounts for policy decisions and parameter and other variations.

**Table 3.28: Reconciliation of the GST entitlement estimates since the 2016 PEFO**

\$million	2016-17	2017-18	2018-19	2019-20
GST entitlement at 2016 PEFO(a)	60,660	63,940	67,350	70,370
<i>Changes between 2016 PEFO and 2016-17 MYEFO</i>				
Effect of policy decisions	0	15	5	5
Effect of parameter and other variations	-920	-1,215	-1,415	-1,455
Total variations	-920	-1,200	-1,410	-1,450
GST entitlement at 2016-17 MYEFO	59,740	62,740	65,940	68,920

(a) The GST entitlement was not published in the 2016 PEFO and was unchanged from the 2016-17 Budget.

Specific policy decisions taken since the 2016 PEFO that affect the GST entitlement are shown in Table 3.29. These decisions increase the States' GST entitlement estimates by \$25.0 million over four years.

Detailed information on policy decisions since the 2016 PEFO is included in Appendix A.

**Table 3.29: Policy decisions since the 2016 PEFO that affect the GST entitlement**

\$million	2016-17	2017-18	2018-19	2019-20
Tax integrity – improve the transparency of taxation debts	0.0	15.0	5.0	5.0
Total	0.0	15.0	5.0	5.0

#### Distribution of the GST among the States

The Commonwealth distributes the GST among the States in accordance with the principle of horizontal fiscal equalisation, having regard to the GST revenue sharing relativities recommended by the Commonwealth Grants Commission.

Table 3.30 shows the detailed calculation for the distribution of the States' estimated GST entitlement in 2016-17.

**Table 3.30: Distribution of the GST entitlement, 2016-17<sup>(a)</sup>**

	Estimated 31 December 2016 population (1)	GST relativities (2)	Adjusted population (1) x (2) (3)	Share of adjusted population % (4)	2016-17 GST entitlement \$million (5)
NSW	7,784,199	0.90464	7,041,898	29.1	17,368.9
VIC	6,113,725	0.90967	5,561,472	23.0	13,717.4
QLD	4,872,693	1.17109	5,706,362	23.6	14,074.8
WA	2,641,037	0.30330	801,027	3.3	1,975.7
SA	1,716,712	1.41695	2,432,495	10.0	5,999.8
TAS	519,683	1.77693	923,440	3.8	2,277.7
ACT	398,209	1.15648	460,521	1.9	1,135.9
NT	244,736	5.28450	1,293,307	5.3	3,189.9
Total	24,290,994	na	24,220,522	100.0	59,740.0

(a) Amounts shown are estimates of each State's GST entitlement based on the estimated total GST pool. These amounts do not take into account the 2015-16 balancing adjustment of -\$98.4 million. A balancing adjustment was made to States' GST payments in 2016-17 to account for this.

The calculation of the GST entitlement for 2015-16 is shown in Table 3.31. The Treasurer made a Determination giving effect to this entitlement on 3 November 2016. The table also includes the distribution of the balancing adjustment taking account of differences between advances of GST paid to each State and each State's final entitlement for 2015-16.

**Table 3.31: Calculation of the GST entitlement and balancing adjustment, 2015-16<sup>(a)</sup>**

	31 December 2015 population (1)	GST relativities (2)	Adjusted population (1) x (2) (3)	Share of adjusted population % (4)	2015-16 GST entitlement \$million (5)	2015-16 GST advances \$million (6)	Balancing adjustment \$million (5) - (6) (7)
NSW	7,670,742	0.94737	7,267,031	30.4	17,461.0	17,496.7	-35.7
VIC	5,996,385	0.89254	5,352,013	22.4	12,859.6	12,872.0	-12.4
QLD	4,808,771	1.12753	5,422,034	22.7	13,027.9	13,044.0	-16.1
WA	2,603,899	0.29999	781,144	3.3	1,876.9	1,882.6	-5.7
SA	1,702,785	1.35883	2,313,795	9.7	5,559.5	5,573.2	-13.7
TAS	517,404	1.81906	941,189	3.9	2,261.5	2,265.7	-4.3
ACT	393,013	1.10012	432,361	1.8	1,038.9	1,041.8	-2.9
NT	244,031	5.57053	1,359,382	5.7	3,266.3	3,274.0	-7.7
Total	23,937,030	na	23,868,949	100.0	57,351.6	57,450.0	-98.4

(a) These amounts do not take into account the 2014-15 balancing adjustment of \$342.0 million which was paid in 2015-16.

Table 3.32 shows the distribution of the GST entitlement over the current financial year and forward estimates. These estimates are based on the assumption that the GST relativities in the current financial year also apply to the forward estimate years. The Commonwealth publishes State breakdowns of the GST entitlement over the forward years for the purpose of publishing an estimate of total payments to each State.

**Table 3.32: Distribution of the GST entitlement<sup>(a)</sup>**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2016-17	17,368.9	13,717.4	14,074.8	1,975.7	5,999.8	2,277.7	1,135.9	3,189.9	59,740.0
2017-18	18,264.5	14,485.2	14,772.0	2,076.0	6,266.1	2,368.3	1,191.7	3,316.2	62,740.0
2018-19	19,221.4	15,306.3	15,514.6	2,182.8	6,549.3	2,464.4	1,251.2	3,450.1	65,940.0
2019-20	20,117.8	16,083.6	16,203.0	2,282.2	6,807.5	2,550.0	1,306.2	3,569.7	68,920.0

(a) Amounts shown are estimates of each State's GST entitlement based on the estimated total GST pool. For 2016-17, these amounts do not take into account the 2015-16 balancing adjustment of -\$98.4 million. A balancing adjustment was made to States' GST payments in 2016-17 to account for this.

### GST administration

States compensate the Commonwealth for the costs incurred by the ATO in administering the GST, including costs incurred by the Department of Immigration and Border Protection. The GST administration budget for the ATO is estimated to be \$682.4 million for 2016-17, as shown in Table 3.33.

**Table 3.33: GST administration budget**

\$million	Actual	Estimates			
	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office budget	679.6	682.4	636.7	619.0	598.3
<i>less</i> Prior year adjustment	7.4	0.0			
<i>equals</i> State government payments	672.2	682.4	636.7	619.0	598.3
<i>less</i> Australian Taxation Office outcome(a)	679.6				
<b><i>equals</i> Commonwealth budget impact</b>	<b>-7.4</b>				
<i>plus</i> Prior year adjustment	7.4				
<i>equals</i> Following year adjustment	0.0				

(a) Estimated outcome for 2015-16 pending confirmation by the Australian National Audit Office.

## Attachment E

### DEBT STATEMENT

This Statement provides information on current and projected debt on issue, estimated and projected Government net debt, and details of climate spending and the extent to which this spending has contributed to debt.

Net debt is expected to be \$317.2 billion (18.1 per cent of GDP) in 2016-17. Net debt is projected to peak at 19.0 per cent of GDP in 2018-19, before declining over the medium term to 9.9 per cent of GDP (\$284.7 billion) in 2026-27.

Gross debt, measured as the face value of Commonwealth Government Securities (CGS) on issue subject to the Treasurer's Direction, is expected to be \$496 billion at the end of 2016-17 and is expected to increase to \$601 billion at the end of 2019-20. By the end of the medium term (2026-27) the total face value of CGS on issue is projected to rise to \$648 billion.

### Commonwealth Government Securities issuance

The Government finances its activities either through receipts or borrowing. When receipts fall short of payments, the Government borrows by issuing CGS to investors.

The Australian Office of Financial Management (AOFM) is responsible for issuing CGS and the management of the Government's financing activities. The AOFM currently issues three types of securities:

**Treasury Bonds:** medium- to long-term securities with a fixed annual rate of interest payable every six months;

**Treasury Indexed Bonds (TIBs):** medium- to long-term securities for which the capital value of the security is adjusted for movements in the consumer price index (CPI). Interest on TIBs is paid quarterly, at a fixed rate, on the adjusted capital value; and

**Treasury Notes:** short-term securities generally maturing within six months of issuance. The volume of Treasury Notes on issue will vary over the course of the year, depending on the size and profile of the within-year funding flows.

All new CGS issuance is undertaken in Australian dollars. There is a very small amount of foreign currency denominated debt securities on issue remaining from issuance undertaken before 1988. Most of these securities mature in March 2017.

Within these three broad categories of CGS, issuance is undertaken into a limited number of maturities (known as lines). Each of these lines has a fixed maturity date (the date on which the Government repays the principal it has borrowed) and, for Treasury Bonds and Treasury Indexed Bonds, a coupon rate (the annual fixed interest rate paid on the security).

Concentrating CGS issuance into a limited number of lines (rather than issuing securities with a specific time value, such as 10 years) ensures each line is sufficiently large that it can easily be traded in the secondary market. Strong liquidity in the secondary market is attractive to investors, promotes demand for CGS, and assists in lowering borrowing costs.

The AOFM exercises operational independence in the execution of its duties. Its announced issuance program for each year is therefore determined on the basis of maturing CGS, net new issuance required to fund the Budget, and other operational considerations.

Operational considerations often mean that the annual issuance program may not be equivalent to the financing task for a particular year. For example, the AOFM may choose to smooth issuance across several financial years in order to minimise changes in CGS supply from one financial year to the next. The AOFM may also decide to partially pre-fund the following year's financing task.

Regular buyback tenders commenced in September 2016. In a buyback tender, the AOFM buys back outstanding short-dated Treasury Bonds. The buybacks are funded by issuance of a corresponding face value amount of longer-dated Treasury Bonds. This operation assists the AOFM in its cash management task ahead of bond maturities and contributes to an orderly and efficient Treasury Bond market.

In recent years, the AOFM has taken the opportunity to lengthen the CGS yield curve. This has provided for a lower risk profile of maturing debt and has been achieved during a period when borrowing costs have been low by historical standards. It has also underpinned the development of a 20-year Treasury Bond futures contract by the ASX, which will assist investors with the management of interest rate risk.

In October 2016, the Treasury Bond yield curve was extended to 30 years through the issuance of a new March 2047 Treasury Bond. The AOFM successfully issued \$7.6 billion of this Treasury Bond at a yield of 3.27 per cent.

The extension of the yield curve is consistent with a strategy of lengthening the average term-to-maturity of the Australian Government's debt portfolio and diversifying the CGS investor base. This aims to reduce the impact of volatility in interest rates on the Government's budget over time.

The Government remains committed to a well-functioning and liquid CGS market to support the development of a corporate bond market by providing a risk-free benchmark and to provide a low-risk investment vehicle.

### **Estimates and projections of key debt aggregates**

The level of current and projected Government debt on issue is commonly expressed in one of two ways: gross or net debt.

**Gross debt** measures the face value of CGS on issue at a point in time. While gross debt is measured in face value terms, estimates and projections of CGS on issue are published in both face value and market value terms in this statement.

The **face value** of CGS on issue is the amount that the Government pays back to investors at maturity, independent of fluctuations in market prices.<sup>1</sup> The total face value of CGS on issue changes when new securities are issued, or when securities are repurchased or reach maturity.

The **market value** of CGS represents the value of securities as traded on the secondary market, which changes continuously with movements in market prices. Consistent with external reporting standards the market value of CGS on issue is reported on the Australian Government General Government Sector balance sheet.

**Net debt** is equal to the sum of deposits held, government securities (at market value), loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements. As net debt incorporates both selected financial assets and liabilities at their fair value, it provides a broader measure of the financial obligations of the Commonwealth than gross debt.

Not all government assets or liabilities are included in the measurement of net debt. For example, neither the Government's unfunded superannuation liability nor the equity holdings of the Future Fund are accounted for in net debt.

### **Estimates and projections of net debt**

Table 3.34 contains estimates and projections of net debt to the end of the forward estimates period.

In 2016-17, net debt is expected to be \$317.2 billion, compared to \$326.1 billion at the 2016 PEFO. Over the forward estimates, net debt is projected to peak as a proportion of GDP at 19.0 per cent in 2018-19. The peak in net debt is both lower and one year later than expected at the 2016 PEFO, when it was projected to peak at 19.2 per cent of GDP in 2017-18. Over the medium term, net debt is projected to decline to 9.9 per cent of GDP (\$284.7 billion) in 2026-27.

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1 For TIBs, the final repayment amount paid to investors includes an additional amount owing to inflation growth over the life of the security. This amount is not included in the calculation of face value.

**Table 3.34: Liabilities and assets included in net debt from 2016-17 to 2019-20**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Liabilities included in net debt</b>				
Deposits held	217	217	217	217
Government securities	540,184	583,400	618,144	642,465
Loans	15,455	14,903	14,889	14,809
Other borrowing	1,666	1,617	1,565	1,512
<b>Total liabilities included in net debt</b>	<b>557,522</b>	<b>600,137</b>	<b>634,815</b>	<b>659,003</b>
<b>Assets included in net debt</b>				
Cash and deposits	2,942	2,978	3,690	3,960
Advances paid	59,987	78,107	92,613	103,370
Investments, loans and placements	177,400	176,043	179,529	187,842
<b>Total assets included in net debt</b>	<b>240,329</b>	<b>257,128</b>	<b>275,832</b>	<b>295,171</b>
<b>Net debt</b>	<b>317,193</b>	<b>343,009</b>	<b>358,983</b>	<b>363,832</b>

**Changes in net debt since the 2016 PEFO**

Table 3.35 shows the drivers of the change in net debt between the 2016 PEFO and the 2016-17 MYEFO.

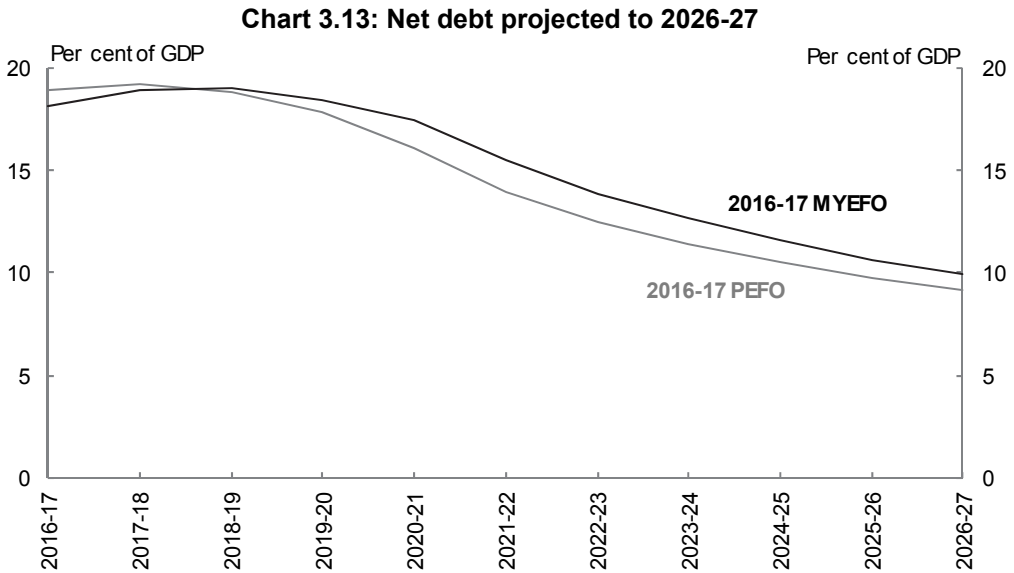
Net debt is estimated to have decreased in 2016-17 and 2017-18, primarily due to valuation effects associated with an increase in yields since the 2016 PEFO. However net debt increased in 2018-19 and 2019-20, largely driven by lower underlying cash balances compared to PEFO.

**Table 3.35: Net Debt — reconciliation from the 2016 PEFO to the 2016-17 MYEFO**

	2016-17 \$b	2017-18 \$b	2018-19 \$b	2019-20 \$b
<b>Net debt as at 2016 PEFO (\$b)</b>	<b>326.1</b>	<b>347.1</b>	<b>356.7</b>	<b>355.4</b>
Changes in financing requirement	-2.1	-4.0	9.8	19.4
Impact of yields on CGS	-7.2	-7.0	-6.6	-5.7
Asset and other liability movements	0.4	6.9	-1.0	-5.2
<i>Cash and deposits</i>	1.7	0.2	-0.9	-1.6
<i>Advances paid</i>	2.7	-5.3	-9.1	-8.0
<i>Investments, loans and placements</i>	-3.9	12.6	9.5	5.0
<i>Other movements</i>	-0.1	-0.6	-0.6	-0.6
<b>Total movements in net debt from 2016 PEFO to 2016-17 MYEFO</b>	<b>-9.0</b>	<b>-4.1</b>	<b>2.3</b>	<b>8.4</b>
<b>Net debt as at 2016-17 MYEFO (\$b)</b>	<b>317.2</b>	<b>343.0</b>	<b>359.0</b>	<b>363.8</b>



Chart 3.13 shows that net debt is projected to be 9.9 per cent of GDP (\$284.7 billion) in 2026-27, higher than projected net debt in 2026-27 at the 2016 PEFO.



Note: A tax-to-GDP cap of 23.9 per cent is applied to MYEFO projections from 2022-23. This tax cap applied to 2016 PEFO projections from 2021-22.  
 Source: Treasury projections.

### Estimates and projections of CGS on issue

Table 3.36 contains projections of the face value (end-of-year and within-year peak)<sup>2</sup> and the market value (end-of-year) of CGS on issue.

The *Commonwealth Inscribed Stock Act 1911* (CIS Act) requires the Treasurer to issue a direction to the AOFM stipulating the maximum face value of relevant CGS that may be on issue.<sup>3</sup> As required by the *Charter of Budget Honesty Act 1998*, Table 3.36 reports projections of CGS on issue subject to the Treasurer’s Direction.

When considering these projections, it is important to note that the AOFM publishes an issuance strategy for the budget year only. Projections beyond the budget year are based on a set of technical assumptions and will vary with changes to these assumptions and budget estimates and projections.

2 End-of-year values are estimates or projections of CGS on issue at 30 June for the particular year. The precise timing of within-year peaks of CGS on issue is not known. The timing of the within-year peak is therefore reported to the given month in the particular year.

3 On 11 December 2013, the Treasurer directed that the maximum face value of CGS that can be on issue is \$500 billion.

**Table 3.36: Estimates and projections of CGS on issue subject to the Treasurer’s Direction<sup>(a)</sup>**

	2016-17	2017-18	2018-19	2019-20
	\$b	\$b	\$b	\$b
Face value - end of year	496	539	576	601
Per cent of GDP	28.3	29.7	30.5	30.5
Face value - within-year peak(b)	498	540	576	611
Per cent of GDP(b)	28.4	29.8	30.5	31.0
<i>Month of peak(b)</i>	<i>Jun-17</i>	<i>Jun-18</i>	<i>Jun-19</i>	<i>Apr-20</i>
Market value - end of year(c)	536	579	614	638
Per cent of GDP	30.6	31.9	32.5	32.3

(a) The same stock and securities that were excluded from the previous legislative limit are excluded from the current limit set by the Treasurer’s Direction. These exclusions are outlined in subsection 51JA(2A) of the CIS Act.

(b) The precise within-year timing of cash receipts and payments is not known. Projected peaks of CGS on issue are therefore subject to considerable uncertainty.

(c) The Treasurer’s Direction applies only to the face value of CGS on issue. This table also shows the market value of CGS that are subject to the Treasurer’s Direction. These figures will differ from the estimates and projections published in Appendix B: Australian Government Budget Financial Statements Table B2: Australian Government General Government Sector balance sheet that refer to total CGS on issue.

Source: Australian Office of Financial Management.

The total amount of CGS on issue and the amount of CGS on issue subject to the Treasurer’s Direction is reported weekly on the AOFM website.

In 2016-17, the end-of-year face value of CGS on issue subject to the Treasurer’s Direction is expected to be \$496 billion, compared to \$497 billion at the 2016 PEFO. The end-of-year face value of CGS on issue subject to the Treasurer’s Direction is expected to reach \$601 billion in 2019-20.

In 2016-17, the face value of CGS on issue subject to the Treasurer’s Direction is expected to reach a within-year peak of \$498 billion. In 2019-20, this is projected to rise to a within-year peak of \$611 billion.

### **Changes in CGS on issue since the 2016 PEFO**

Table 3.37 shows the change in the projected end of year face value of CGS on issue subject to the Treasurer’s Direction between the 2016 PEFO and the 2016-17 MYEFO.

**Table 3.37: Projected CGS on issue subject to the Treasurer's Direction — reconciliation from the 2016 PEFO to the 2016-17 MYEFO**

	2016-17 \$b	2017-18 \$b	2018-19 \$b	2019-20 \$b
<b>Total face value of CGS on issue subject to the Treasurer's Direction as at 2016 PEFO</b>	497	542	565	581
<b>Factors affecting the change in face value of CGS on issue from 2016 PEFO to 2016-17 MYEFO(a)</b>				
Cumulative receipts decisions	0.3	0.5	0.1	-0.5
Cumulative receipts variations	3.6	9.6	19.3	30.5
Cumulative payment decisions	-0.4	-0.8	-1.3	-2.0
Cumulative payment variations	-3.6	-6.6	-10.8	-16.5
Cumulative change in net investments in financial assets(b)	7.2	-0.5	6.4	10.0
Other contributors	-8.1	-5.5	-3.2	-1.5
<b>Total face value of CGS on issue subject to the Treasurer's Direction as at 2016-17 MYEFO</b>	496	539	576	601

(a) Cumulative impact of decisions and variations from 2016-17 to 2019-20. Increases to payments are shown as positive, and increases to receipts are shown as negative.

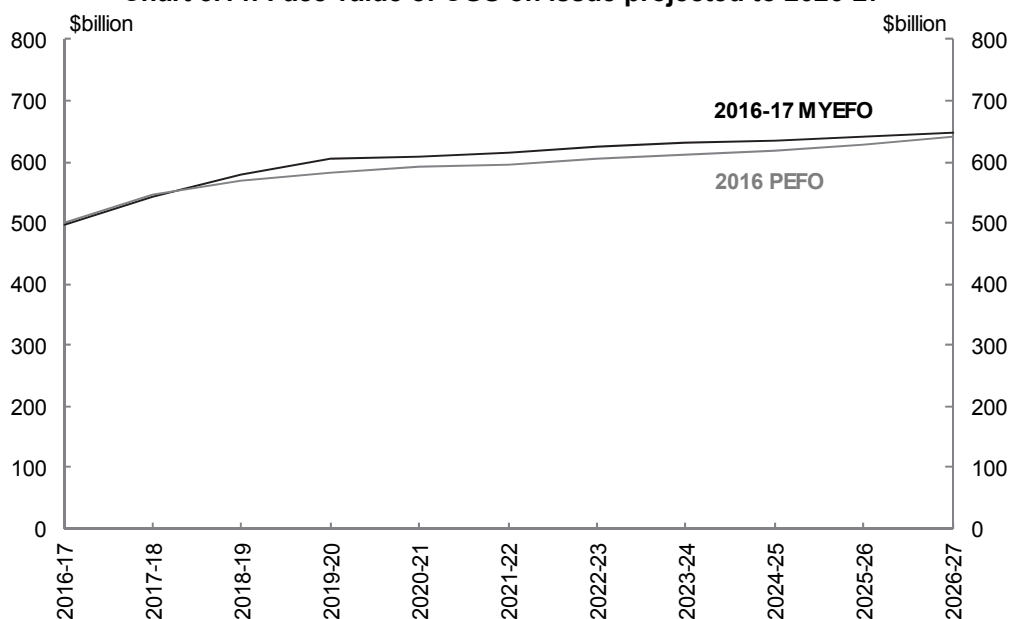
(b) Change in net cash flows from investments in policy and liquidity purposes.

Note: End of year data.

The total face value of CGS on issue is projected to rise to around \$648 billion by 2026-27, around \$8 billion higher than the \$640 billion projected at the 2016 PEFO (Chart 3.14). The projected increase in CGS on issue at the end of the medium term is driven by the changed profile of underlying cash balances (see Chart 3.1), and its associated higher public debt interest expense, accumulating over the medium term.

Further details on the changes to the underlying cash balance since the 2016 PEFO can be found in *Part 3: Fiscal Strategy and Outlook*.

**Chart 3.14: Face value of CGS on issue projected to 2026-27**



Note: A tax-to-GDP cap of 23.9 per cent is applied to MYEFO projections from 2022-23. The tax cap applied to the 2016 PEFO projections from 2021-22.

Source: Australian Office of Financial Management and Treasury projections.

### Breakdown of CGS currently on issue

Table 3.38 provides a breakdown of the CGS on issue by type of security as at 9 December 2016.

**Table 3.38: Breakdown of current Commonwealth Government Securities on issue**

	On issue as at 9 December 2016	
	Face value	Market value
	\$m	\$m
Treasury Bonds (a)	428,341	459,814
Treasury Indexed Bonds (a)	28,866	37,176
Treasury Notes (a)	3,500	3,486
<b>Total CGS subject to Treasurer's Direction(a)(b)</b>	<b>460,706</b>	<b>500,477</b>
Other stock and securities	2,484	4,631
<b>Total CGS on issue</b>	<b>463,190</b>	<b>505,108</b>

(a) The Treasurer's Direction applies only to the face value of CGS on issue. This table also shows the market value of CGS that are subject to the Treasurer's Direction.

(b) The same stock and securities that were excluded from the previous legislative limit are excluded from the current limit set by the Treasurer's Direction. These exclusions, outlined in subsection 51JA(2A) of the CIS Act, are:

- stock and securities issued in relation to money borrowed under the *Loan (Temporary Revenue Deficits) Act 1953*;
- stock and securities loaned by the Treasurer under a securities lending arrangement under section 5BA of the *Loans Securities Act 1919*, or held by or on behalf of the Treasurer for the purpose of such an arrangement;
- stock and securities invested under subsection 58 of the *Public Governance, Performance and Accountability Act 2013*; and
- stock and securities on issue as at the start of 13 July 2008, other than Treasury Fixed Coupon Bonds.

Source: Australian Office of Financial Management.

## Treasury Bonds

Table 3.39 lists Treasury Bonds currently on issue, as well as the annual interest rate (the coupon) and the timing of coupon payments. As at 9 December 2016, there were 23 Treasury Bond lines on issue, with a weighted average term to maturity of around 7.2 years and the longest maturity extending to March 2047.

Since late 2010-11, the AOFM has incrementally lengthened the CGS yield curve. This increases the average maturity and duration profile of the AOFM's debt portfolio, thereby lowering variability in future debt servicing costs and reducing refinancing risk.

**Table 3.39: Treasury Bonds on issue**

Coupon Per cent	Maturity	On issue as at 9 December 2016		Timing of interest payments(a)		
		\$m				
6.00	15-Feb-17	11,828		Twice yearly	15 Feb	15 Aug
4.25	21-Jul-17	14,521		Twice yearly	21 Jul	21 Jan
5.50	21-Jan-18	19,860		Twice yearly	21 Jan	21 Jul
3.25	21-Oct-18	17,440		Twice yearly	21 Oct	21 Apr
5.25	15-Mar-19	22,947		Twice yearly	15 Mar	15 Sep
2.75	21-Oct-19	24,400		Twice yearly	21 Oct	21 Apr
4.50	15-Apr-20	25,697		Twice yearly	15 Apr	15 Oct
1.75	21-Nov-20	21,100		Twice yearly	21 Nov	21 May
5.75	15-May-21	27,499		Twice yearly	15 May	15 Nov
5.75	15-Jul-22	22,700		Twice yearly	15 Jul	15 Jan
5.50	21-Apr-23	24,100		Twice yearly	21 Apr	21 Oct
2.75	21-Apr-24	25,500		Twice yearly	21 Apr	21 Oct
3.25	21-Apr-25	27,900		Twice yearly	21 Apr	21 Oct
4.25	21-Apr-26	31,900		Twice yearly	21 Apr	21 Oct
4.75	21-Apr-27	28,500		Twice yearly	21 Apr	21 Oct
2.75	21-Nov-27	18,100		Twice yearly	21 Nov	21 May
2.25	21-May-28	12,900		Twice yearly	21 May	21 Nov
3.25	21-Apr-29	13,200		Twice yearly	21 Apr	21 Oct
4.50	21-Apr-33	11,100		Twice yearly	21 Apr	21 Oct
2.75	21-Jun-35	6,250		Twice yearly	21 Jun	21 Dec
3.75	21-Apr-37	9,300		Twice yearly	21 Apr	21 Oct
3.25	21-Jun-39	4,000		Twice yearly	21 Jun	21 Dec
3.00	21-Mar-47	7,600		Twice yearly	21 Mar	21 Sep

(a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: Australian Office of Financial Management.

## Treasury Indexed Bonds

Table 3.40 lists Treasury Indexed Bonds currently on issue, as well as the annual interest rate (the coupon) and the timing of coupon payments. As at 9 December 2016, there were 7 Treasury Indexed Bond lines on issue, with a weighted average term to maturity of around 8.8 years and the longest maturity extending to August 2040.

**Table 3.40: Treasury Indexed Bonds on issue**

Coupon Per cent	Maturity	On issue as at 9 December 2016		Timing of interest payments(a)				
		\$m						
1.00	21-Nov-18	5,089	Quarterly	21 Nov	21 Feb	21 May	21 Aug	
4.00	20-Aug-20	5,114	Quarterly	20 Aug	20 Nov	20 Feb	20 May	
1.25	21-Feb-22	5,390	Quarterly	21 Feb	21 May	21 Aug	21 Nov	
3.00	20-Sep-25	6,843	Quarterly	20 Sep	20 Dec	20 Mar	20 Jun	
2.50	20-Sep-30	3,593	Quarterly	20 Sep	20 Dec	20 Mar	20 Jun	
2.00	21-Aug-35	3,350	Quarterly	21 Aug	21 Nov	21 Feb	21 May	
1.25	21-Aug-40	1,950	Quarterly	21 Aug	21 Nov	21 Feb	21 May	

(a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: Australian Office of Financial Management.

### Treasury Notes

Table 3.41 lists the Treasury Notes currently on issue. The face value of Treasury Notes on issue as at 9 December 2016 was \$3.5 billion. Treasury Notes do not pay a coupon, but they are issued at a discount – the face value received at maturity is higher than the price paid at issuance.

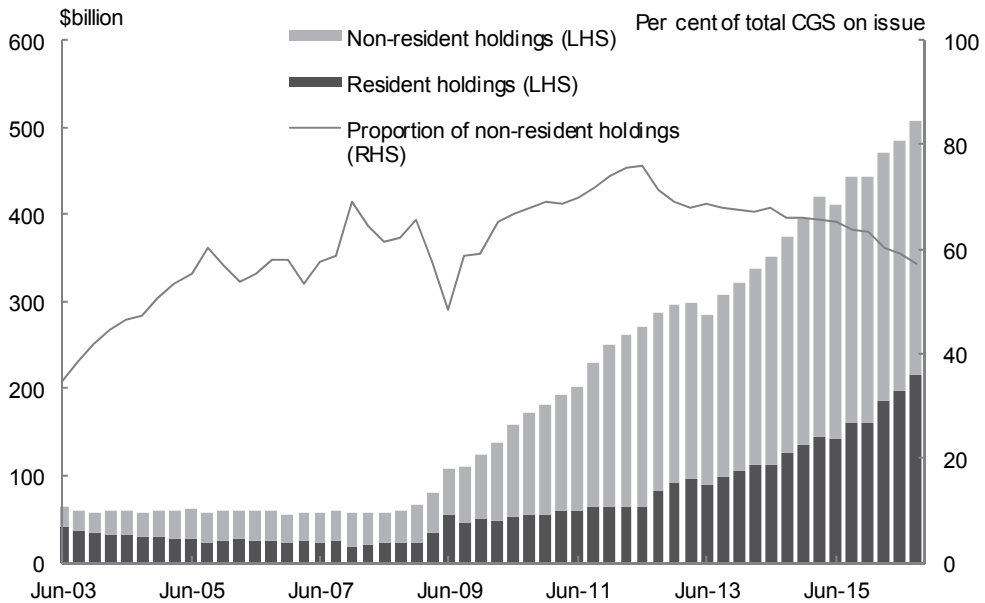
**Table 3.41: Treasury Notes on issue**

Maturity	On issue as at 9 December 2016 \$m		Timing of interest payment	
24-Feb-17	2,500		At maturity	24 Feb
28-Apr-17	1,000		At maturity	28 Apr

Source: Australian Office of Financial Management.

### Non-resident holdings of CGS on issue

As at September 2016, the proportion of non-resident holdings of CGS is around 57 per cent (Chart 3.15). This proportion is down from historical highs of around 76 per cent in 2012.

**Chart 3.15: Non-resident holdings of Commonwealth Government Securities**

Note: Data refers to the market value of holdings.

Source: ABS Catalogue Number 5302.0 and Australian Office of Financial Management.

## Interest on CGS

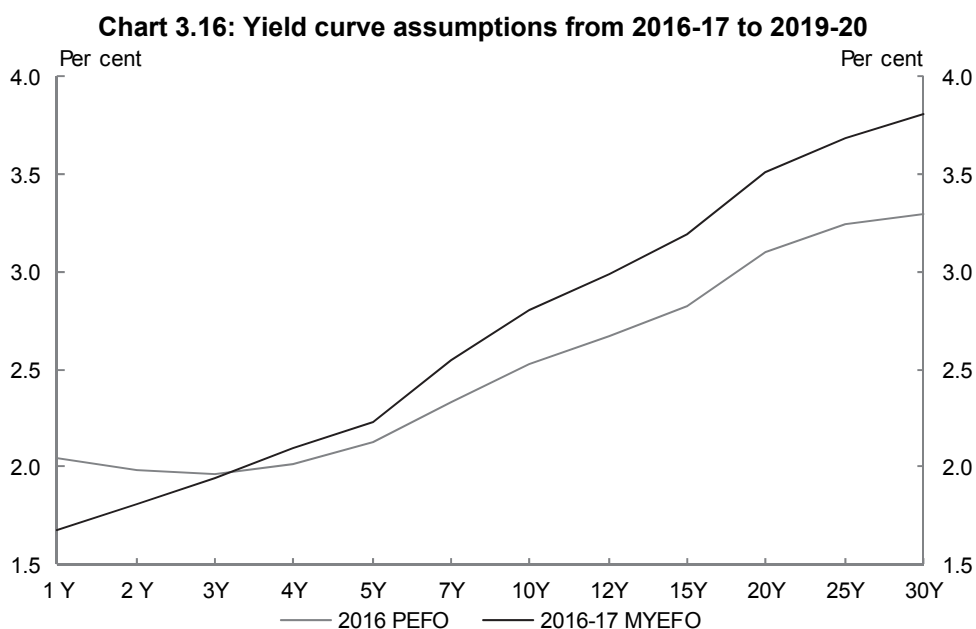
The interest costs related to CGS are presented in these statements in both cash and accrual accounting terms. The difference between the cash interest payments and accrual interest expense generally relates to the timing of when the interest cost is recognised.

- **Interest payments** are recognised in the period when they are paid during the life of the security.
- **Interest expense** is recognised in the period in which an expense is incurred during the life of the security, rather when they are actually paid.

Estimates of the interest payments and interest expense of CGS on issue include the cost of CGS already on issue and future CGS issuance. The cost of:

- CGS already on issue uses the actual interest rates incurred at the time of issuance; and
- the expected future issuance of CGS is based on the prevailing market rates across the yield curve at the time of a budget estimates update.

The assumed market yields at the 2016-17 MYEFO result in a weighted average cost of borrowing of around 2.7 per cent for future issuance of Treasury Bonds in the forward estimates period, compared with around 2.5 per cent at the 2016 PEFO. Chart 3.16 shows the yield curve assumptions underpinning the 2016 PEFO and 2016-17 MYEFO.



Source: Australian Office of Financial Management.

The 2016-17 MYEFO yield curve is generally higher and steeper than the yield curve assumed at the 2016 PEFO. The Government’s interest payments and expense over the forward estimates mostly relate to the cost of servicing the stock of CGS on issue, and are expected to increase over the forward estimates as a result of the projected rise in CGS on issue.

The Government’s total interest payments in 2016-17 are estimated to be \$15.4 billion, of which \$15.0 billion relates to CGS on issue (Table 3.42).

**Table 3.42: Interest payments, interest receipts and net interest payments<sup>(a)</sup>**

	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
Interest payments on CGS	15,010	16,092	17,352	18,285
Per cent of GDP	0.9	0.9	0.9	0.9
Interest payments	15,377	16,520	17,796	18,731
Per cent of GDP	0.9	0.9	0.9	0.9
Interest receipts	2,990	3,166	3,521	4,046
Per cent of GDP	0.2	0.2	0.2	0.2
Net interest payments <sup>(b)</sup>	12,386	13,353	14,274	14,685
Per cent of GDP	0.7	0.7	0.8	0.7

(a) Interest payments and interest receipts are a cash measure, with the relevant amount recognised in the period in which the interest payment is made or interest is received.

(b) Net interest payments are equal to the difference between interest payments and interest receipts.



The Government's total interest expense in 2016-17 is estimated to be \$17.6 billion, of which \$16.0 billion relates to CGS on issue. Table 3.43 shows the Government's estimated interest expense, interest expense on CGS, interest income and net interest expense over the forward estimates.

**Table 3.43: Interest expense, interest income and net interest expense<sup>(a)</sup>**

	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
Interest expense on CGS	15,960	17,197	18,234	19,122
Per cent of GDP	0.9	0.9	1.0	1.0
Interest expense	17,637	18,935	19,977	20,797
Per cent of GDP	1.0	1.0	1.1	1.1
Interest income	3,771	4,322	5,142	6,168
Per cent of GDP	0.2	0.2	0.3	0.3
Net interest expense	13,865	14,613	14,835	14,629
Per cent of GDP	0.8	0.8	0.8	0.7

(a) Interest expense is an accrual measure, with the relevant amount recognised in the period in which the expense is incurred, but not necessarily paid.

## Climate spending

The Government's climate spending is shown on an aggregated basis in Table 3.44.

**Table 3.44: Climate spending from 2016-17 to 2019-20**

	2016-17	2017-18	2018-19	2019-20
	\$b	\$b	\$b	\$b
Climate spending(a)	1.40	1.40	1.50	1.50

(a) Spending in this table is on a headline cash balance basis; that is, payments and net cash flows from investments in financial assets for policy purposes, as well as estimated interest receipts associated with Clean Energy Finance Corporation investments.

The key components of climate spending are:

- the Emissions Reduction Fund, which will provide incentives to support abatement activities across the economy; and
- the Clean Energy Finance Corporation which invests in renewable energy, energy efficiency and low emissions technologies.

The above figures incorporate the Government's decision to provide \$800 million in additional funding to ARENA over five years from 2017-18.

## Impact of climate spending on debt

Climate spending may be financed through either receipts or debt. This statement takes the approach of assuming that the proportion of climate spending being financed through new debt (as opposed to receipts) is equivalent to climate spending as a proportion of total spending. This is shown in Table 3.45.

**Table 3.45: Impact on debt — climate spending as a proportion of total spending**

	2016-17	2017-18	2018-19	2019-20
Climate spending (\$b) (a)	1.40	1.40	1.50	1.50
Total spending (\$b) (b)	460	476	493	508
Climate spending (per cent of total spending)	0.3	0.3	0.3	0.3
Change in face value of CGS from previous year (\$b) (c)	77.8	43.3	36.5	25.7
Contribution to change in face value of CGS from climate spending (\$b)	0.24	0.13	0.11	0.08

(a) The calculation of climate spending in this table is on a headline cash balance basis; that is, payments and net cash flows from investments in financial assets for policy purposes, as well as estimated interest receipts associated with the Clean Energy Finance Corporation investments.

(b) The calculation of total spending in this table is on a headline cash balance basis; that is, total payments and net cash flows from investments in financial assets for policy purposes.

(c) Calculations of the change in the face value of CGS are calculated using total CGS on issue.

# APPENDIX A: POLICY DECISIONS TAKEN SINCE THE 2016 PEFO

## Revenue Measures

**Table 1: Revenue measures since the 2016 PEFO<sup>(a)</sup>**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>AGRICULTURE AND WATER RESOURCES</b>					
	<i>Department of Agriculture and Water Resources</i>					
101	Changes to agricultural production levies	-	0.5	0.9	0.9	0.9
	<b>Portfolio total</b>	<b>-</b>	<b>0.5</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
	<b>ATTORNEY-GENERAL'S</b>					
	<i>Attorney-General's Department</i>					
138	Safer Communities Fund(b)	-	11.1	-	-	-
	<i>Australian Federal Police</i>					
102	Australian Federal Police — not proceeding partial cost recovery of airport policing	-	-41.7	-43.0	-44.3	-45.6
	<b>Portfolio total</b>	<b>-</b>	<b>-30.7</b>	<b>-43.0</b>	<b>-44.3</b>	<b>-45.6</b>
	<b>COMMUNICATIONS AND THE ARTS</b>					
	<i>Department of Communications and the Arts</i>					
103	NBN Co Limited — loan	-	-	175.4	462.1	611.7
103	Regional Broadband Scheme (b)	-	-	410.0	590.0	725.0
	<b>Portfolio total</b>	<b>-</b>	<b>-</b>	<b>585.4</b>	<b>1,052.1</b>	<b>1,336.7</b>
	<b>CROSS PORTFOLIO</b>					
	<i>Various Agencies</i>					
105	Commonwealth penalty unit — increase in value	-	-	40.0	25.0	25.0
	<b>Portfolio total</b>	<b>-</b>	<b>-</b>	<b>40.0</b>	<b>25.0</b>	<b>25.0</b>
	<b>DEFENCE</b>					
	<i>Department of Defence</i>					
143	Operation Highroad — extension(b)	-	-	-	-	-
	<b>Portfolio total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>EDUCATION AND TRAINING</b>					
	<i>Department of Education and Training</i>					
148	VET Student Loans — establishment(b)	-	-116.6	-127.8	-50.2	-120.0
	<b>Portfolio total</b>	<b>-</b>	<b>-116.6</b>	<b>-127.8</b>	<b>-50.2</b>	<b>-120.0</b>
	<b>EMPLOYMENT</b>					
	<i>Department of Employment</i>					
106	Fair Entitlements Guarantee — recovery program — continuation and expansion(b)	-	15.8	47.0	50.5	52.5
	<b>Portfolio total</b>	<b>-</b>	<b>15.8</b>	<b>47.0</b>	<b>50.5</b>	<b>52.5</b>

**Table 1: Revenue measures since the 2016 PEFO <sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>ENVIRONMENT AND ENERGY</b>					
	<i>Department of the Environment and Energy</i>					
154	Green Army Program — termination(b)	-	nfp	nfp	nfp	-
	<b>Portfolio total</b>	-	-	-	-	-
	<b>FINANCE</b>					
	<i>Department of Finance</i>					
157	Asset Recycling Fund — not proceeding(b)	-	-	-184.1	-234.6	-228.9
193	National Disability Insurance Scheme — more flexible Commonwealth funding arrangements(b)	-	-0.1	-0.1	-0.1	..
159	Supporting Australia's Future Shipbuilding Capability — ASC Pty Ltd structural changes(b)	-	3.5	-	-	-
	<b>Portfolio total</b>	-	<b>3.4</b>	<b>-184.3</b>	<b>-234.7</b>	<b>-229.0</b>
	<b>HEALTH</b>					
	<i>Australian Aged Care Quality Agency</i>					
163	Aged Care Provider Funding — addressing growth in residential aged care(b)	-	-	-10.8	-	-
	<i>Department of Health</i>					
168	Pharmaceutical Benefits Scheme — new and amended listings(b)	-	nfp	nfp	nfp	nfp
171	Regulation of Medicinal Cannabis — charging arrangements(b)	-	0.6	0.9	0.9	0.9
	<b>Portfolio total</b>	-	<b>0.6</b>	<b>-9.9</b>	<b>0.9</b>	<b>0.9</b>
	<b>IMMIGRATION AND BORDER PROTECTION</b>					
	<i>Department of Immigration and Border Protection</i>					
107	Singapore-Australia Free Trade Agreement Working holiday makers	-	..	..	..	..
107	– increasing the passenger movement charge	-	-	55.0	100.0	105.0
108	– maintain at \$440 the visa application charge for the working holiday maker visa (subclass 417 and 462)	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>..</b>	<b>55.0</b>	<b>100.0</b>	<b>105.0</b>

**Table 1: Revenue measures since the 2016 PEFO <sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>INDUSTRY, INNOVATION AND SCIENCE</b>					
	<i>Department of Industry, Innovation and Science</i>					
178	National Positioning Infrastructure Program — Satellite-Based Augmentation System (SBAS) test(b)	-	6.0	-	-	-
	<b>Portfolio total</b>	-	<b>6.0</b>	-	-	-
	<b>INFRASTRUCTURE AND REGIONAL DEVELOPMENT</b>					
	<i>Department of Infrastructure and Regional Development</i>					
109	Sunshine Coast Airport Concessional Loan(b)	-	-	-	nfp	nfp
	<i>National Capital Authority</i>					
186	Australian Parliament House Parking(b)	-	-0.2	-0.8	-0.8	-0.8
	<b>Portfolio total</b>	-	<b>-0.2</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>
	<b>SOCIAL SERVICES</b>					
	<i>National Disability Insurance Agency</i>					
193	National Disability Insurance Scheme — more flexible Commonwealth funding arrangements(b)	-	-3.6	-	-	-
	<b>Portfolio total</b>	-	<b>-3.6</b>	-	-	-
	<b>TREASURY</b>					
	<i>Australian Prudential Regulation Authority</i>					
197	SuperStream Program — Gateway Network Governance Body(b)	-	-	-	0.6	0.7
	<i>Australian Taxation Office</i>					
191	Extending Existing Freezes on Certain Family Payment Thresholds(b)	-	..	..	-2.0	-4.0
110	Finalised changes to the wine equalisation tax rebate and introduction of the Wine Tourism and Cellar Door grant	-	-	-30.0	20.0	-70.0
143	Operation Highroad — extension(b)	-	-	-	-	-
110	Personal income tax — new treatment of fringe benefits for tax offset purposes	-	-	..	5.5	8.0
111	— tax relief for ex gratia disaster assistance payments	-	..	..	-	-
111	Research and Development Tax Incentive — rate reduction start date	-	-220.0	-30.0	-	-
112	Superannuation Reform Package — amendments	-	-50.0	-150.0	20.0	50.0
	<i>Tax integrity</i>					
112	— franked distributions funded by capital raisings	-	-	10.0	10.0	10.0
113	— improve the transparency of taxation debts	-	-	-	-	-

**Table 1: Revenue measures since the 2016 PEFO <sup>(a)</sup> (continued)**

Page	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
<b>TREASURY (continued)</b>					
Working holiday makers					
114	-	-	15.0	20.0	20.0
– changing the rate of tax on departing Australia superannuation payments to working holiday makers					
114	-	-	-	-	-
– delay commencement of the 2015-16 Budget measure to treat all working holiday makers as non-residents to 1 January 2017					
115	-	-20.0	-20.0	-	-
– lowering the tax rate for all working holiday makers					
	-	-35.0	-105.0	-140.0	-140.0
<i>Department of the Treasury</i>					
197	-	2.3	4.0	4.2	4.5
Professional Standards for Financial Advisers(b)					
<b>Portfolio total</b>					
	-	<b>-322.7</b>	<b>-306.0</b>	<b>-61.7</b>	<b>-120.9</b>
<b>Decisions taken but not yet announced</b>					
	-	<b>41.6</b>	<b>73.5</b>	<b>28.1</b>	<b>99.2</b>
<b>Total impact of revenue measures(c)</b>					
	-	<b>-406.0</b>	<b>130.0</b>	<b>865.8</b>	<b>1,104.0</b>

\* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

(a) A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain in revenue.

(b) These measures can also be found in the expense measures summary table.

(c) Measures may not add due to rounding.

## AGRICULTURE AND WATER RESOURCES

### Changes to agricultural production levies

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Agriculture and Water Resources	-	0.5	0.9	0.9	0.9
<i>Related expense (\$m)</i>					
Department of Agriculture and Water Resources	-	-5.4	-10.9	0.1	0.1

The Government will make changes to the following agricultural levies and export charges to meet changes in the funding needs of the agricultural industry and the industry organisations they support:

- Red meat slaughter levy: from 1 January 2017 set the research and development (R&D) levy rate to zero for 18 months and equivalently increase the marketing levy rate, then from 1 July 2018 split the total levy paid into 60 per cent R&D and 40 per cent marketing in the following way:
  - Cattle slaughter: adjust the rate of the R&D levy to \$0.0036 per kilogram and marketing levy to \$0.0024 per kilogram;
  - Goat slaughter: adjust the rate of the R&D levy to \$0.06 per head and marketing levy to \$0.04 per head;
  - Lamb slaughter: adjust the rate of the R&D levy to \$0.096 per head and marketing levy to \$0.064 per head; and
  - Sheep slaughter: adjust the rate of the R&D levy to \$0.09 per head and marketing levy to \$0.06 per head.
- Melon levy: from 1 January 2017, establish the following:
  - R&D levy at a rate of \$0.003 per kilogram;
  - Plant Health Australia membership levy at a rate of \$0.001 per kilogram; and
  - Emergency Plant Pest Response levy at a nil rate.

## ATTORNEY-GENERAL'S

### **Australian Federal Police — not proceeding partial cost recovery of airport policing**

Revenue (\$m)

	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Federal Police	-	-41.7	-43.0	-44.3	-45.6

The Government will not proceed with the partial cost recovery of costs for aviation security services that are provided by the Australian Federal Police at major international airports. The Government was concerned that this measure would contravene the long-standing principle that community policing is a public good that should be publicly funded, and would result in additional costs being passed on to passengers, in particular domestic passengers.

This measure reverses the 2012-13 Budget measure titled *Australian Federal Police – partial cost recovery of airport policing*.



## COMMUNICATIONS AND THE ARTS

### NBN Co Limited — loan

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Communications and the Arts	-	-	175.4	462.1	611.7

The Government will provide NBN Co Limited (NBN Co) with a loan of up to \$19.5 billion from 2017-18 to 2020-21 to support the completion of the National Broadband Network.

The Government is providing \$29.5 billion in equity to NBN Co which is expected to be fully expended in 2016-17. A Government loan on commercial terms represents the most cost effective way to raise the necessary debt and secure funding to complete the rollout of this important national infrastructure project.

The loan is expected to be provided to NBN Co over four years. The measure includes estimated revenue of \$1.574 billion over four years (including \$0.325 billion in 2020-21) from the interest paid by NBN Co (based on market conditions applying on 9 November 2016). The loan will be re-financed by NBN Co on external markets in 2020-21.

Further information can be found in the joint press release of 18 November 2016 issued by the Minister for Communications and the Minister for Finance.

### Regional Broadband Scheme

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Communications and the Arts	-	-	410.0	590.0	725.0
<i>Related expense (\$m)</i>					
<i>Australian Competition and Consumer Commission</i>	-	0.2	-	-	-
<i>Department of Communications and the Arts</i>	-	-	370.0	589.3	724.9
<i>Australian Communications and Media Authority</i>	-	-	0.1	0.1	..
<i>Total — Expense</i>	-	0.2	370.1	589.4	724.9
<i>Related capital (\$m)</i>					
<i>Australian Communications and Media Authority</i>	-	0.4	0.1	-	-

The Government will introduce the Regional Broadband Scheme (RBS) from 1 July 2017 to sustainably fund the long term costs of providing affordable broadband to regional and remote Australia via NBN Co Limited's (NBN Co) satellite and fixed wireless networks.

*Appendix A: Policy decisions taken since the 2016 PEFO*

Australian users of fixed wireless and satellite services will benefit from the RBS which will require all eligible fixed-line superfast broadband network operators to make a proportionate contribution. As the largest network operator, NBN Co will continue to be responsible for the overwhelming majority of funding for regional and rural broadband services.

This measure is estimated to have a positive impact of \$40.0 million on the fiscal balance and a negligible impact on the underlying cash balance over the forward estimates period. This difference occurs because the levy applies from 2017-18 but payments to NBN Co do not begin until 2018-19.

## CROSS PORTFOLIO

### Commonwealth penalty unit — increase in value

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Various Agencies	-	-	40.0	25.0	25.0

The Government will increase the value of the Commonwealth penalty unit from \$180 to \$210, with effect from 1 July 2017. The value will be indexed every three years in line with the CPI with the first indexation occurring on 1 July 2020 (this will supersede the indexation arrangements announced in the 2015-16 Budget). This measure is estimated to have a gain to revenue of \$90.0 million over the forward estimates period. In underlying cash balance terms this measure increases receipts by \$80.0 million over the forward estimates.

Penalty units are used to describe the amount payable for fines under Commonwealth laws. Fines are calculated by multiplying the value of one penalty unit by the number of penalty units prescribed for the offence. This measure ensures that financial penalties for Commonwealth offences keep pace with inflation and continue to remain effective in deterring unlawful behaviour.

## EMPLOYMENT

### Fair Entitlements Guarantee — recovery program — continuation and expansion

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Employment	-	15.8	47.0	50.5	52.5
<i>Related expense (\$m)</i>					
<i>Department of Employment</i>	-	27.4	40.3	40.5	40.6

The Government will achieve efficiencies of \$16.9 million over four years from 2016-17 by continuing the *Fair Entitlements Guarantee – recovery program* (the program). A trial of the program was announced in the 2015-16 Budget and it will now be an ongoing program from 1 January 2017, with expanded resources.

The Government will provide \$47.2 million over four years from 2016-17 to continue funding case assessment and litigation activities to improve the recovery of employment entitlements from companies that go into liquidation without paying those entitlements, and instead those entitlements are advanced under the Fair Entitlements Guarantee (FEG) scheme. This is estimated to achieve additional FEG recoveries of \$165.7 million over four years.

Under the FEG scheme if a company goes into liquidation or bankruptcy occurs, the Government provides assistance to cover certain unpaid employee entitlements to eligible employees and there is a source of funds for employee entitlements. Under the program, the Government then exercises its rights as a creditor to recover its costs.

The Government will also not proceed with the *Fair Entitlements Guarantee – aligning redundancy payments to national employment standards* measure announced in the 2014-15 Budget.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

## IMMIGRATION AND BORDER PROTECTION

### Singapore-Australia Free Trade Agreement

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Immigration and Border Protection	-	..	..	..	..

On 13 October 2016, the governments of Australia and Singapore signed the Agreement to Amend the Singapore-Australia Free Trade Agreement (SAFTA). SAFTA entered into force in 2003 and it is the central pillar of Australia's economic relationship with Singapore. The update to the SAFTA will boost the competitiveness of Australia's services exporters by addressing key behind-the-border barriers, delivering new access and greater certainty to service suppliers in sectors such as education, law, communications, financial and professional services.

Further information can be found in the press release of 13 October 2016 issued by the Minister for Trade and Investment.

### Working holiday makers — increasing the passenger movement charge

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Immigration and Border Protection	-	-	55.0	100.0	105.0

The Government has increased the passenger movement charge by \$5 to \$60 per passenger with effect from 1 July 2017. This measure is estimated to have a gain to revenue of \$260.0 million over the forward estimates period.

The passenger movement charge was last increased in 2012.

This measure forms part of the Government's *Working Holiday Maker Reform Package* to meet seasonal labour needs and ensure Australia continues to be a top destination for working holiday makers.

The revenue raised by this measure will offset some of the cost of the *Working Holiday Maker Reform Package*.

**Working holiday makers — maintain at \$440 the visa application charge for the working holiday maker visa (subclass 417 and 462)**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Immigration and Border Protection	-	-	-	-	-

During the finalisation of the *Working Holiday Maker Reform Package*, the Government agreed to maintain at \$440 the working holiday maker visa (subclass 417 and 462) application charge. Maintaining the charge at \$440 will have no revenue impact over the forward estimates period.

## INFRASTRUCTURE AND REGIONAL DEVELOPMENT

### Sunshine Coast Airport Concessional Loan

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Infrastructure and Regional Development	-	-	-	nfp	nfp
<i>Related expense (\$m)</i>					
<i>Department of Infrastructure and Regional Development</i>	-	-	-	nfp	nfp

The Government will provide a concessional loan of up to \$181.0 million to the Sunshine Coast Council as part of the \$347.0 million Sunshine Coast Airport Expansion Project (the Project). The Project involves constructing a new runway, expanding the passenger transport apron and upgrading existing terminal facilities.

The Queensland Government, through the Queensland Treasury Corporation, will provide a full guarantee of the principal and interest on the concessional loan provided by the Commonwealth.

The loan will be available for drawdown during the construction period from 1 July 2017 to 1 July 2022. The full repayment of the loan is expected in 2022.

The cost of this measure will be met from within the existing resources of the Department of Infrastructure and Regional Development.

This measure delivers on the Government's election commitment.

## TREASURY

### Finalised changes to the wine equalisation tax rebate and introduction of the Wine Tourism and Cellar Door grant

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-	-30.0	20.0	-70.0
<i>Related expense (\$m)</i>					
<i>Australian Grape and Wine Authority</i>	-	-	-	-	10.0

The Government is amending the wine equalisation tax (WET) rebate following consultation with industry, and introducing a new grant for cellar door sales.

The Government will reduce the rebate cap from \$500,000 to \$350,000 on 1 July 2018, and will not proceed with the further reduction in the rebate cap to \$290,000 announced in the 2016-17 Budget. New eligibility criteria to protect the integrity of the WET rebate scheme will apply to all wine from 1 July 2018. These new eligibility criteria will restrict claims that have been made by bulk and unbranded wine. Additional integrity measures will also be introduced to stop the rebate being claimed multiple times on the same parcel of wine. This measure will better target the rebate and reduce distortions in the wine industry.

To encourage wine tourism the Government will introduce a wine tourism and cellar door grant to allow producers who exceed their cap to access a grant of up to \$100,000 for their cellar door sales. The grant will be available from 2018-19 and will be capped at \$10.0 million per year.

This measure will have a cost to the budget of \$90.0 million over the forward estimates period.

Further information can be found in the joint press release of 2 December 2016 issued by the Minister for Revenue and Financial Services and the Assistant Minister for Agriculture and Water Resources.

### Personal income tax — new treatment of fringe benefits for tax offset purposes

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-	..	5.5	8.0
<i>Related expense (\$m)</i>					
<i>Australian Taxation Office</i>	-	-	-0.5	-0.5	-0.5

The Government has changed the way fringe benefits will be treated for the calculation of several tax offsets from 1 July 2017. This measure is estimated to have a gain to the budget of \$15.0 million over the forward estimates period.



The Government has modified the meaning of ‘adjusted fringe benefits total’ so that the gross rather than the adjusted net value of reportable fringe benefits is used. ‘Adjusted fringe benefits total’ is used to calculate a taxpayer’s entitlement for the low income superannuation tax offset, the seniors and pensioners tax offset, the net medical expenses tax offset and the dependent (invalid and carer) tax offset and the amount of offset available. Fringe benefits received by individuals working for public benevolent institutions, health promotion charities and some hospitals and public ambulance services will not be affected by this change. This aligns the treatment for tax offsets to the treatment for the income tests for family assistance and youth payments, as detailed in the 2015-16 MYEFO.

**Personal income tax — tax relief for ex gratia disaster assistance payments**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	..	..	-	-

The Government will provide ongoing tax relief to ex gratia disaster assistance payments made to New Zealand Special Class Visa (subclass 444) holders. The Government will provide this tax relief for the 2014-15 financial year and all following financial years. This measure is estimated to have a negligible cost to revenue over the forward estimates period.

The Government will exempt ex gratia Disaster Recovery Payments from income tax and make a tax offset available for ex gratia Income Support Allowance payments. These ex gratia payments are equivalent to the tax-exempt Australian Government Disaster Recovery Payment and Disaster Recovery Allowance, respectively, which are made to Australians. All of these payments provide financial assistance to individuals who are negatively affected by a disaster occurring in Australia. Making the tax relief ongoing will remove the need for amendments to be made periodically and will provide greater certainty to recipients.

**Research and Development Tax Incentive — rate reduction start date**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-220.0	-30.0	-	-
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	140.0	-	-	-

The Government has deferred the start date, from 1 July 2014 to 1 July 2016, of the 2014-15 Budget measure *Research and Development Tax Incentive – reducing the rates of the refundable and non-refundable tax offsets*. The reduced rates passed the Senate as part of the *Budget Savings (Omnibus) Bill 2016* on 15 September 2016.

This measure is estimated to have a cost to the budget of \$390.0 million over the forward estimates period.

### Superannuation Reform Package — amendments

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-50.0	-150.0	20.0	50.0

Following consultation, the Government has made amendments to the *Superannuation Reform Package* announced in the 2016-17 Budget.

From 1 July 2017, the Government will lower the annual non-concessional contributions cap to \$100,000 and will limit the eligibility to make non-concessional contributions to individuals with a total superannuation balance of less than the superannuation transfer balance cap, currently set at \$1.6 million. Eligible individuals under 65 will continue to be able to bring forward up to 3 years of non-concessional contributions, maintaining flexibility for individuals to grow their retirement savings by accommodating lump sum contributions, such as from downsizing their home, an inheritance or from the sale of a business. This replaces the lifetime non-concessional contributions cap announced in the 2016-17 Budget. To offset the cost of this change, the Government is not proceeding with changes to the contribution rules for people aged between 65 and 74 and has also deferred the commencement of the catch up superannuation contributions measure until 1 July 2018. The Government is also providing transitional relief from capital gains tax to assist people affected by the introduction of the transfer balance cap and/or the changes to transition to retirement income stream arrangements.

These amendments are estimated to have a cost to revenue of \$130.0 million over the forward estimates period relative to the measures set out in the 2016-17 Budget.

These changes form part of the Government's *Superannuation Reform Package*, announced in the 2016-17 Budget, which improves the sustainability, flexibility and integrity of the superannuation system. Further information can be found in the joint press release of 15 September 2016 issued by the Treasurer and the Minister for Revenue and Financial Services.

### Tax integrity — franked distributions funded by capital raisings

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-	10.0	10.0	10.0

The Government will introduce a specific measure preventing the distribution of franking credits where a distribution to shareholders is funded by particular capital raising activities.

The measure will apply to distributions declared by a company to its shareholders outside or additional to the company's normal dividend cycle (a special dividend), to the extent it is funded directly or indirectly by capital raising activities which result in the issue of new equity interests. Examples of capital raising activities include an underwritten dividend reinvestment plan, a placement or an underwritten rights issue.

Where such arrangements are entered into, the corporation will be prevented from attaching franking credits to shareholder distributions.

This measure will address the issues raised by the Australian Taxation Office in Taxpayer Alert TA 2015/2: *Franked distributions funded by raising capital to release credits to shareholders*.

This measure will apply to distributions made after 12:00pm (AEDT) on 19 December 2016. It is estimated to have a gain to revenue of \$30.0 million over the forward estimates period.

### **Tax integrity — improve the transparency of taxation debts**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-	-	-	-
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	1.4	0.1	0.1	-
Department of the Treasury	-	-	15.0	5.0	5.0
<b>Total — Expense</b>	-	1.4	15.1	5.1	5.0
<i>Related capital (\$m)</i>					
Australian Taxation Office	-	0.4	-	-	-

From 1 July 2017, the Government will allow the Australian Taxation Office (ATO) to disclose to Credit Reporting Bureaus the tax debt information of businesses that have not effectively engaged with the ATO to manage these debts. The ATO does not currently provide this information.

This measure will initially only apply to businesses with Australian Business Numbers and tax debt of more than \$10,000 that is at least 90 days overdue.

Businesses are expected to pay taxation debts in a more timely manner to avoid affecting their credit rating.

This measure is estimated to have a gain to the budget of \$63.0 million in underlying cash balance terms over the forward estimates period.

In fiscal balance terms, the cost to the budget is estimated to be \$27.0 million over the forward estimates period. The estimated fiscal cost is represented by \$25.0 million in GST payments to the States and Territories and \$2.0 million in ATO funding. There is no revenue in fiscal balance terms as the tax liabilities have already been recognised.

**Working holiday makers — changing the rate of tax on departing Australia superannuation payments to working holiday makers**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-	15.0	20.0	20.0

The Government has changed the rate of tax to 65 per cent on departing Australia superannuation payments made to working holiday makers after they have left Australia. This measure will have effect from 1 July 2017 and is estimated to have a gain to revenue of \$55.0 million over the forward estimates period. In underlying cash balance terms this measure is estimated to increase receipts by \$50.0 million over the forward estimates period.

This measure forms part of the Government’s *Working Holiday Maker Reform Package* to meet seasonal labour needs and ensure Australia continues to be a top destination for working holiday makers.

The revenue raised by this measure will offset some of the cost of the *Working Holiday Maker Reform Package*.

**Working holiday makers — delay commencement of the 2015-16 Budget measure to treat all working holiday makers as non-residents to 1 January 2017**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-20.0	-20.0	-	-

The Government announced prior to the 2016 election that it would delay the commencement of the 2015-16 Budget measure *Personal Income Tax – changes to tax residency rules for temporary working holiday makers* for six months from the proposed commencement date of 1 July 2016 to 1 January 2017.

This measure was one of the Government’s 2016 election commitments and is estimated to have a cost to revenue of \$40.0 million over the forward estimates period.

**Working holiday makers — lowering the tax rate for all working holiday makers**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-35.0	-105.0	-140.0	-140.0

The Government has lowered the income tax rate for all working holiday makers on a subclass 417 or 462 visa to 15 per cent from the first dollar earned up to \$37,000, with ordinary marginal tax rates to apply above \$37,000. This measure will apply from 1 January 2017 and is estimated to have a cost to revenue of \$420.0 million over the forward estimates period.

This measure amends the unlegislated 2015-16 Budget measure *Personal Income Tax – changes to tax residency rules for temporary working holiday makers* which would have applied a tax rate of 32.5 per cent for all working holiday makers from the first dollar earned.

This measure forms part of the Government’s *Working Holiday Maker Reform Package* to meet seasonal labour needs and ensure Australia continues to be a top destination for working holiday makers.



## Expense Measures

**Table 2: Expense measures since the 2016 PEFO<sup>(a)</sup>**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>AGRICULTURE AND WATER RESOURCES</b>						
<i>Australian Grape and Wine Authority</i>						
110	Finalised changes to the wine equalisation tax rebate and introduction of the Wine Tourism and Cellar Door grant(b)	-	-	-	-	10.0
<i>Australian Pesticides and Veterinary Medicines Authority</i>						
133	Relocation of the Australian Pesticides and Veterinary Medicines Authority(c)	-	1.7	4.4	14.1	2.5
<i>Department of Agriculture and Water Resources</i>						
129	Beef Week and the Beef Australia Expo — additional funding	-	0.9	2.4	0.6	0.3
129	Biosecurity Integrated Information System(c)	-	-	-	-	-
130	Carbon Farming Futures — efficiencies	-	-1.5	-	-	-
101	Changes to agricultural production levies(b)	-	-5.4	-10.9	0.1	0.1
130	Commonwealth Water Functions	-	-	23.4	22.7	22.5
181	Community Infrastructure Projects — new announcements	-	0.1	-	-	-
131	Dairy Industry Assistance Package(c)	-	0.4	0.6	0.5	0.5
177	Emerging International Airports — Canberra	-	-	-	-	-
132	Leadership in Agriculture Industries Fund — establishment	-	2.0	2.0	1.0	-
132	National Institute for Forest Products Innovation — establishment	-	0.2	1.0	1.0	1.0
133	Northern Australia Rice Industry	-	1.0	1.0	1.0	1.0
134	Rural Research and Development for Profit Program — efficiencies	-	-1.4	-5.6	-1.5	-1.5
<i>Murray-Darling Basin Authority</i>						
130	Commonwealth Water Functions	-	-	33.7	33.7	33.8
<b>Portfolio total</b>		<b>-</b>	<b>-2.0</b>	<b>51.9</b>	<b>73.1</b>	<b>70.0</b>
<b>ATTORNEY-GENERAL'S</b>						
<i>Administrative Appeals Tribunal</i>						
189	Better Management of the Social Welfare System	-	0.1	11.0	10.8	10.8
190	Budget Savings (Omnibus) Bill — amendments	-	-	0.2	0.6	1.1
<i>Attorney-General's Department</i>						
135	Disaster Relief — storms in New South Wales and Tasmania	-	-	-	-	-
136	Protecting the Rights of Older Australians	-	1.0	7.5	6.5	-
137	Redress Scheme Design	-	-0.1	-	-	-
137	Royal Commission into the Protection and Detention of Children in the Northern Territory	-	53.7	0.4	-	-
138	Safer Communities Fund	-	9.8	10.7	14.5	5.0

**Table 2: Expense measures since the 2016 PEFO<sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>ATTORNEY-GENERAL'S (continued)</b>					
	<i>Australian Crime Commission</i>					
136	Keeping Illegal Guns off our Streets and our Communities Safe(c)	-	-	1.8	1.8	-
	<i>Australian Federal Police</i>					
135	Enhanced Protective Security Arrangements — law enforcement agencies — further funding(c)	-	6.9	8.3	4.9	4.9
136	Keeping Illegal Guns off our Streets and our Communities Safe(c)	-	5.4	25.0	24.6	2.5
151	Royal Commission into Trade Union Governance and Corruption — funding for investigations	-	3.1	6.0	6.0	6.0
	<b>Portfolio total</b>	-	<b>79.8</b>	<b>70.9</b>	<b>69.7</b>	<b>30.3</b>
	<b>COMMUNICATIONS AND THE ARTS</b>					
	<i>Australian Communications and Media Authority</i>					
191	Digital Literacy for Older Australians	-	1.2	4.9	5.4	5.4
103	Regional Broadband Scheme(b)	-	-	0.1	0.1	..
	<i>Department of Communications and the Arts</i>					
181	Community Infrastructure Projects — new announcements	-	0.3	-	-	-
139	Department of Communications and the Arts — settlement costs	-	nfp	-	-	-
139	Funding for a Major Film Project — Aquaman	-	-	-	22.1	-
139	Mobile Black Spot Programme — round three	-	-	20.0	20.0	20.0
140	Protecting, Preserving and Celebrating Indigenous Languages	-	1.0	3.0	3.0	3.0
103	Regional Broadband Scheme(b)	-	-	370.0	589.3	724.9
141	Wi-Fi and Mobile Coverage on Central Coast Trains	-	-	5.0	5.0	-
	<i>National Library of Australia</i>					
140	Public Service Modernisation Fund — National Library of Australia and Australian War Memorial	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>2.6</b>	<b>403.0</b>	<b>644.9</b>	<b>753.3</b>
	<b>DEFENCE</b>					
	<i>Department of Defence</i>					
142	Australia's Contribution to the Sustainment of Afghan National Security Forces — continuation	-	-	-	-	-
204	Australia-Singapore Comprehensive Strategic Partnership — military training and training area development in Australia(c)	-	-	-	-	-



**Table 2: Expense measures since the 2016 PEFO<sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>DEFENCE (continued)</b>					
181	Community Infrastructure Projects — new announcements	-	-4.0	-16.0	-4.0	-
142	Management of Per- and Poly-Fluorinated Alkyl Substances at Defence bases(c)	-	-3.8	-8.2	-1.6	-0.4
143	Operation Highroad — extension	-	-	-	-	-
143	Operation OKRA — expansion	-	-	-	-	-
137	Redress Scheme Design	-	-0.8	-	-	-
	<b>Portfolio total</b>	-	<b>-8.6</b>	<b>-24.2</b>	<b>-5.6</b>	<b>-0.4</b>
	<b>EDUCATION AND TRAINING</b>					
	<i>Department of Education and Training</i>					
144	Deakin University — support for the Warrnambool campus	-	7.0	7.0	-	-
144	Flexible Literacy in Remote Primary Schools Programme — extension	-	0.2	1.6	-	-
145	Industry Skills Fund — cessation	-	-6.6	-25.1	-41.0	-46.4
145	Inspiring all Australians in Digital Literacy and Science, Technology, Engineering and Maths Program — efficiencies	-	-0.3	-	-1.5	-
145	Interim Home Based Carer Subsidy Programme — efficiencies	-	-87.3	-83.2	-	-
146	Jobs and Growth in South Australia	-	4.0	8.0	8.0	4.0
146	Jobs and Growth in Tasmania — University of Tasmania	-	-	10.0	20.0	30.0
147	Learning for Life Program — funding support	-	5.7	10.1	13.8	18.4
147	Pathways in Technology Early College High School Pilot — expansion	-	0.6	1.7	1.6	0.6
147	Supporting Women and Girls in Science, Technology, Engineering and Mathematics	-	2.8	8.1	9.7	10.6
148	Teach for Australia — additional funding	-	2.9	6.1	7.1	2.1
148	VET Student Loans — establishment(c)	-	-27.3	-84.7	-126.5	-140.2
	<b>Portfolio total</b>	-	<b>-98.3</b>	<b>-140.3</b>	<b>-108.7</b>	<b>-120.8</b>
	<b>EMPLOYMENT</b>					
	<i>Department of Employment</i>					
106	Fair Entitlements Guarantee — recovery program — continuation and expansion(b)	-	27.4	40.3	40.5	40.6
146	Jobs and Growth in South Australia	-	0.5	0.3	-	-
182	Latrobe Valley Transition Package	-	-	-	-	-
150	Launch into Work pilot — establishment	-	0.3	3.3	3.3	3.3
195	Seasonal Work Incentives for Job Seekers — trial(c)	-	1.1	4.1	4.2	0.1
152	Wage Subsidy Pool — efficiencies	-	-62.9	-88.8	-88.6	-89.3
	Youth Employment Package					
152	– community awareness	-	0.9	6.1	5.9	7.1
153	– efficiencies	-	-1.8	11.2	-6.7	-8.5

**Table 2: Expense measures since the 2016 PEFO<sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>EMPLOYMENT (continued)</b>					
	<i>Fair Work Commission</i>					
151	Royal Commission into Trade Union Governance and Corruption — funding for investigations	-	4.3	5.1	4.4	2.2
	<i>Office of the Fair Work Ombudsman</i>					
150	Increased Protection for Vulnerable Workers	-	4.7	5.1	5.1	5.2
198	Working Holiday Makers — employer register and compliance	-	1.5	1.5	1.5	1.5
	<b>Portfolio total</b>	-	<b>-24.2</b>	<b>-11.7</b>	<b>-30.3</b>	<b>-37.7</b>
	<b>ENVIRONMENT AND ENERGY</b>					
	<i>Australian Renewable Energy Agency</i>					
190	Budget Savings (Omnibus) Bill — amendments	-	-	150.0	168.0	235.0
	<i>Bureau of Meteorology</i>					
130	Commonwealth Water Functions	-	-	25.3	25.1	25.2
	<i>Department of the Environment and Energy</i>					
130	Commonwealth Water Functions(c)	-	-	39.5	42.9	53.9
181	Community Infrastructure Projects — new announcements	-	0.1	0.1	0.1	-
154	Green Army Program — termination(c)	-	-9.3	-33.7	-58.8	-69.6
155	Invest in Our Great Barrier Reef	-	-1.3	-4.9	-0.1	-
156	Support Your Local Parks and Environment	-	4.0	10.4	6.5	2.6
	<i>Great Barrier Reef Marine Park Authority</i>					
181	Community Infrastructure Projects — new announcements	-	1.1	0.2	-	-
154	Green Army Program — termination(c)	-	0.7	3.3	12.4	14.0
155	Invest in Our Great Barrier Reef	-	1.2	4.7	0.1	-
	<b>Portfolio total</b>	-	<b>-3.6</b>	<b>194.8</b>	<b>196.3</b>	<b>261.2</b>
	<b>FINANCE</b>					
	<i>Australian Electoral Commission</i>					
158	Same-Sex Marriage Plebiscite — not proceeding	-	-154.0	-	-	-
	<i>Department of Finance</i>					
157	Asset Recycling Fund — not proceeding	-	-	-7.5	-9.6	-9.4
158	Australian Security and Investments Commission Registry — not proceeding	-	-0.6	-	-	-
129	Biosecurity Integrated Information System	-	-	-	-	-
167	Investing in Medicare — modernising health and aged care payments services	-	0.1	-	-	-

**Table 2: Expense measures since the 2016 PEFO<sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>FINANCE (continued)</b>					
193	National Disability Insurance Scheme — more flexible Commonwealth funding arrangements	-	..	..	..	..
158	Parliamentary Staff — additional support for crossbench, opposition, Greens and Government	-	8.5	9.1	9.1	9.1
159	Supporting Australia's Future Shipbuilding Capability — ASC Pty Ltd structural changes	-	3.2	0.3	-	-
159	Third Electorate Office for Large Electorates(c)	-	1.6	1.4	1.4	1.4
195	Welfare Payment Infrastructure Transformation — Tranche Two	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>-141.3</b>	<b>3.3</b>	<b>0.8</b>	<b>1.1</b>
	<b>FOREIGN AFFAIRS AND TRADE</b>					
	<i>Australian Trade and Investment Commission</i>					
161	Promoting Trade and Investment	-	1.0	3.2	3.2	3.2
	<i>Department of Foreign Affairs and Trade</i>					
160	Interim Kyiv Embassy — extension	-	-	-	-	-
161	Pacific Women Mentoring Program	-	-	-	-	-
161	Promoting Trade and Investment	-	1.2	1.9	1.7	1.1
162	Regional Health Security Partnership Fund — establishment	-	-	-	-	-
	<i>Export Finance and Insurance Corporation (National Interest component)</i>					
160	Loan to Arrium Group	-	nfp	nfp	nfp	nfp
	<i>Tourism Australia</i>					
198	Working Holiday Makers — employer register and compliance	-	2.5	5.0	2.5	-
	<b>Portfolio total</b>	-	<b>4.7</b>	<b>10.2</b>	<b>7.4</b>	<b>4.4</b>
	<b>HEALTH</b>					
	<i>Australian Sports Commission</i>					
174	Sporting Schools Program — extension(c)	-	-	39.0	19.5	-
	<i>Department of Health</i>					
163	Aged Care Provider Funding — addressing growth in residential aged care(c)	-	-15.5	-29.0	-14.9	25.6
164	Ban on Cosmetic Testing on Animals	-	-	-	-	-
190	Budget Savings (Omnibus) Bill — amendments	-	-2.4	-0.1	2.9	2.8
164	Changes to Bulk Billing Incentives for Diagnostic Imaging and Pathology Services — further consultation	-	215.8	-	-	-
181	Community Infrastructure Projects — new announcements	-	4.8	-	-	-

**Table 2: Expense measures since the 2016 PEFO<sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>HEALTH (continued)</b>					
164	Cure4MND Foundation — contribution	-	2.8	-	-	-
165	Develop Australia's Medical Research Capabilities — zero childhood cancer initiative	-	10.0	10.0	-	-
165	Digital Mental Health Gateway — development of a second pass business case	-	2.5	-	-	-
165	Elimination of Trachoma in Indigenous Communities — extension	-	-	-0.8	-0.7	-0.7
191	Extending Existing Freezes on Certain Family Payment Thresholds	-	-	-	-	-0.6
	Investing in Medicare					
166	– Magnetic Resonance Imaging licences for Frankston and Maroondah Hospitals	-	1.8	3.6	3.9	4.2
166	– Medicare Benefits Schedule — new and amended listings	-	..	1.9	2.6	1.8
167	– modernising health and aged care payments services	-	29.7	-	-	-
142	Management of Per- and Poly-Fluorinated Alkyl Substances at Defence bases(c)	-	3.8	8.2	1.6	0.4
167	McGrath Foundation Breast Care Nurses — continued funding	-	-	5.0	5.1	5.1
167	More Clinical Trials in Australia	-	-	-	-	-
193	National Disability Insurance Scheme — more flexible Commonwealth funding arrangements	-	0.1	-	-	-
	Pharmaceutical Benefits Scheme					
168	– new and amended listings	-	14.7	42.6	44.6	49.0
169	– price amendments	-	8.5	16.5	17.2	18.5
169	Prostheses List Benefit Reductions	-	-	-	-	-
170	Radiation Oncology Health Program Grants Scheme — efficiencies	-	-	-10.1	-8.0	-6.1
170	Rationalising and Streamlining Health Programs — discontinuation of stoma tendering pilot	-	6.0	6.3	6.7	6.7
171	Reform of the High Cost Claims Scheme and Review of the Indemnity Insurance Fund	-	-	-	-17.1	-19.0
171	Regulation of Medicinal Cannabis — charging arrangements	-	0.6	0.9	0.9	0.9
172	Remote Area Pharmaceutical Dispensing — additional remuneration	-	-	-	-	-
172	Revised Arrangements for Commonwealth Dental Funding	-	-80.6	-106.2	-103.3	-107.1
173	Royal Flying Doctor Dental Services — continued delivery	-	-	-	-	-

**Table 2: Expense measures since the 2016 PEFO<sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>HEALTH (continued)</b>					
173	Rural Health Commissioner and Pathway for Rural Professionals — establishment	-	0.6	1.3	1.3	1.3
174	Specialist Dementia Care Units — establishment(c)	-	-1.4	-1.3	-3.0	-0.5
175	Stoma Appliance Scheme — new and amended listings	-	-0.2	-0.9	-1.2	-1.7
175	Strengthening Mental Health Care in Australia	-	28.4	63.2	90.0	12.9
176	Support Australia's Surf Life Savers	-	2.5	2.5	2.5	2.5
176	Western Sydney Stadium	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>232.4</b>	<b>52.7</b>	<b>50.5</b>	<b>-4.0</b>
	<b>IMMIGRATION AND BORDER PROTECTION</b>					
	<i>Department of Immigration and Border Protection</i>					
177	Emerging International Airports — Canberra(c)	-	-	-	-	-
177	International Settlement Strategy — enhanced border protection measures and resettlement of refugees(c)	-	64.2	-	-	-
137	Redress Scheme Design	-	..	-	-	-
	<b>Portfolio total</b>	-	<b>64.2</b>	-	-	-
	<b>INDUSTRY, INNOVATION AND SCIENCE</b>					
	<i>Department of Industry, Innovation and Science</i>					
178	Incubator Support for Innovative New Businesses and Jobs — expansion	-	3.8	3.8	3.8	3.8
179	Onshore Gas Social and Economic Research Fund — establishment	-	1.0	1.0	1.0	1.0
	<i>Geoscience Australia</i>					
178	National Positioning Infrastructure Program — Satellite-Based Augmentation System (SBAS) test	-	3.0	7.9	1.1	-
	<b>Portfolio total</b>	-	<b>7.7</b>	<b>12.6</b>	<b>5.9</b>	<b>4.8</b>
	<b>INFRASTRUCTURE AND REGIONAL DEVELOPMENT</b>					
	<i>Australian Transport Safety Bureau</i>					
183	Malaysia Airlines Flight MH370 — additional contribution — extension	-	3.0	-	-	-
	<i>Department of Infrastructure and Regional Development</i>					
180	Building Better Regions Fund	-	-	110.1	159.1	28.6
181	Community Infrastructure Projects — new announcements	-	59.3	222.9	219.2	66.6
144	Deakin University — support for the Warrnambool campus	-	-7.0	-7.0	-	-
181	Flinders Link Rail Project	-	-	-	-	-

**Table 2: Expense measures since the 2016 PEFO<sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>INFRASTRUCTURE AND REGIONAL DEVELOPMENT (continued)</b>					
182	Infrastructure Investment Programme — new investments	-	-	-	-	-
182	Latrobe Valley Transition Package	-	-	-	-	-
178	National Positioning Infrastructure Program — Satellite-Based Augmentation System (SBAS) test	-	-	-	-	-
183	Redirection from Uncommitted Funds	-	-	-73.6	-137.4	-162.2
183	Regional Jobs and Investment Package	-	15.0	40.0	90.0	55.0
184	Revitalise Jobs and Growth in Townsville	-	-	-	-	-
109	Sunshine Coast Airport Concessional Loan(b)	-	-	-	nfp	nfp
185	Townsville Eastern Access Rail Corridor	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>70.3</b>	<b>292.3</b>	<b>330.9</b>	<b>-12.0</b>
	<b>PARLIAMENT</b>					
	<i>Department of Parliamentary Services</i>					
186	Australian Parliament House Parking	-	0.3	0.9	0.9	0.9
	<b>Portfolio total</b>	-	<b>0.3</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
	<b>PRIME MINISTER AND CABINET</b>					
	<i>Department of the Prime Minister and Cabinet</i>					
187	ASEAN-Australia Leaders' Summit Taskforce — establishment	-	18.4	-	-	-
187	Indigenous Business Sector Strategy	-	-	-	-	-
155	Invest in Our Great Barrier Reef	-	0.1	0.2	-	-
137	Redress Scheme Design	-	0.9	-	-	-
187	Smart Cities and Suburbs Program — establishment	-	-	25.0	25.0	-
188	Support for Traditional Land Owners to Control Their Land	-	-	-	-	-
188	Trusted Digital Identity — funding for second pass business case	-	-	-	-	-
	<i>Digital Transformation Agency</i>					
188	Trusted Digital Identity — funding for second pass business case	-	-	-	-	-
	<i>Office of the Commonwealth Ombudsman</i>					
148	VET Student Loans — establishment	-	0.9	2.4	2.4	2.1
	<b>Portfolio total</b>	-	<b>20.2</b>	<b>27.6</b>	<b>27.4</b>	<b>2.1</b>
	<b>SOCIAL SERVICES</b>					
	<i>Department of Human Services</i>					
163	Aged Care Provider Funding — addressing growth in residential aged care	-	1.6	0.2	0.1	0.1
189	Better Management of the Social Welfare System(c)	-	46.3	179.3	142.1	130.5

**Table 2: Expense measures since the 2016 PEFO<sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>SOCIAL SERVICES (continued)</b>					
190	Budget Savings (Omnibus) Bill — amendments	-	8.5	4.1	-2.0	-2.1
164	Changes to Bulk Billing Incentives for Diagnostic Imaging and Pathology Services — further consultation	-	-7.6	0.9	1.5	..
131	Dairy Industry Assistance Package	-	-	-	-	-
191	Extending Existing Freezes on Certain Family Payment Thresholds	-	0.6	..	-0.5	-1.0
154	Green Army Program — termination	-	0.4	1.9	2.6	1.7
192	Income Stream — automated reviews(c)	-	0.3	3.6	-1.5	-0.8
	Investing in Medicare					
166	– Magnetic Resonance Imaging licences for Frankston and Maroondah Hospitals	-	..	..	..	..
166	– Medicare Benefits Schedule — new and amended listings	-	0.3	0.4	0.1	0.1
167	– modernising health and aged care payments services	-	1.7	-	-	-
194	Pension Supplement — changes to the payment of the Pension Supplement for permanent departures overseas and temporary absences	-	2.2	0.2	0.1	0.1
168	Pharmaceutical Benefits Scheme — new and amended listings	-	0.9	0.4	0.5	0.6
170	Radiation Oncology Health Program Grants Scheme — efficiencies	-	0.5	0.1	-0.1	-0.1
171	Reform of the High Cost Claims Scheme and Review of the Indemnity Insurance Fund	-	-	0.2	..	-
194	Regional and Remote Student Access to Education — additional support	-	1.0	2.0	1.2	1.3
172	Revised Arrangements for Commonwealth Dental Funding(c)	-	6.3	10.4	10.5	10.8
195	Seasonal Work Incentives for Job Seekers — trial	-	1.0	1.5	1.5	0.2
174	Specialist Dementia Care Units — establishment(c)	-	2.0	0.3	0.2	0.2
195	Welfare Payment Infrastructure Transformation — Tranche Two(c)	-	-	-	-	-
	<i>Department of Social Services</i>					
189	Better Management of the Social Welfare System	-	-	-1,732.4	-1,472.0	-1,143.3
190	Budget Savings (Omnibus) Bill — amendments	-	-433.2	-318.6	-99.7	-95.2
190	Children and Parenting Support Services — continuation	-	-	10.0	-	-

**Table 2: Expense measures since the 2016 PEFO<sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>SOCIAL SERVICES (continued)</b>					
181	Community Infrastructure Projects — new announcements	-	2.5	-	-	-
191	Digital Literacy for Older Australians	-	0.6	24.8	2.5	2.5
191	Disability Employment Services — increasing employment projects	-	-	-	-	-
191	Extending Existing Freezes on Certain Family Payment Thresholds	-	-	-19.9	-47.1	-99.1
192	Forced Adoption Support Services — continuation	-	-	1.4	1.4	1.4
154	Green Army Program — termination	-	2.3	10.1	14.1	14.4
192	Income Stream — automated reviews	-	-	-5.3	-17.9	-18.3
193	National Disability Insurance Scheme — more flexible Commonwealth funding arrangements	-	2.3	-	-	-
193	National Partnership Agreement on Homelessness — extension	-	-	-	-	-
194	Pension Supplement — changes to the payment of the Pension Supplement for permanent departures overseas and temporary absences	-	-	-41.0	-42.0	-43.1
194	Regional and Remote Student Access to Education — additional support	-	1.6	15.4	31.8	39.0
137	Royal Commission into the Protection and Detention of Children in the Northern Territory	-	2.3	0.8	-	-
195	Seasonal Work Incentives for Job Seekers — trial	-	-	6.2	6.6	-
	<i>National Disability Insurance Agency</i>					
193	National Disability Insurance Scheme — more flexible Commonwealth funding arrangements	-	-6.0	-	-	-
	<b>Portfolio total</b>	-	<b>-361.5</b>	<b>-1,843.1</b>	<b>-1,465.7</b>	<b>-1,200.1</b>
	<b>TREASURY</b>					
	<i>Australian Competition and Consumer Commission</i>					
103	Regional Broadband Scheme(b)	-	0.2	-	-	-
151	Royal Commission into Trade Union Governance and Corruption — funding for investigations	-	0.8	1.2	-	-
	<i>Australian Office of Financial Management</i>					
157	Asset Recycling Fund — not proceeding	-	-	-199.2	-254.0	-248.0
	<i>Australian Securities and Investments Commission</i>					
158	Australian Security and Investments Commission Registry — not proceeding	-	-3.9	-	-	-



**Table 2: Expense measures since the 2016 PEFO<sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>TREASURY (continued)</b>					
	<i>Australian Taxation Office</i>					
143	Operation Highroad — extension	-	-	-	-	-
110	Personal income tax — new treatment of fringe benefits for tax offset purposes(b)	-	-	-0.5	-0.5	-0.5
111	Research and Development Tax Incentive — rate reduction start date(b)	-	140.0	-	-	-
197	SuperStream Program — Gateway Network Governance Body	-	-	-	0.6	0.7
113	Tax integrity — improve the transparency of taxation debts(b)	-	1.4	0.1	0.1	-
198	Transfer of Campaign Funding — Australian Taxation Office	-	-	-8.0	-0.1	-
198	Working Holiday Makers — employer register and compliance	-	2.0	2.0	-	-
	<i>Department of the Treasury</i>					
196	Affordable Housing Implementation Taskforce — establishment	-	nfp	-	-	-
196	Australian Housing and Urban Research Institute — extension of funding and transfer of policy responsibility	-	-	1.4	-	-
196	Black Economy Taskforce — establishment	-	1.1	0.5	-	-
181	Community Infrastructure Projects — new announcements	-	-1.8	-5.0	-5.0	-
135	Disaster Relief — storms in New South Wales and Tasmania	-	-	10.6	-	-
165	Elimination of Trachoma in Indigenous Communities — extension	-	-	0.8	0.7	0.7
181	Flinders Link Rail Project	-	-	-	-	-
182	Infrastructure Investment Programme — new investments	-	42.0	202.6	334.7	233.8
197	International Blockchain Standards — development	-	0.2	0.1	0.1	0.1
167	More Clinical Trials in Australia	-	-	2.5	1.5	1.5
193	National Partnership Agreement on Homelessness — extension	-	-	115.0	-	-
178	National Positioning Infrastructure Program — Satellite-Based Augmentation System (SBAS) test	-	-	-	-	-
197	Professional Standards for Financial Advisers	-	2.3	4.0	4.2	4.5
183	Redirection from Uncommitted Funds	-	-864.0	-627.8	-321.6	-25.3
172	Revised Arrangements for Commonwealth Dental Funding	-	104.5	107.8	107.8	-
184	Revitalise Jobs and Growth in Townsville	-	10.0	50.0	35.0	5.0
113	Tax integrity — improve the transparency of taxation debts(b)	-	-	15.0	5.0	5.0
185	Townsville Eastern Access Rail Corridor	-	3.0	40.0	80.0	27.0
	<b>Portfolio total</b>	-	<b>-562.2</b>	<b>-286.9</b>	<b>-11.6</b>	<b>4.4</b>

**Table 2: Expense measures since the 2016 PEFO<sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>VETERANS' AFFAIRS</b>					
	<i>Australian War Memorial</i>					
140	Public Service Modernisation Fund — National Library of Australia and Australian War Memorial	-	-	-	-	-
	<i>Department of Veterans' Affairs</i>					
163	Aged Care Provider Funding — addressing growth in residential aged care	-	-2.2	-2.1	-0.5	3.1
	Investing in Medicare					
166	– Magnetic Resonance Imaging licences for Frankston and Maroondah Hospitals	-	..	..	..	..
166	– Medicare Benefits Schedule — new and amended listings	-	..	..	..	..
194	Pension Supplement — changes to the payment of the Pension Supplement for permanent departures overseas and temporary absences(c)	-	..	-0.2	-0.2	-0.2
	Pharmaceutical Benefits Scheme					
168	– new and amended listings	-	-3.7	-3.2	-3.0	-2.5
169	– price amendments	-	0.4	0.7	0.7	0.7
199	Repatriation Pharmaceutical Benefits Scheme — new listings and price amendments	-	-	-	-	-
174	Specialist Dementia Care Units — establishment(c)	-	0.1	-0.1	-0.5	-1.0
199	Support for Veterans and Their Families	-	1.9	4.5	4.4	3.3
	<b>Portfolio total</b>	-	<b>-3.4</b>	<b>-0.3</b>	<b>1.0</b>	<b>3.5</b>
	<b>Decisions taken but not yet announced</b>	-	<b>-204.6</b>	<b>38.3</b>	<b>-177.8</b>	<b>-56.2</b>
	<b>Depreciation expense</b>	-	<b>..</b>	<b>9.6</b>	<b>24.1</b>	<b>25.3</b>
	<b>Total impact of expense measures(d)</b>	-	<b>-927.3</b>	<b>-1,138.4</b>	<b>-367.0</b>	<b>-269.8</b>

\* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

(a) A minus sign before an estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(b) These measures can also be found in the revenue measures summary table.

(c) These measures can also be found in the capital measures summary table.

(d) Measures may not add due to rounding.

## AGRICULTURE AND WATER RESOURCES

### Beef Week and the Beef Australia Expo — additional funding

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Agriculture and Water Resources	-	0.9	2.4	0.6	0.3

The Government will provide \$4.0 million over four years from 2016-17 to support the delivery of the Casino Beef Week event in Casino, New South Wales and the 2018 Beef Australia Expo in Rockhampton, Queensland.

This measure delivers on the Government's election commitment.

### Biosecurity Integrated Information System

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Agriculture and Water Resources	-	-	-	-	-
Department of Finance	-	-	-	-	-
Total — Expense	-	-	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Agriculture and Water Resources</i>	-	-	-	-	-

The Government will provide \$30.9 million over four years from 2016-17 to develop a Biosecurity Integrated Information System (BIIS). The BIIS will improve the collection, collation, storage and analysis of information to support biosecurity activities, incursion responses and inform decision making.

The BIIS will replace legacy IT systems that no longer support the regulatory and policy functions of the Department of Agriculture and Water Resources.

Funding for this measure has already been provided for by the Government.

Further information can be found in the press release of 19 September 2016 issued by the Minister for Agriculture and Water Resources.

### Carbon Farming Futures — efficiencies

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Agriculture and Water Resources	-	-1.5	-	-	-

The Government will achieve efficiencies of \$1.5 million in 2016-17 from the *Carbon Farming Futures* program. The Government will continue to provide \$11.1 million in 2016-17 to the program to support research into new technologies and practices for land managers to reduce emissions and store carbon.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

### Commonwealth Water Functions

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Environment and Energy	-	-	39.5	42.9	53.9
Murray-Darling Basin Authority	-	-	33.7	33.7	33.8
Bureau of Meteorology	-	-	25.3	25.1	25.2
Department of Agriculture and Water Resources	-	-	23.4	22.7	22.5
Total — Expense	-	-	122.0	124.5	135.3
<i>Related capital (\$m)</i>					
<i>Bureau of Meteorology</i>	-	-	6.5	6.8	3.0

The Government will provide \$398.0 million over three years to 2019-20 to secure funding for Commonwealth water functions.

This package includes:

- ongoing funding from 2017-18, including \$136.3 million over three years to 2019-20, for the operations of the Commonwealth Environmental Water Office, to support the management of the Commonwealth’s environmental water holdings;
- ongoing funding from 2017-18, including \$91.8 million over three years to 2019-20, to extend the Bureau of Meteorology *Water Information Program* to provide essential information and services for farmers, irrigators, water supply agencies and policy makers to support national decision making on water security;
- ongoing funding from 2017-18, including \$38.6 million over three years to 2019-20, to fund the Australian Government’s contribution to the Murray-Darling Basin Agreement;

- ongoing funding from 2017-18, including \$101.2 million over three years to 2019-20, for the Commonwealth contribution to the Murray-Darling Basin Authority – Basin Plan Functions to ensure Basin water resources are managed in an efficient, integrated and sustainable way; and
- \$69.6 million over seven years from 2017-18, including \$30.0 million over three years to 2019-20, to fund the water policy functions of the Department of Agriculture and Water Resources to continue water reform and implementation of the National Water Initiative, the Murray-Darling Basin Plan and responsibilities under the *Water Act 2007*.

### Dairy Industry Assistance Package

Expense (\$m)

	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Agriculture and Water Resources	-	0.4	0.6	0.5	0.5
Department of Human Services	-	-	-	-	-
<b>Total — Expense</b>	-	0.4	0.6	0.5	0.5
<i>Related capital (\$m)</i>					
Department of Agriculture and Water Resources	-	-	-	-	-

The Government will provide \$58.1 million over four years from 2016-17 to support dairy farmers affected by retrospective price decreases for raw milk.

This package includes:

- \$55.0 million in available concessional loans to assist eligible dairy farmers who supply milk to Murray Goulburn or Fonterra and have incurred a debt directly caused by a decision to retrospectively reduce the price paid to the farm businesses for milk. The maximum loan amount for individual recipients is 50 per cent of existing commercial debt up to a value of \$1.0 million;
- \$2.0 million over four years from 2016-17 to develop a Commodity Milk Price Index to provide greater transparency on domestic and global dairy prices to support dairy farmers;
- \$0.9 million in 2016-17 to Dairy Australia to contribute additional funding for the *Tactics for Tight Times* program. The program supports dairy farmers to manage current market and seasonal conditions and prepare for the challenges of the future. This will allow Dairy Australia to provide the program to an additional 900 farmers; and

- \$0.2 million to appoint a Dairy Industry Liaison Officer (DILO) to ensure a coordinated approach to assistance for the dairy industry. The DILO will work in the worst affected dairy areas as a central point for communicating Government assistance measures and build awareness of the support available.

This measure delivers on the Government’s election commitment.

Further information can be found in the joint press release of 25 May 2016 by the Minister for Agriculture and Water Resources and the Minister for Human Services.

### **Leadership in Agriculture Industries Fund — establishment**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Agriculture and Water Resources	-	2.0	2.0	1.0	-

The Government will provide \$5.0 million over three years from 2016-17 to establish a *Leadership in Agricultural Industries Fund*. The Fund will support efforts to develop the leadership capability of farmers and the capacity of organisations that represent the interests of farmers, to lead the industry through transitional and structural adjustments.

This measure delivers on the Government’s election commitment.

### **National Institute for Forest Products Innovation — establishment**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Agriculture and Water Resources	-	0.2	1.0	1.0	1.0

The Government will provide \$4.0 million over five years from 2016-17 (including \$0.8 million in 2020-21) to support the establishment of the National Institute of Forest Products Innovation (the Institute), with two research hubs operating through a dispersed network model. One hub will be in Launceston, based at the University of Tasmania, and the second hub will be in Mount Gambier, South Australia.

The Institute will investigate innovation in areas such as forest management, timber processing, wood fibre recovery, advanced manufacturing and the bio-economy. This will help to boost opportunities for jobs and growth in the forest products industry into the future.

This measure delivers on the Government’s election commitment.

### Northern Australia Rice Industry

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Agriculture and Water Resources	-	1.0	1.0	1.0	1.0

The Government will provide \$4.0 million over four years from 2016-17 to the Rural Industries Research and Development Corporation for the establishment of a northern Australia rice research and development program to increase productivity and competitiveness of the northern Australia rice industry, and meet the growing export demand from Asian markets.

This measure delivers on the Government's election commitment.

### Relocation of the Australian Pesticides and Veterinary Medicines Authority

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Pesticides and Veterinary Medicines Authority	-	1.7	4.4	14.1	2.5
<i>Related capital (\$m)</i>					
<i>Australian Pesticides and Veterinary Medicines Authority</i>	-	0.1	-	-	-

The Government will provide \$25.6 million over six years from 2016-17 (including \$2.6 million in 2020-21 and \$0.3 million in 2021-22) to relocate the Australian Pesticides and Veterinary Medicines Authority (APVMA) to Armidale, New South Wales.

This measure will support the establishment of a Centre of Agricultural Excellence at the University of New England (UNE), with the APVMA partnering with UNE and other specialist agriculture research centres to become an agriculture research hub.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 18 October 2016 issued by the Minister for Agriculture and Water Resources.

**Rural Research and Development for Profit Program — efficiencies**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Agriculture and Water Resources	-	-1.4	-5.6	-1.5	-1.5

The Government will achieve efficiencies of \$10.0 million over four years from 2016-17 by reducing funding for the *Rural Research and Development for Profit* program. Funding of \$104.0 million will remain in the program to support a range of rural research and development projects.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.



## ATTORNEY-GENERAL'S

### Disaster Relief — storms in New South Wales and Tasmania

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Treasury	-	-	10.6	-	-
Attorney-General's Department	-	-	-	-	-
<b>Total — Expense</b>	-	-	10.6	-	-

The Government will provide \$10.6 million in 2017-18 to the New South Wales (NSW) and Tasmanian Governments under Category D (exceptional circumstances assistance) of the Natural Disaster Relief and Recovery Arrangements in relation to the NSW east coast storms of April 2015 and the Tasmanian storms and floods of June 2016. The funds are provided under a 50:50 cost sharing arrangement with the States.

Further information can be found in the joint press release of 27 September 2016 issued by the Minister for Justice and the NSW Deputy Premier, and in the joint press release of 4 December 2016 issued by the Treasurer of Tasmania and Senator Jonathon Duniham, Senator for Tasmania.

### Enhanced Protective Security Arrangements — law enforcement agencies — further funding

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Federal Police	-	6.9	8.3	4.9	4.9
<i>Related capital (\$m)</i>					
<i>Australian Federal Police</i>	-	7.0	19.9	-	-

The Government will provide \$62.3 million over five years from 2016-17 (including \$4.9 million in 2020-21, and \$35.8 million in capital funding) to the Australian Federal Police (AFP) to enhance its technical security capabilities. Funding will provide for advanced closed circuit television systems, personal issue communication devices and for enterprise data management.

The cost of this measure will be partially offset from within the AFP's existing resources.

This measure builds on the 2016-17 Budget measure titled *Enhanced Protective Security Arrangements – law enforcement agencies*.

### Keeping Illegal Guns off our Streets and our Communities Safe

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Federal Police	-	5.4	25.0	24.6	2.5
Australian Crime Commission	-	-	1.8	1.8	-
Total — Expense	-	5.4	26.8	26.4	2.5
<i>Related capital (\$m)</i>					
Australian Federal Police	-	2.5	0.7	-	-
Australian Crime Commission	-	-	-	-	-
Total — Capital	-	2.5	0.7	-	-

The Government will provide \$64.4 million over four years from 2016-17 to 2019-20 (including \$3.2 million in capital funding) to the Australian Federal Police (AFP) and the Australian Criminal Intelligence Commission (ACIC) to enhance the tracking and detection of illegal firearms on our streets and the importation of illegal firearms into Australia. This includes:

- \$38.9 million to extend the National Anti-Gangs Squad and ACIC’s Australian Gangs Intelligence Coordination Centre for a further two years (2017-18 and 2018-19); and
- \$25.4 million over four years to enhance the AFP’s capability to target illicit gun crime through increased covert online activities and by expanding the National Forensics Rapid Lab capability to include firearms.

This measure builds on the 2013-14 Budget measure titled *Addressing gang violence and organised crime – National Anti-Gang Taskforce, Gang Intelligence Centre and Criminal Assets Confiscation Taskforce*, and delivers on the Government’s election commitment.

### Protecting the Rights of Older Australians

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Attorney-General’s Department	-	1.0	7.5	6.5	-

The Government will provide \$15.0 million over three years from 2016-17 to protect the rights of older Australians from all forms of abuse. This includes funding for a study into the prevalence of elder abuse, a national awareness campaign to educate and improve attitudes toward older Australians, developing and implementing a national elder abuse hotline, and developing and implementing a pilot training program for frontline staff.

This measure delivers on the Government’s election commitment.

### Redress Scheme Design

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Prime Minister and Cabinet	-	0.9	-	-	-
Department of Immigration and Border Protection	-	..	-	-	-
Attorney-General's Department	-	-0.1	-	-	-
Department of Defence	-	-0.8	-	-	-
Total — Expense	-	-	-	-	-

The Government will provide \$0.9 million in 2016-17 for the design of the Commonwealth redress scheme for survivors of child sexual abuse in Commonwealth institutional settings. This is in response to the Royal Commission's *Redress and Civil Litigation Report*. The Commonwealth will also engage with states, territories and other non-government institutions to work toward maximising national consistency of redress arrangements.

This measure will be offset by redirecting funds from the Attorney-General's Department, the Department of Defence and the Department of Immigration and Border Protection.

Further information can be found in the joint press release of 4 November 2016 issued by the Attorney-General and the Minister for Social Services.

### Royal Commission into the Protection and Detention of Children in the Northern Territory

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Attorney-General's Department	-	53.7	0.4	-	-
Department of Social Services	-	2.3	0.8	-	-
Total — Expense	-	55.9	1.2	-	-

The Government will provide \$57.1 million over two years from 2016-17 for a Royal Commission into the Protection and Detention of Children in the Northern Territory. The Royal Commission will inquire into the treatment of children and young persons detained in youth detention facilities administered by the Northern Territory (NT) Government. A proportion of the costs of the Royal Commission are expected to be recovered from the NT Government.

Further information can be found in the joint press release of 28 July 2016 issued by the Prime Minister and the Attorney-General.

**Safer Communities Fund**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Attorney-General's Department	-	9.8	10.7	14.5	5.0
<i>Related revenue (\$m)</i>					
Attorney-General's Department	-	11.1	-	-	-

The Government will provide \$40.0 million over four years from 2016-17 to boost the efforts of identified local councils and community organisations to address crime and anti-social behaviour by funding crime prevention initiatives (such as fixed and mobile CCTV and lighting) and protecting pre-schools, schools, and community organisations that are facing security risks associated with racial or religious intolerance.

This measure delivers on the Government's election commitment.

## COMMUNICATIONS AND THE ARTS

### Department of Communications and the Arts — settlement costs

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Communications and the Arts	-	nfp	-	-	-

The Government will provide funding to the Department of Communications and the Arts in 2016-17 for settlement costs in relation to a matter in the New South Wales Supreme Court, *Opel Networks Pty Ltd (in liquidation) and Optus Networks Pty Ltd v Commonwealth of Australia*. The legal action relates to termination of the funding agreement with Opel Network Pty Ltd under the Broadband Connect Infrastructure program.

The funding for this measure is not for publication (nfp) due to legal sensitivities.

### Funding for a Major Film Project — Aquaman

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Communications and the Arts	-	-	-	22.1	-

The Government will provide \$22.1 million in 2018-19 to Warner Bros. Pictures to secure the filming of *Aquaman* on the Gold Coast in 2017.

This measure will ensure Australia takes advantage of foreign investment associated with the filming of a large budget film in Australia, which will promote economic growth, jobs and further innovation. It is anticipated that 1,150 jobs for Australian cast and crew would be created, with additional benefits for Australian businesses.

Further information can be found in the joint press release of 15 December 2016 issued by the Treasurer and the Minister for the Arts.

### Mobile Black Spot Programme — round three

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Communications and the Arts	-	-	20.0	20.0	20.0

The Government will provide \$60.0 million over three years from 2017-18 for round three of the *Mobile Black Spot Programme*, which improves mobile phone coverage and competition in outer metropolitan, regional and remote Australia.

This funding will be provided to target priority black spot locations that have not previously received funding under the Programme and locations that mobile network providers do not currently service due to commercial reasons.

This measure builds on the 2015-16 MYEFO measure titled *Mobile Black Spot Programme – round 2*.

This measure delivers on the Government’s election commitment.

### **Protecting, Preserving and Celebrating Indigenous Languages**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Communications and the Arts	-	1.0	3.0	3.0	3.0

The Government will provide \$10.0 million over four years from 2016-17 to protect, preserve and celebrate Aboriginal and Torres Strait languages through a range of initiatives, including the use of digital technology and crowdsourcing style websites for sharing records. This measure is part of the Government’s commitment to closing the gap between Indigenous and non-Indigenous Australians, and will be funded through the existing *Indigenous Languages and Arts Program*.

This measure delivers on the Government’s election commitment.

Further information can be found in the joint press release of 26 June 2016 issued by the Prime Minister and the Minister for Indigenous Affairs.

### **Public Service Modernisation Fund — National Library of Australia and Australian War Memorial**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
National Library of Australia	-	-	-	-	-
Australian War Memorial	-	-	-	-	-
Total — Expense	-	-	-	-	-

The Government will provide \$20.4 million over five years from the Public Service Modernisation Fund — Agency Sustainability Stream to support innovation, productivity improvements and efficiency in the National Library of Australia (NLA) and the Australian War Memorial (AWM).

This measure includes \$16.4 million over four years from 2016-17 to the NLA for digitisation of material and upgrade of critical infrastructure for its Trove digital information resource and to upgrade other critical infrastructure; and \$4.0 million over four years from 2017-18 (including \$1.0 million in 2020-21) to ensure that the AWM can continue to deliver its core activities under the *Australian War Memorial Act 1980*.

Provision for this funding has already been included in the forward estimates as part of the 2016-17 Budget measure titled *Public Sector Transformation and the Efficiency Dividend*.

### Wi-Fi and Mobile Coverage on Central Coast Trains

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Communications and the Arts	-	-	5.0	5.0	-

The Government will provide \$12.0 million over two years from 2017-18 to improve the coverage of high-quality mobile voice and data services along the rail corridor between Hornsby and Wyong, and to provide Wi-Fi connectivity at 19 train stations along this route.

The cost of this measure will be partially met from the existing resources in the *Mobile Black Spot Programme*, which will provide \$2.0 million in 2018-19.

This measure delivers on the Government's election commitment.

Further information can be found in the joint press release of 24 June 2016 issued by the Prime Minister and the Minister for Communications, the New South Wales Minister for Transport and Infrastructure, the Member for Dobell, and the Member for Robertson.

## DEFENCE

### Australia's Contribution to the Sustainment of Afghan National Security Forces — continuation

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Defence	-	-	-	-	-

The Government will provide US\$300.0 million over three years from 2017-18 to continue Australia's contribution to the sustainment of Afghan National Security Forces to 2020. The cost of this measure will comprise US\$80.0 million per annum for the Afghan National Army, to be met from within the existing resources of the Department of Defence, and US\$20.0 million per annum for the Afghan National Police, which will be met from within existing *Official Development Assistance* funding.

This measure extends the 2012-13 MYEFO measure titled *Australia's Contribution to the Sustainment of the Afghan National Security Forces*.

### Management of Per- and Poly-Fluorinated Alkyl Substances at Defence bases

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	3.8	8.2	1.6	0.4
Department of Defence	-	-3.8	-8.2	-1.6	-0.4
Total — Expense	-	-	-	-	-
<i>Related capital (\$m)</i>					
Department of Defence	-	-	-	-	-
Department of Health	-	-	-	-	-
Total — Capital	-	-	-	-	-

The Government will provide \$18.0 million over four years from 2016-17 to manage per- and poly-fluorinated alkyl substance contamination at RAAF Base Williamtown and Army Aviation Centre Oakey.

Funding will be used for a package of initiatives, including human health-related measures and the connection of properties to reticulated water.

An additional \$37.0 million has also been provisioned for managing, containing and remediating contamination and any other associated matters at Defence bases, including RAAF Base Williamtown and Army Aviation Centre Oakey.

The cost of this measure will be met from within the existing resources of the Department of Defence.

This measure delivers on the Government's election commitment.

Further information can be found in the joint press release of 14 June 2016 issued by the Minister for Defence and the former Assistant Minister for Defence.



### Operation Highroad — extension

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Defence	-	-	-	-	-
Australian Taxation Office	-	-	-	-	-
Total — Expense	-	-	-	-	-
<i>Related revenue (\$m)</i>					
<i>Department of Defence</i>	-	-	-	-	-
<i>Australian Taxation Office</i>	-	-	-	-	-
<i>Total — Revenue</i>	-	-	-	-	-

The Government will provide \$39.2 million over three years from 2016-17 for the net additional cost (including remediation costs) to extend *Operation Highroad* from 1 January 2017 to 30 June 2017. The net additional cost takes into account the recovery of \$0.1 million from other Coalition forces for logistic support provided by the Australian Defence Force (ADF), which will be put toward the cost of the operation.

*Operation Highroad* is the ADF contribution to train, advise and assist the *Resolute Support* mission in Afghanistan, led by the North Atlantic Treaty Organisation.

This measure is also expected to lead to a reduction in revenue of \$4.0 million over two years from 2016-17 as a result of the tax treatment of the income and benefits received by ADF personnel deployed overseas.

Funding for this measure has already been provided for by the Government.

### Operation OKRA — expansion

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Defence	-	-	-	-	-

The Government has expanded the scope of the Australian Defence Force's *Building Partner Capacity* mission in Iraq, to include training of Iraqi law enforcement agencies. The *Building Partner Capacity* mission forms part of *Operation OKRA*, which is Australia's contribution to the international coalition against Daesh, or ISIL, in Iraq.

The cost of this measure will be met from within the \$363.0 million provided in the 2016-17 Budget measure titled *Operation OKRA*, under established arrangements for funding major Defence operations.

## EDUCATION AND TRAINING

### Deakin University — support for the Warrnambool campus

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Education and Training	-	7.0	7.0	-	-
Department of Infrastructure and Regional Development	-	-7.0	-7.0	-	-
Total — Expense	-	-	-	-	-

The Government will provide \$14.0 million over two years from 2016-17 to support Deakin University’s plan for a renewed, regionally focused and sustainable Warrnambool campus to continue to provide higher education pathways for students in the region.

The cost of this measure will be offset by redirecting funding from the *Community Development Grants Programme* in the Infrastructure and Regional Development portfolio.

### Flexible Literacy in Remote Primary Schools Programme — extension

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Education and Training	-	0.2	1.6	-	-

The Government will provide an additional \$1.8 million over two years from 2016-17 to extend the *Flexible Literacy in Remote Primary Schools Programme* (the Programme) by six months from 30 June 2017 to 31 December 2017, to align with the school year.

The Programme aims to improve reading and writing outcomes for students in remote primary schools through a trial of flexible teaching methods, including direct, explicit and systematic teaching of phonics.

**Industry Skills Fund — cessation**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Education and Training	-	-6.6	-25.1	-41.0	-46.4

The Government will achieve savings of \$119.1 million over four years from 2016-17 by ceasing the Industry Skills Fund. Approved grants under the program will be honoured and managed until they are acquitted. New grant applications received by 31 December 2016 will be considered. Support is still available to help businesses develop and meet Australia’s future economic and workforce needs through the *Australian Apprenticeships Incentives Programme*, and subsidies through the state and territory governments.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

**Inspiring all Australians in Digital Literacy and Science, Technology, Engineering and Maths Program — efficiencies**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Education and Training	-	-0.3	-	-1.5	-

The Government will achieve savings of \$1.8 million over three years from 2016-17 by returning uncommitted funding for the *Inspiring all Australians in Digital Literacy and Science, Technology, Engineering and Maths* program (the program) to the Budget. Projects currently funded under the program will continue until their completion.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

**Interim Home Based Carer Subsidy Programme — efficiencies**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Education and Training	-	-87.3	-83.2	-	-

The Government will achieve efficiencies of \$170.4 million over two years from 2016-17 by reducing the number of places in the *Interim Home Based Carer Subsidy Programme* (Nannies Pilot) from 3,000 to 500. This recognises that take-up of the program has been much lower than anticipated. The Nannies Pilot will be closed to new applicants from 1 January 2017. Families already participating in the Nannies Pilot would continue to receive subsidised care until the pilot program terminates on 30 June 2018.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

### Jobs and Growth in South Australia

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Education and Training	-	4.0	8.0	8.0	4.0
Department of Employment	-	0.5	0.3	-	-
Total — Expense	-	4.5	8.3	8.0	4.0

The Government will provide \$24.8 million over four years from 2016-17 to establish Enterprise Scholarships and a pilot jobs program to assist students and unemployed young people in South Australia.

From 2017 at least 1,200 Enterprise Scholarships of up to \$20,000 each will be available for higher education and training places across areas of skills shortages and economic priority (such as naval shipbuilding, advanced manufacturing and medical research). To link study to employment outcomes, scholarships will include up to \$3,000 for a four-week paid internship placement. Funding will also be provided for the establishment of a pilot jobs program to support young unemployed job seekers in South Australia, with access to post-placement support and mentoring during the first 14 months of employment.

This measure delivers on the Government’s election commitment.

### Jobs and Growth in Tasmania — University of Tasmania

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Education and Training	-	-	10.0	20.0	30.0

The Government will provide a total of \$150.0 million from 2017-18 to relocate and expand the University of Tasmania’s campuses in Launceston and Burnie. The funding will support jobs and increase higher education accessibility, participation and attainment.

This measure delivers on the Government’s election commitment.

**Learning for Life Program — funding support**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Education and Training	-	5.7	10.1	13.8	18.4

The Government will provide \$48.0 million over four years from 2016-17 to The Smith Family’s Learning for Life program (the program). This will support a further 24,000 disadvantaged students, in addition to the 34,000 disadvantaged students already supported by the program. The program assists disadvantaged students with the cost of education and provides additional support to encourage them to stay at school, complete Year 12 (or its equivalent) and successfully transition from school to work or to further education and training.

This measure delivers on the Government’s election commitment.

**Pathways in Technology Early College High School Pilot — expansion**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Education and Training	-	0.6	1.7	1.6	0.6

The Government will provide \$4.6 million over five years from 2016-17 to expand the Pathways in Technology Early College High School (P-TECH pilot) from two sites to 14 sites across Australia. Each of the 12 new sites will be provided with establishment funding of up to \$350,000. The P-TECH pilot facilitates long-term partnerships between industry, schools and tertiary education providers to enable businesses to play an active role in the learning and career development of students.

This measure delivers on the Government’s election commitment.

**Supporting Women and Girls in Science, Technology, Engineering and Mathematics**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Education and Training	-	2.8	8.1	9.7	10.6

The Government will provide \$31.2 million over four years from 2016-17 to support increased participation of women and girls in studying and working in Science, Technology, Engineering and Mathematics (STEM). Funding of \$28.2 million will be provided over four years from 2016-17 to expand the Australian Mathematical Sciences Institute internship program to support an additional 1,400 internships for PhD researchers in STEM related topics, with a particular focus on women researchers.

Funding will also be provided to establish a new *National Career Education Strategy* to equip high school students to make better informed decisions about post-school education, training or work, with a particular focus on supporting girls to study STEM subjects.

This measure delivers on the Government's election commitment.

### Teach for Australia — additional funding

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Education and Training	-	2.9	6.1	7.1	2.1

The Government will provide an additional \$20.5 million over five years from 2016-17 to Teach for Australia (TFA) to deliver two additional cohorts (cohorts nine and ten) of the TFA program by placing up to 315 associates in Australian secondary schools between 2018 and 2021.

The TFA program aims to fast-track high-calibre non-teaching graduates into disadvantaged secondary schools, including in regional areas, through providing an employment-based pathway into teaching.

This measure extends the 2013 Pre-election Economic Fiscal Outlook measure titled *Teach for Australia Grants – Initiatives Supporting Innovation in Teacher Education*.

### VET Student Loans — establishment

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Office of the Commonwealth Ombudsman	-	0.9	2.4	2.4	2.1
Department of Education and Training	-	-27.3	-84.7	-126.5	-140.2
<b>Total — Expense</b>	<b>-</b>	<b>-26.4</b>	<b>-82.2</b>	<b>-124.1</b>	<b>-138.0</b>
<i>Related revenue (\$m)</i>					
Department of Education and Training	-	-116.6	-127.8	-50.2	-120.0
<i>Related capital (\$m)</i>					
Department of Education and Training	-	0.6	-	-	-

The Government has established a new VET Student Loans program to replace the current VET-FEE-HELP scheme from 1 January 2017 to ensure that vocational education and training loans are student-focused and appropriately targeted to industry needs. This is estimated to cost \$44.4 million over four years in fiscal balance terms and \$66.9 million over four years in underlying cash terms.

The VET Student Loans program will include strengthened legislative and compliance arrangements, tougher provider entry standards, the introduction of course loan caps and implementation of student reporting requirements to verify active engagement and legitimate enrolment. Students currently accessing VET-FEE-HELP loans with a census date before 31 December 2016 can opt-in to continue their studies.

This measure will also establish a VET Student Loans Ombudsman within the Office of the Commonwealth Ombudsman to manage and investigate complaints and monitor the behaviour and compliance of registered training organisations.

This measure includes \$45.9 million (including \$0.6 million in capital funding) over four years for the Department of Education and Training and \$7.8 million over four years for the Office of the Commonwealth Ombudsman to support the implementation and delivery of the VET Student Loans program.

The VET Student Loans program will constrain the unsustainable growth in loans experienced under the VET-FEE-HELP loan scheme by introducing tougher barriers to entry for providers, introducing loan caps on courses and having stronger course eligibility criteria. The program will reduce the total outstanding HELP debt by an estimated \$7 billion over the forward estimates and \$25 billion over 10 years. There will be a corresponding reduction in Public Debt Interest payments which are not incorporated into the financial impact of the measure as this balance sheet impact is not the primary objective of these reforms.

Further information can be found in the press release of 5 October 2016 issued by the Minister for Education and Training.

## EMPLOYMENT

### Increased Protection for Vulnerable Workers

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Office of the Fair Work Ombudsman	-	4.7	5.1	5.1	5.2

The Government will provide \$20.1 million over four years from 2016-17 to increase the capabilities of the Fair Work Ombudsman (FWO) to deal more effectively with employers who intentionally exploit workers, in particular, overseas workers or those belonging to ethnic communities.

The funding will enable the FWO to increase direct engagement with ethnic communities, to expand its Overseas Workers Team, and to undertake a digital communications campaign. The Government will also seek to strengthen the *Fair Work Act 2009* to further support vulnerable workers.

This measure delivers on the Government's election commitment.

### Launch into Work pilot — establishment

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Employment	-	0.3	3.3	3.3	3.3

The Government will provide \$10.0 million over four years from 2016-17 to establish a pilot of the Launch into Work program (the program) to improve employment outcomes for specific disadvantaged job seekers by assisting them to become job ready.

The program will provide training, work experience and mentoring to prepare participants for employment. The pilot program will be implemented in selected employment markets before being reviewed in 2019-20.

This measure delivers on the Government's election commitment.



**Royal Commission into Trade Union Governance and Corruption — funding for investigations**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Fair Work Commission	-	4.3	5.1	4.4	2.2
Australian Federal Police	-	3.1	6.0	6.0	6.0
Australian Competition and Consumer Commission	-	0.8	1.2	-	-
Total — Expense	-	8.1	12.3	10.4	8.2

The Government will provide \$39.0 million over four years from 2016-17 to support the investigation of matters arising from the Royal Commission into Trade Union Governance and Corruption (the Royal Commission) and to assist with resourcing pressures faced by the Fair Work Commission (FWC), comprising:

- an additional \$21.0 million over four years to the Australian Federal Police for the joint police taskforce to continue to investigate matters arising from the Royal Commission, and to extend investigations to matters arising from the Registered Organisations Commission (ROC) provided for in the *Fair Work (Registered Organisations) Amendment Act 2016*;
- \$2.0 million over two years to the Australian Competition and Consumer Commission to investigate competition issues in the commercial construction sector;
- \$7.1 million over three years to the FWC to pursue matters referred from the Royal Commission until the ROC is established and then to be transferred to the ROC for continuing investigation; and
- \$9.0 million over four years ongoing to the FWC to support up to four Fair Work Commissioners.

This measure forms part of the Government’s response to the Royal Commission.

This measure builds on the 2016-17 Budget measure titled *Royal Commission into Trade Union Governance and Corruption – continuation of the joint police taskforce*.

This measure delivers on the Government’s election commitment.

### Wage Subsidy Pool — efficiencies

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Employment	-	-62.9	-88.8	-88.6	-89.3

The Government will achieve efficiencies of \$329.5 million over four years from 2016-17 by capping the amount of funding available in the wage subsidy pool for those aged 25 years and over. Funding of approximately \$283.0 million over four years from 2016-17 will remain available to encourage businesses to employ eligible individuals in this cohort.

The Government improved the design of wage subsidies as part of the 2016-17 Budget measure *Youth Employment Package – Youth Jobs PaTH (Prepare – Trial – Hire)* by reducing red tape for employers, including by simplifying payments and enabling employers to choose more flexible payment arrangements. The wage subsidies for young people (aged 15-24 years) available under the *Youth Jobs PaTH* program are not impacted by this measure.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure delivers on the Government’s election commitment.

### Youth Employment Package — community awareness

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Employment	-	0.9	6.1	5.9	7.1

The Government will provide \$20.0 million over four years from 2016-17 (and \$3.9 million in 2020-21) to implement an awareness strategy for the key components of the *Youth Employment Package* announced in the 2016-17 Budget to encourage participation in the initiative by employers and relevant job seekers.

This measure is part of the 2016-17 Budget measures titled *Youth Employment Package – encouraging entrepreneurship and self-employment*, and *Youth Employment Package – Youth Jobs PaTH (Prepare – Trial – Hire)*.

**Youth Employment Package — efficiencies**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Employment	-	-1.8	11.2	-6.7	-8.5

The Government will achieve efficiencies of \$5.7 million over four years from 2016-17 from the *Youth Employment Package – Youth Jobs PaTH (Prepare – Trial – Hire)* program.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

## ENVIRONMENT AND ENERGY

### Green Army Program — termination

Expense (\$m)

	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Social Services	-	2.3	10.1	14.1	14.4
Great Barrier Reef Marine Park Authority	-	0.7	3.3	12.4	14.0
Department of Human Services	-	0.4	1.9	2.6	1.7
Department of the Environment and Energy	-	-9.3	-33.7	-58.8	-69.6
<b>Total — Expense</b>	-	-6.0	-18.3	-29.6	-39.4
<i>Related revenue (\$m)</i>					
<i>Department of the Environment and Energy</i>	-	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>	-
<i>Related capital (\$m)</i>					
<i>Great Barrier Reef Marine Park Authority</i>	-	<i>0.3</i>	<i>1.0</i>	<i>1.3</i>	<i>1.0</i>
<i>Department of the Environment and Energy</i>	-	-	<i>4.4</i>	<i>11.7</i>	<i>10.1</i>
<b>Total — Capital</b>	-	<b>0.3</b>	<b>5.5</b>	<b>13.0</b>	<b>11.1</b>

The Government will achieve savings of \$224.7 million over four years from 2016-17 by terminating the *Green Army* program.

Existing contracts under the program will continue to be funded and \$21.4 million will be provided over two years from 2016-17 for 119 *Green Army* projects to deliver on the Government's election commitments.

The Government will redirect funding from this measure to repair the Budget and fund policy priorities, including:

- \$100.0 million over four years from 2016-17 (including \$5.0 million in 2016-17, \$35.0 million in 2017-18 and 2018-19 and \$25.0 million in 2019-20) to the *National Landcare Programme*;
- \$34.1 million over four years from 2016-17 (and \$15.0 million ongoing each year from 2020-21) to provide additional funding for the Great Barrier Reef Marine Park Authority;
- \$27.2 million over four years from 2016-17 (and up to \$50.0 million over 11 years from 2016-17) to construct new facilities at the Macquarie Island Research Station; and
- not proceeding with the *Antarctic Corporate Partnership – establishment* measure announced in the 2016 Pre-election Economic Fiscal Outlook.

## Invest in Our Great Barrier Reef

Expense (\$m)

	2015-16	2016-17	2017-18	2018-19	2019-20
Great Barrier Reef Marine Park Authority	-	1.2	4.7	0.1	-
Department of the Prime Minister and Cabinet	-	0.1	0.2	-	-
Department of the Environment and Energy	-	-1.3	-4.9	-0.1	-
Total — Expense	-	-	-	-	-

The Government will provide \$1.0 billion over 10 years from 2016-17 to help address the impact of climate change and improve water quality on the Great Barrier Reef. This measure includes:

- \$1.0 billion over 10 years in a new Reef Fund to be managed by the Clean Energy Finance Corporation, for clean energy projects located in the Great Barrier Reef catchment region. Projects will deliver clean energy outcomes and have co-benefits to the Great Barrier Reef by addressing climate change, improving water quality or both;
- \$0.4 million over four years from 2016-17 to continue funding the *Emerging Science and Community Partnerships* through the Independent Expert Panel of scientists and the Regional Advisory Committees supporting the Reef Trust;
- \$0.3 million over three years from 2016-17 for *Working with Traditional Owners* (and the Yarrabah community) for compliance vessels to implement the Traditional Use Marine Resource Agreement; and
- \$6.0 million over three years from 2016-17 for a new *Southern Reef Ranger*, a new vessel to provide a third platform for crown-of-thorns starfish eradication and assist in policing the Great Barrier Reef Marine Park, including against illegal fishing.

The costs of the *Emerging Science and Community Partnerships*, *Working with Traditional Owners* and the *Southern Reef Ranger* components will be met from within the existing resources of the *Reef 2050 Plan*. Provision for the Reef Fund has already been included in the forward estimates.

This measure delivers on the Government's election commitment.

### Support Your Local Parks and Environment

Expense (\$m)

	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Environment and Energy	-	4.0	10.4	6.5	2.6

The Government will provide \$30.0 million over four years from 2016-17 to support local parks and the environment through grants to local councils, community and environmental groups to maintain, manage and improve local parks. Grants will also be provided to community groups to invest in solar projects and to Surf Life Saving Australia clubs to upgrade to cleaner outboard engines. The measure includes:

- \$22.8 million over four years from 2016-17 for the *Improving Your Local Parks and Environment Program*;
- \$6.2 million over three years from 2016-17 for *Solar Programs*; and
- \$1.0 million over four years from 2016-17 for the *Surf Life Saving Cleaner Outboard Engines Scheme*.

\$6.5 million of this funding will be met from within the existing resources of the *National Landcare Programme – Emerging Priorities* and has already been included in the forward estimates.

This measure delivers on the Government’s election commitment.

## FINANCE

### Asset Recycling Fund — not proceeding

Expense (\$m)

	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Finance	-	-	-7.5	-9.6	-9.4
Australian Office of Financial Management	-	-	-199.2	-254.0	-248.0
Total — Expense	-	-	-206.7	-263.6	-257.4
<i>Related revenue (\$m)</i>					
<i>Department of Finance</i>	-	-	-184.1	-234.6	-228.9

The Government will not proceed with the establishment of an Asset Recycling Fund (ARF) as announced in the 2014-15 Budget measure titled *Infrastructure Growth Package – Asset Recycling Fund*. The ARF was intended to contain initial contributions from uncommitted funds in the Building Australia Fund (BAF) and Education Investment Fund (EIF) and proceeds from the sale of Medibank Private.

Given that the ARF is not required to deliver on infrastructure commitments made under the Asset Recycling Initiative, the Government has taken the decision to no longer proceed with its establishment. The Government will continue to progress the closure of the BAF and the EIF.

The uncommitted funds intended for the ARF, including those from the BAF and EIF, will instead be credited to the National Disability Insurance Scheme Special Account and used to reduce the Commonwealth's debt and future borrowing requirements. This decision will not affect the Government's existing spending commitments in infrastructure provision or other areas.

The reduction in expected earnings from the ARF will be more than offset by reduced management fees and Public Debt Interest costs.

This decision is projected to reduce gross debt by more than \$10.0 billion by 2019-20.

### **Australian Security and Investments Commission Registry — not proceeding**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Finance	-	-0.6	-	-	-
Australian Securities and Investments Commission	-	-3.9	-	-	-
<b>Total — Expense</b>	-	-4.5	-	-	-

Following an evaluation process, the Government has decided not to proceed with the commercialisation of the Australian Securities and Investments Commission (ASIC) Registry functions given final bids received did not deliver a net financial benefit for the Commonwealth.

\$4.5 million will be returned to budget in 2016-17 from concluding the ASIC Registry competitive tender process.

### **Parliamentary Staff — additional support for crossbench, opposition, Greens and Government**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Finance	-	8.5	9.1	9.1	9.1

The Government will provide \$35.8 million over four years from 2016-17 to increase the personal staffing allocations to crossbench, opposition, Greens and Government Parliamentarians by a total of 33 positions and to change the classification profile of some existing positions.

This will allow Parliamentarians to more effectively manage their workload and represent the interests of their constituents.

### **Same-Sex Marriage Plebiscite — not proceeding**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Electoral Commission	-	-154.0	-	-	-

The Government will not proceed with funding of \$154.0 million in 2016-17 to conduct a plebiscite on same-sex marriage in February 2017, as a Bill to conduct the plebiscite was not passed by the Parliament.

At the 2016 Pre-election Economic Fiscal Outlook, an allocation of \$160.0 million to conduct the plebiscite was disclosed. An additional \$10.0 million was announced prior to the introduction of the Bill into Parliament. The Australian Electoral Commission (AEC) has committed \$6.0 million of expenditure in 2016-17, some of which can be redirected to future activities of the AEC.



If the Parliament passes legislation for a plebiscite on same-sex marriage in the future the Government will allocate the necessary funding at that point. This is reflected as a fiscal risk in Appendix C: Statement of Risks.

The savings from this measure will be redirected by the Government to repair the Budget.

### Supporting Australia's Future Shipbuilding Capability — ASC Pty Ltd structural changes

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Finance	-	3.2	0.3	-	-
<i>Related revenue (\$m)</i>					
<i>Department of Finance</i>	-	3.5	-	-	-

The Government will provide \$3.5 million over two years from 2016-17 to support the structural separation of ASC Pty Ltd (ASC) into three individual Government-owned companies during 2017.

The three new companies will support the key capabilities of shipbuilding, submarine sustainment and infrastructure. The separation of ASC will deliver a more flexible approach to managing the investment required in shipbuilding infrastructure.

The cost of this measure will be offset by a special dividend payment from ASC.

Further information can be found in the joint press release of 11 October 2016 by the Minister for Finance, the Minister for Defence and the Minister for Defence Industry.

### Third Electorate Office for Large Electorates

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Finance	-	1.6	1.4	1.4	1.4
<i>Related capital (\$m)</i>					
<i>Department of Finance</i>	-	2.4	-	-	-

The Government will provide \$8.1 million over four years from 2016-17 (including \$2.4 million in capital in 2016-17) to provide a third staffed electorate office for electorates larger than 350,000 square kilometres.

The provision of a third electorate office reflects a recommendation of the *Independent Parliamentary Entitlements System Review* and will assist Members of Parliament in representing the interests of constituents in Australia's largest electorates.

## FOREIGN AFFAIRS AND TRADE

### Interim Kyiv Embassy — extension

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Foreign Affairs and Trade	-	-	-	-	-

The Government will provide \$5.1 million over two years from 2016-17 to continue the operation of the interim embassy in Kyiv, Ukraine.

The interim embassy will continue to provide diplomatic services and support efforts to address the consequences of the downing of Malaysia Airlines Flight MH17.

The cost of this measure will be met from within the existing resources of the Department of Foreign Affairs and Trade.

### Loan to Arrium Group

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Export Finance and Insurance Corporation (National Interest component)	-	nfp	nfp	nfp	nfp

The Government provided a \$49.2 million loan in 2016-17 to the Arrium Group for new machinery at the Iron Knob and Iron Baron mines. This loan will enable Arrium's Whyalla business to process iron ore to export quality.

The Export Finance and Insurance Corporation provided the loan under the National Interest Account.

The budget impact for this measure is not for publication (nfp) due to commercial sensitivities.

This measure delivers on the Government's election commitment.

Further information can be found in the joint press release of 22 July 2016 issued by the Prime Minister, the Minister for Industry, Innovation and Science and the Minister for Trade, Tourism and Investment.

### Pacific Women Mentoring Program

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Foreign Affairs and Trade	-	-	-	-	-

The Government will provide \$5.4 million over five years from 2016-17 to support a mentoring program to connect female leaders in Australia with emerging women leaders in the Pacific region.

The cost of this measure will be met from within existing *Official Development Assistance* funding.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 23 June 2016 issued by the Minister for Foreign Affairs.

### Promoting Trade and Investment

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Foreign Affairs and Trade	-	1.2	1.9	1.7	1.1
Australian Trade and Investment Commission	-	1.0	3.2	3.2	3.2
Total — Expense	-	2.2	5.2	4.9	4.4

The Government will provide \$16.6 million over four years from 2016-17 to promote international trade and investment.

The funding will support seminars for small and medium sized enterprises and an expanded online portal to promote awareness of the business opportunities available under free trade agreements. The Government will commence the development of a streamlined process for submission of export documentation (a single window) to complement the *Australian Trusted Trader Programme*. The Government will establish a Professional Services Mutual Recognition Unit to promote recognition of Australian professional qualifications overseas and will also fund additional business roundtables to encourage investment.

This measure delivers on the Government's election commitment.

**Regional Health Security Partnership Fund — establishment**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Foreign Affairs and Trade	-	-	-	-	-

The Government will provide \$100.0 million over five years from 2016-17 to establish a *Regional Health Security Partnership Fund*. The Fund will sponsor partnerships and support placements with academic, private sector, non-government and medical institutions to tackle emerging health security risks in the Indo-Pacific region.

The cost of this measure will be met from within the existing resources of the Department of Foreign Affairs and Trade.

This measure delivers on the Government’s election commitment.

Further information can be found in the press release of 23 June 2016 issued by the Minister for Foreign Affairs.

## HEALTH

### Aged Care Provider Funding — addressing growth in residential aged care

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Human Services	-	1.6	0.2	0.1	0.1
Department of Veterans' Affairs	-	-2.2	-2.1	-0.5	3.1
Department of Health	-	-15.5	-29.0	-14.9	25.6
Total — Expense	-	-16.1	-30.9	-15.2	28.8
<i>Related revenue (\$m)</i>					
Australian Aged Care Quality Agency	-	-	-10.8	-	-
<i>Related capital (\$m)</i>					
Department of Health	-	0.1	-	-	-

The Government will amend the 2016-17 Budget measure titled *Aged Care Provider Funding – further revision of the Aged Care Funding Instrument*, by adjusting or reversing some of the announced changes to the Aged Care Funding Instrument (ACFI) following consultations. The Government will achieve a similar level of savings by pausing indexation of all domains of the ACFI in 2017-18, and reducing indexation of the Complex Health Care Domain component of the ACFI by 50 per cent in 2018-19.

The revised arrangements will also:

- increase the viability supplement for eligible rural, remote and specialty services, funded from a partial redirection of the Transitional Assistance Fund;
- defer cost recovery for unannounced compliance site visits by the Australian Aged Care Quality Agency for one year in 2017-18;
- further enhance ACFI compliance systems; and
- develop and trial options to reform the ACFI in order to address continued unexpected growth in residential aged care funding.

The revised funding arrangements will ensure the aged care sector is funded and sustainable, and results in a net budget improvement of \$22.5 million over four years from 2016-17.

Further information can be found in the press release of 6 December 2016 issued by the Assistant Minister for Health and Aged Care.

### Ban on Cosmetic Testing on Animals

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	-	-	-	-

The Government will provide \$1.0 million in 2016-17 to develop a phased approach to banning the sale of cosmetic products in Australia that have been tested on animals.

The cost of this measure will be met from within the existing resources of the Department of Health.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 3 June 2016 issued by the Minister for Regional Development, the Assistant Minister for Health and Aged Care, and the Member for Latrobe.

### Changes to Bulk Billing Incentives for Diagnostic Imaging and Pathology Services — further consultation

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	215.8	-	-	-
Department of Human Services	-	-7.6	0.9	1.5	..
Total — Expense	-	208.2	0.9	1.5	..

The Government will defer the implementation of the 2015-16 MYEFO measure titled *Medicare Benefits Schedule — changes to diagnostic imaging and pathology services bulk-billing incentives* from 1 July 2016 to 1 July 2017 to allow for further consultation. This will result in additional expenditure of \$210.7 million over four years from 2016-17.

### Cure4MND Foundation — contribution

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	2.8	-	-	-

The Government will provide \$2.8 million in 2016-17 to the Cure4MND Foundation. This contribution is part of the Government's commitment to innovation and to support the country's brightest health and medical researchers to help to deliver the next big breakthroughs in medicine. The funding will support motor neurone disease research and assist the Cure4MND Foundation to make more clinical trials available to Australian patients.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 14 June 2016 issued by the Minister for Health and Aged Care.

**Develop Australia’s Medical Research Capabilities — zero childhood cancer initiative**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	10.0	10.0	-	-

The Government will provide \$20.0 million over two years from 2016-17 to support the establishment of a national research network that will focus on improving childhood cancer survival rates by providing personalised treatment through research collaboration.

This measure delivers on the Government’s election commitment.

Further information can be found in the joint press release of 3 November 2016 issued by the Prime Minister and the Minister for Health and Aged Care.

**Digital Mental Health Gateway — development of a second pass business case**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	2.5	-	-	-

The Government will provide \$2.5 million in 2016-17 for a second pass business case to continue the development of a Digital Mental Health Gateway to improve community access to mental health services. The Gateway will enable users to access evidence-based information and advice and mental health treatment options.

**Elimination of Trachoma in Indigenous Communities — extension**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Treasury	-	-	0.8	0.7	0.7
Department of Health	-	-	-0.8	-0.7	-0.7
Total — Expense	-	-	-	-	-

The Government will provide an additional \$20.8 million over four years from 2017-18 to continue activities to reduce the incidence of trachoma and improve eye health for Indigenous Australians.

Provision for \$17.8 million of this funding has already been included in the forward estimates, with the remaining cost to be offset by redirecting funding from within the Health portfolio.

**Investing in Medicare — Magnetic Resonance Imaging licences for Frankston and Maroondah Hospitals**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	1.8	3.6	3.9	4.2
Department of Veterans' Affairs	-	..	..	..	..
Department of Human Services	-	..	..	..	..
<b>Total — Expense</b>	<b>-</b>	<b>1.8</b>	<b>3.7</b>	<b>3.9</b>	<b>4.2</b>

The Government will provide \$13.6 million over four years from 2016-17 to fund full Medicare licences for Magnetic Resonance Imaging (MRI) services at the Frankston and Maroondah Hospitals, increasing the number of patients who are able to access Medicare rebates for MRI services provided in these hospitals.

This measure delivers on the Government’s election commitment.

Further information can be found in the joint press release of 3 June 2016 issued by the Minister for Health and Aged Care and the Member for Deakin.

**Investing in Medicare — Medicare Benefits Schedule — new and amended listings**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Human Services	-	0.3	0.4	0.1	0.1
Department of Veterans' Affairs	-	..	..	..	..
Department of Health	-	..	1.9	2.6	1.8
<b>Total — Expense</b>	<b>-</b>	<b>0.3</b>	<b>2.3</b>	<b>2.7</b>	<b>1.9</b>

The Government will provide \$7.1 million over four years from 2016-17 for new and amended items on the Medicare Benefits Schedule (MBS) and Veterans’ Benefits following recommendations from the Medical Services Advisory Committee and reviews of clinical practice of the MBS.

The amendments to the MBS include new items for ovarian repositioning, middle ear implant, radical orchidectomy, transcatheter aortic valve implantation and genetic testing for breast and ovarian cancer.

\$0.6 million will be provided to educate practitioners about the new MBS listings and to evaluate the impacts of the new and amended listings on the MBS.

Further information will be available in the summary of changes included in the MBS issued by the Department of Health when the amendments take effect.



### Investing in Medicare — modernising health and aged care payments services

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	29.7	-	-	-
Department of Human Services	-	1.7	-	-	-
Department of Finance	-	0.1	-	-	-
Total — Expense	-	31.5	-	-	-

The Government will provide \$31.5 million in 2016-17 to commence modernising the information and communication technology systems supporting the health, aged care and related veterans' payments services, and to conduct public communication and stakeholder consultation on the requirements for the new system.

Further information can be found in the joint press release of 19 October 2016 issued by the Minister for Health and Aged Care and the Minister for Human Services.

### McGrath Foundation Breast Care Nurses — continued funding

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	-	5.0	5.1	5.1

The Government will provide \$20.5 million over four years from 2017-18 (including \$5.2 million in 2020-21) to continue funding for up to 57 breast care nurse positions through the McGrath Foundation. The breast care nurses will be located in approximately 55 locations across the country, with most working in regional and rural communities.

Further information can be found in the joint press release of 4 November 2016 issued by the Prime Minister and the Minister for Health and Aged Care.

### More Clinical Trials in Australia

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Treasury	-	-	2.5	1.5	1.5
Department of Health	-	-	-	-	-
Total — Expense	-	-	2.5	1.5	1.5

The Government will provide \$7.0 million over four years from 2017-18 (including \$1.5 million in 2020-21) to work with state and territory governments to remove red tape that is creating barriers to conducting clinical trials in Australia. These reforms are expected to increase investment in clinical innovation and build capacity across the research pipeline from discovery to commercialisation.

This measure delivers on the Government's election commitment.

**Pharmaceutical Benefits Scheme — new and amended listings**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	14.7	42.6	44.6	49.0
Department of Human Services	-	0.9	0.4	0.5	0.6
Department of Veterans' Affairs	-	-3.7	-3.2	-3.0	-2.5
Total — Expense	-	11.9	39.9	42.1	47.1
<i>Related revenue (\$m)</i>					
Department of Health	-	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>

The Government will provide \$141.0 million over four years from 2016-17 for new and amended listings on the Pharmaceutical Benefits Scheme (PBS) and the Repatriation Pharmaceutical Benefits Scheme.

New and amended listings introduced since the 2016-17 Budget include:

- Exenatide (Bydureon®) for the treatment of Type 2 diabetes from 1 September 2016;
- Secukinumab (Cosentyx®) for the treatment of the auto-immune condition chronic plaque psoriasis from 1 October 2016;
- Ribavirin (Ibavyr®) for the treatment of chronic Hepatitis C from 1 November 2016;
- Lenvatinib (Lenvima®) for the treatment of thyroid carcinoma from 1 December 2016;
- Mepolizumab (Nucala®) for the treatment of severe asthma from 1 January 2017; and
- Lenalidomide (Revlimid®) for the treatment of multiple myeloma from 1 February 2017.

The overall costs for some of these medicines are reduced by revenue from rebates negotiated as part of their purchase.

Revenue figures are not for publication (nfp) due to being commercial-in-confidence.

Further information can be found in the press release of 14 August 2016 issued by the Minister for Health and Aged Care and on the PBS website ([www.pbs.gov.au](http://www.pbs.gov.au)).

**Pharmaceutical Benefits Scheme — price amendments**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	8.5	16.5	17.2	18.5
Department of Veterans' Affairs	-	0.4	0.7	0.7	0.7
Total — Expense	-	8.9	17.2	18.0	19.2

The Government will provide \$83.7 million over five years from 2016-17 (including \$20.4 million in 2020-21) for price amendments for certain medicines which are currently listed on the Pharmaceutical Benefits Scheme (PBS) and the Repatriation Pharmaceutical Benefits Scheme.

Price amendments agreed since the 2016-17 Budget include:

- Glucagon hydrochloride for the treatment of diabetes from 1 October 2016;
- Oxaliplatin for the use of chemotherapy from 1 December 2016; and
- Thiamine hydrochloride for the treatment of Vitamin B1 deficiency from 1 January 2017.

These price amendments respond to recommendations of the Pharmaceutical Benefits Advisory Committee.

Further information can be found on the PBS website ([www.pbs.gov.au](http://www.pbs.gov.au)).

**Prostheses List Benefit Reductions**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	-	-	-	-

The Government will lower the cost of a range of medical devices on the Prostheses List, reducing the cost private health insurers must pay for these items. Listed benefits for cardiac devices and intraocular lenses will be reduced by 10 per cent, and hip and knee prostheses by 7.5 per cent from 20 February 2017.

This measure aims to reduce pressure on increases in Private Health Insurance premiums to consumers.

Further information can be found in the press release of 19 October 2016 issued by the Minister for Health and Aged Care.

**Radiation Oncology Health Program Grants Scheme — efficiencies**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Human Services	-	0.5	0.1	-0.1	-0.1
Department of Health	-	-	-10.1	-8.0	-6.1
Total — Expense	-	0.5	-9.9	-8.1	-6.2
<i>Related capital (\$m)</i>					
<i>Australian Radiation Protection and Nuclear Safety Agency</i>					
	-	-	5.0	-	-

The Government will achieve net efficiencies of \$18.7 million over four years from 2016-17 by refocusing the *Radiation Oncology Health Program Grants Scheme* (the Scheme) on high cost radiation therapy equipment for cancer treatment facilities.

Existing contractual arrangements for capital equipment currently funded through the Scheme will continue to be funded.

This measure includes capital funding of \$5.0 million in 2017-18 for the Australian Radiation Protection and Nuclear Safety Agency to replace a linear accelerator, which is used to support the provision of safe and high quality radiotherapy services.

**Rationalising and Streamlining Health Programs — discontinuation of stoma tendering pilot**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	6.0	6.3	6.7	6.7

Following consultations with stakeholders, the Government will not proceed with the component of the 2015-16 Budget measure titled *Rationalising and Streamlining Health Programmes* which would have implemented a competitive tender process for products listed on the Stoma Appliance Scheme.

## Reform of the High Cost Claims Scheme and Review of the Indemnity Insurance Fund

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Human Services	-	-	0.2	..	-
Department of Health	-	-	-	-17.1	-19.0
Total — Expense	-	-	0.2	-17.1	-19.0

The Government will achieve savings of \$35.9 million over three years from 2017-18 by raising the eligibility threshold for claims under the High Cost Claims Scheme (the Scheme) from \$0.3 million to \$0.5 million from 1 July 2018. The current \$0.3 million threshold has not been increased since 2003. The increase in the threshold reflects greater maturity and stability in the medical indemnity market than when the Scheme was introduced.

The Government will also provide \$0.2 million over two years from 2016-17 to conduct a review of the Indemnity Insurance Fund and associated schemes.

The cost of the review will be met from within the existing resources of the Department of Health.

## Regulation of Medicinal Cannabis — charging arrangements

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	0.6	0.9	0.9	0.9
<i>Related revenue (\$m)</i>					
<i>Department of Health</i>	-	0.6	0.9	0.9	0.9

The Government will provide \$3.4 million over four years from 2016-17 to administer the Commonwealth licensing scheme for the regulation of cannabis for medicinal and scientific use. The administration costs for commercial cannabis licences will be recovered from industry. The costs of administering non-commercial research licences will be partially cost recovered, with remaining costs to be met from within the existing resources of the Department of Health.

This measure updates the 2016-17 Budget measure titled *Regulation of Medicinal Cannabis — charging arrangements*.

### Remote Area Pharmaceutical Dispensing — additional remuneration

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	-	-	-	-

The Government will provide \$3.3 million over two years from 2016-17 to provide eligible pharmacists with additional remuneration for dispensing medicines supplied to Remote Area Aboriginal Health Services.

Funding for this measure will be redirected from within the Sixth Community Pharmacy Agreement.

This measure delivers on the Government's election commitment.

### Revised Arrangements for Commonwealth Dental Funding

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Treasury	-	104.5	107.8	107.8	-
Department of Human Services	-	6.3	10.4	10.5	10.8
Department of Health	-	-80.6	-106.2	-103.3	-107.1
Total — Expense	-	30.2	12.0	15.0	-96.3
<i>Related capital (\$m)</i>					
<i>Department of Human Services</i>	-	..	..	..	..

The Government will not proceed with the 2016-17 Budget measure titled *Child and Adult Public Dental Scheme*. Instead, the Government will continue to revise the Child Dental Benefits Schedule (CDBS) and continue to fund a state adult dental service under the *National Partnership Agreement for Adult Public Dental Services*.

From 1 January 2017, the CDBS will provide eligible children aged between 2 and 17 years access to a range of basic dental services with benefits capped at \$700 over two years. The National Partnership Agreement will provide \$320.0 million over three years from 2016-17 (including \$77.5 million for the period 1 July 2016 to 31 December 2016) to support the provision of dental services to adults who rely on the public dental system.

Further information can be found in the press release of 15 December 2016 issued by the Minister for Health and Aged Care.

**Royal Flying Doctor Dental Services — continued delivery**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	-	-	-	-

The Government will provide \$11.0 million over two years from 1 March 2017 to provide additional mobile outreach dental services to rural and remote Australians through the Royal Flying Doctor Service. Funding for this measure will be met from within existing resources of the Department of Health.

This measure delivers on the Government’s election commitment.

Further information can be found in the press release of 28 June 2016 issued by the Minister for Regional Development.

**Rural Health Commissioner and Pathway for Rural Professionals — establishment**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	0.6	1.3	1.3	1.3

The Government will provide \$4.4 million over four years from 2016-17 to establish a National Rural Health Commissioner to provide advice on opportunities to reform rural health services, including the development of a National Rural Generalist Pathway for the training of rural doctors.

This measure delivers on the Government’s election commitment.

Further information can be found in the press release of 24 June 2016 issued by the Minister for Regional Development.

### Specialist Dementia Care Units — establishment

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Human Services	-	2.0	0.3	0.2	0.2
Department of Veterans' Affairs	-	0.1	-0.1	-0.5	-1.0
Department of Health	-	-1.4	-1.3	-3.0	-0.5
Total — Expense	-	0.7	-1.1	-3.3	-1.3
<i>Related capital (\$m)</i>					
<i>Department of Veterans' Affairs</i>	-	0.2	-	-	-
<i>Department of Health</i>	-	-	-	-	-
<i>Department of Human Services</i>	-	-	-	-	-
<i>Total — Capital</i>	-	0.2	-	-	-

The Government will establish a Specialist Dementia Care Unit in each of the 31 Primary Health Network regions to provide care for people with dementia who have very severe behavioural and psychological symptoms and who are unable to be cared for in a mainstream residential aged care facility because they present a risk to themselves or to others.

The ongoing cost of this measure will be met from within the existing resources of the Department of Health.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 16 June 2016 issued by the Assistant Minister for Health and Aged Care.

### Sporting Schools Program — extension

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Sports Commission	-	-	39.0	19.5	-
<i>Related capital (\$m)</i>					
<i>Australian Sports Commission</i>	-	-	1.1	-	-

The Government will provide \$59.6 million over two years from 1 July 2017 to extend the *Sporting Schools* program (the program). The program, which is administered by the Australian Sports Commission, supports schools to encourage participation in sport by primary school students. The program will be expanded to include Year 7 and 8 students, with priority given to girls aged between 12 and 14 years, and to schools where there is evidence of disadvantage or a large cohort of inactive students.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 29 May 2016 issued by the Minister for Health and Aged Care.



**Stoma Appliance Scheme — new and amended listings**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	-0.2	-0.9	-1.2	-1.7

The Government will achieve efficiencies of \$3.9 million over four years from 2016-17 by listing two new products and amending the listings of nine current items on the Stoma Appliance Scheme from 1 March 2017, as recommended by the Stoma Product Assessment Panel.

**Strengthening Mental Health Care in Australia**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	28.4	63.2	90.0	12.9

The Government will provide \$194.5 million over four years from 2016-17 to strengthen mental health care in Australia to:

- continue funding for six Early Psychosis Youth Services and establish 10 new headspace centres to provide services for young people, principally in rural and regional areas;
- invest in suicide prevention by establishing 12 regional suicide prevention trial sites and a new suicide prevention research fund;
- develop and test new technologies to support and treat people with mental health issues, through the Synergy project and Lifeline Australia; and
- develop a new workforce model that is responsive to the mental health needs of the Australian community through the Australian College of Mental Health Nurses.

This measure delivers on the Government’s election commitment.

Further information can be found in the joint press release of 26 June 2016 issued by the Prime Minister and the Minister for Health and Aged Care.

**Support Australia’s Surf Life Savers**

Expense (\$m)

	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	2.5	2.5	2.5	2.5

The Government will provide \$10.0 million over four years from 2016-17 to boost Surf Life Saving Australia’s capacity to deliver preventative safety measures at local beaches. Funding will be used to provide Surf Life Saving Australia with technology updates, expanded volunteer training, skills development for existing trainers and assessors, and expanded recruitment and recognition of supervisors, trainers and assessors.

This measure delivers on the Government’s election commitment.

**Western Sydney Stadium**

Expense (\$m)

	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Health	-	-	-	-	-

The Government will provide \$16.4 million over three years from 2016-17 as a contribution to the new Western Sydney Stadium to be constructed on the site of the existing Pirtek Stadium in Parramatta, New South Wales (NSW).

Funding previously provided to the NSW Government to upgrade the existing Parramatta Stadium will be redirected to this measure.

## IMMIGRATION AND BORDER PROTECTION

### Emerging International Airports — Canberra

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Immigration and Border Protection	-	-	-	-	-
Department of Agriculture and Water Resources	-	-	-	-	-
<b>Total — Expense</b>	-	-	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Immigration and Border Protection</i>	-	-	-	-	-

The Government will provide \$8.6 million (including \$3.7 million in capital funding) in 2016-17 to establish permanent border clearance services at the Canberra International Airport to support regular international air services.

The cost of this measure will be met from within the existing resources of the Department of Immigration and Border Protection and the Department of Agriculture and Water Resources.

Further information can be found in the joint press release of 16 September 2016 issued by the Minister for Infrastructure and Transport and the Assistant Minister for Social Services and Multicultural Affairs.

### International Settlement Strategy — enhanced border protection measures and resettlement of refugees

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Immigration and Border Protection	-	64.2	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Immigration and Border Protection</i>	-	0.3	-	-	-

The Government will provide an additional \$64.5 million in 2016-17 (including \$0.3 million in capital funding) to maintain Australia's border security by increasing aerial surveillance and maritime patrols to ensure that any boats that attempt to come to Australia will be detected and turned back, as the Government works to resettle refugees processed at Regional Processing Centres on Nauru and Manus Island, Papua New Guinea (PNG).

In addition to current resettlement opportunities in PNG and Cambodia, some refugees will be resettled in the United States of America. The priority will be to resettle those people who are most vulnerable, namely women, children and families.

Further information can be found in the joint press release of 13 November 2016 issued by the Prime Minister and the Minister for Immigration and Border Protection.

## INDUSTRY, INNOVATION AND SCIENCE

### Incubator Support for Innovative New Businesses and Jobs — expansion

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Industry, Innovation and Science	-	3.8	3.8	3.8	3.8

The Government will provide an additional \$15.0 million over four years from 2016-17 to expand the Incubator Support initiatives under the *Entrepreneurs' Programme* to support innovative, globally-focussed startups and develop Australia's innovation ecosystem.

Under the measure additional grants will be provided to new and existing incubators. This will allow more businesses, particularly in rural and regional areas, to access incubator support services.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 20 September 2016 issued by the Minister for Industry, Innovation and Science.

### National Positioning Infrastructure Program — Satellite-Based Augmentation System (SBAS) test

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Geoscience Australia	-	3.0	7.9	1.1	-
Department of the Treasury	-	-	-	-	-
Department of Infrastructure and Regional Development	-	-	-	-	-
Total — Expense	-	3.0	7.9	1.1	-
<i>Related revenue (\$m)</i>					
<i>Department of Industry, Innovation and Science</i>	-	6.0	-	-	-

The Government will provide \$12.0 million over three years from 2016-17 to test a Satellite-Based Augmentation System (SBAS) in Australia. SBAS utilises space-based and ground-based infrastructure to improve the accuracy, integrity and availability of basic Global Navigation Satellite System signals, such as those provided by the Global Positioning System.

The funding will test the effectiveness of the technology and will deliver economic benefits analyses across nine industry sectors (agriculture, aviation, construction, maritime, mining, rail, road, spatial, and utilities) to inform future investment decisions.

**Onshore Gas Social and Economic Research Fund — establishment**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Industry, Innovation and Science	-	1.0	1.0	1.0	1.0

The Government will provide \$4.0 million over four years from 2016-17 to create an Onshore Gas Social and Economic Research Fund. The Fund will support expansion of the Gas Industry Social and Environmental Research Alliance (GISERA) by funding research projects that inform the development of the unconventional natural gas industry across Australia. Unconventional natural gas includes coal seam, shale and tight gas. The funding will be available to the Commonwealth Scientific and Industrial Research Organisation (CSIRO) who manage GISERA.

The measure is contingent on additional funding of \$4.0 million from state and territory governments, industry and the CSIRO and support for a national GISERA.

This measure delivers on the Government’s election commitment.

## INFRASTRUCTURE AND REGIONAL DEVELOPMENT

### Building Better Regions Fund

Expense (\$m)

	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Infrastructure and Regional Development	-	-	110.1	159.1	28.6

The Government will provide \$297.7 million over three years from 2017-18 to establish the *Building Better Regions Fund*. The measure will re-focus support formerly provided through the *National Stronger Regions Fund* to create jobs, drive economic growth and support vibrant and strong communities outside the major capital cities.

Funding will be allocated on a competitive basis through two funding streams: infrastructure projects and community investments. The infrastructure stream will support investment-ready projects, which involve the construction of new infrastructure, or the upgrade or extension of existing infrastructure. The community investments stream will invest in economic and regional development initiatives which are not infrastructure projects such as strategic planning, events and leadership capability building.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 20 June 2016 issued by the Minister for Regional Development.

### Community Infrastructure Projects — new announcements

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Infrastructure and Regional Development	-	59.3	222.9	219.2	66.6
Department of Health	-	4.8	-	-	-
Department of Social Services	-	2.5	-	-	-
Great Barrier Reef Marine Park Authority	-	1.1	0.2	-	-
Department of Communications and the Arts	-	0.3	-	-	-
Department of Agriculture and Water Resources	-	0.1	-	-	-
Department of the Environment and Energy	-	0.1	0.1	0.1	-
Department of the Treasury	-	-1.8	-5.0	-5.0	-
Department of Defence	-	-4.0	-16.0	-4.0	-
Total — Expense	-	62.5	202.2	210.2	66.6

The Government will provide \$595.9 million over four years from 2016-17 to deliver important community infrastructure projects across Australia.

The measure includes \$585.6 million for projects to be delivered by the Department of Infrastructure and Regional Development through the *Community Development Grants Programme* and a further \$10.3 million for projects delivered through other portfolios.

This measure delivers on the Government’s election commitments.

### Flinders Link Rail Project

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Infrastructure and Regional Development	-	-	-	-	-
Department of the Treasury	-	-	-	-	-
Total — Expense	-	-	-	-	-

The Government will provide \$42.8 million over two years from 2016-17 for the Flinders Link Rail Project in South Australia. The project will extend the Tonsley rail line, create a new transport interchange at the Flinders Link Medical Centre and build a shared path for cyclists and pedestrians.

The cost of this measure will be met from within the existing resources of the Department of Infrastructure and Regional Development.

This measure delivers on the Government’s election commitment.

### Infrastructure Investment Programme — new investments

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Treasury	-	42.0	202.6	334.7	233.8
Department of Infrastructure and Regional Development	-	-	-	-	-
Total — Expense	-	42.0	202.6	334.7	233.8

The Government will provide \$927.1 million over five years from 2016-17 to 2020-21 (including \$114.1 million in 2020-21) to the *Infrastructure Investment Programme* for investment in 75 infrastructure projects across Australia.

This measure delivers on the Government's election commitment.

### Latrobe Valley Transition Package

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Infrastructure and Regional Development	-	-	-	-	-
Department of Employment	-	-	-	-	-
Total — Expense	-	-	-	-	-

The Government will provide \$43.0 million over four years from 2016-17 to support workers, their families and businesses in the Latrobe Valley region following the closure of the Hazelwood mine and power station. The package includes:

- \$20.0 million over four years for a regional jobs and investment package to support the Latrobe Valley region to diversify its economy, stimulate long term growth and deliver sustainable employment;
- \$20.0 million over four years for an infrastructure package for the Latrobe Valley region; and
- \$3.0 million over four years from the Labour Market Support Program to support retrenched workers and their partners from the Hazelwood mine and power station and impacted supply chain businesses.

The cost of this measure will be met by redirecting funding from within the existing resources of the relevant portfolios.



**Malaysia Airlines Flight MH370 — additional contribution — extension**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Transport Safety Bureau	-	3.0	-	-	-

The Government will provide an additional \$3.0 million in 2016-17 to the Australian Transport Safety Bureau to finalise search operations and associated reporting for the Malaysia Airlines flight MH370 upon completion of the 120,000 square kilometres search area.

This measure extends the 2015-16 Budget measure titled *Malaysia Airlines Flight MH370 – international contribution*.

**Redirection from Uncommitted Funds**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Infrastructure and Regional Development	-	-	-73.6	-137.4	-162.2
Department of the Treasury	-	-864.0	-627.8	-321.6	-25.3
Total — Expense	-	-864.0	-701.4	-459.0	-187.5

The Government will redirect \$2.2 billion over four years from 2016-17 of uncommitted funding for priority projects in the Infrastructure and Regional Development portfolio, consistent with the Coalition’s election policy statement *The Coalition’s Policy for a Stronger Economy and Balanced Budget*.

**Regional Jobs and Investment Package**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Infrastructure and Regional Development	-	15.0	40.0	90.0	55.0

The Government will provide \$200.0 million over four years from 2016-17 for the Regional Jobs and Investment Package to support regional communities to diversify their economies, create new export opportunities and help boost regional jobs.

The measure will provide funding for business innovation grants, local infrastructure, and skills and training programs to the following nine regions, with matched funding from state and local government and the private sector:

- Cairns (Queensland)
- Bowen Basin (Queensland)
- Wide Bay Burnett (Queensland)

Appendix A: Policy decisions taken since the 2016 PEFO

- New South Wales North Coast (New South Wales)
- New South Wales South Coast (New South Wales)
- Upper Spencer Gulf (South Australia)
- Goulburn Valley (Victoria)
- Geelong (Victoria)
- Regional Tasmania (Tasmania).

Under the measure, each region will undertake a community-led planning process to develop local investment plans and identify opportunities for local growth.

This measure will be offset by redirecting funding from the Department of Employment.

This measure delivers on the Government's election commitment.

### Revitalise Jobs and Growth in Townsville

Expense (\$m)

	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Treasury	-	10.0	50.0	35.0	5.0
Department of Infrastructure and Regional Development	-	-	-	-	-
Total — Expense	-	10.0	50.0	35.0	5.0

The Government will provide \$100.0 million over four years from 2016-17 toward the cost of the 25,000 seat Townsville Integrated Stadium. The Queensland Government will provide \$140.0 million and the North Queensland Cowboys Rugby League Club and the National Rugby League will provide \$10.0 million.

This measure is contingent on, and forms a key element of, a City Deal under the Government's *Smart Cities Plan* with the Townsville City Council, which will leverage the Government's investment in the Stadium to revitalise the central business district and accelerate commercial and residential development in the waterfront precinct.

This measure delivers on the Government's election commitment.

**Townsville Eastern Access Rail Corridor**

Expense (\$m)

	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Treasury	-	3.0	40.0	80.0	27.0
Department of Infrastructure and Regional Development	-	-	-	-	-
Total — Expense	-	3.0	40.0	80.0	27.0

The Government will provide \$150.0 million over four years from 2016-17 toward the Townsville Eastern Access Rail Corridor project, which will connect the North Coast Line directly with the Port of Townsville.

This measure delivers on the Government's election commitment.

Further information can be found in the joint press release of 18 May 2016 issued by the Prime Minister, the Minister for Infrastructure and Transport, and the former Member for Herbert.

## PARLIAMENT

### Australian Parliament House Parking

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Parliamentary Services	-	0.3	0.9	0.9	0.9
<i>Related revenue (\$m)</i>					
<i>National Capital Authority</i>	-	-0.2	-0.8	-0.8	-0.8

The Government will provide \$3.9 million over five years from 2016-17 for additional car parking spaces at Australian Parliament House.

Revenue received by the National Capital Authority will be reduced by \$3.5 million over five years from 2016-17, as a result of the reduction in the number of paid car parking spaces in the Parliamentary Triangle.

## PRIME MINISTER AND CABINET

### ASEAN-Australia Leaders' Summit Taskforce — establishment

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Prime Minister and Cabinet	-	18.4	-	-	-

The Government will provide \$18.4 million in 2016-17 to establish a taskforce in the Department of the Prime Minister and Cabinet to support the hosting of the Association of South East Asian Nations (ASEAN) – Australia Leaders' Summit (the Summit) in 2018.

The funding will be used to support the organisation and logistics of the Summit.

### Indigenous Business Sector Strategy

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Prime Minister and Cabinet	-	-	-	-	-

The Government will provide \$1.9 million in 2016-17 to develop an Indigenous Business Sector Strategy, which will outline both the support services available to Indigenous entrepreneurs to establish and grow their businesses, and a long-term road map for the sector.

The cost of this measure will be met from within the existing resources of the Department of the Prime Minister and Cabinet.

This measure delivers on the Government's election commitment.

### Smart Cities and Suburbs Program — establishment

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Prime Minister and Cabinet	-	-	25.0	25.0	-

The Government will provide \$50.0 million over two years from 2017-18 to establish a *Smart Cities and Suburbs Program* (the Program). The Program will apply technologies to improve the liveability of cities and their suburbs. A wide variety of cutting-edge projects are expected to be supported under the Program, such as collaborative design solutions to complex urban problems and the implementation of technologies at scale.

Further information can be found in the press release of 18 August 2016 issued by the Assistant Minister for Cities and Digital Transformation.

This measure delivers on the Government's election commitment.

### Support for Traditional Land Owners to Control Their Land

Expense (\$m)

	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Prime Minister and Cabinet	-	-	-	-	-

The Government will provide \$1.0 million over four years from 2016-17 to the Aboriginal Land Commissioner to assist with the resolution of outstanding land claims in the Northern Territory.

The Government will provide funding to traditional owners of Aboriginal land in the Northern Territory to pursue local decision making through delegations of Land Council functions or community-led township leases.

The cost of this measure will be met from within the existing resources of the Department of the Prime Minister and Cabinet’s *Indigenous Advancement Strategy*.

This measure delivers on the Government’s election commitment.

### Trusted Digital Identity — funding for second pass business case

Expense (\$m)

	2015-16	2016-17	2017-18	2018-19	2019-20
Digital Transformation Agency	-	-	-	-	-
Department of the Prime Minister and Cabinet	-	-	-	-	-
Total — Expense	-	-	-	-	-

The Government will provide \$16.8 million in 2016-17 to undertake a trial solution and complete a second pass business case for options for a trusted digital identity solution. This includes \$6.8 million provided direct to the Digital Transformation Agency (DTA) and \$10.0 million to the Department of the Prime Minister and Cabinet to reimburse funds provided to the DTA for this proposal in 2016-17.

Funding for this measure has already been provided for by the Government.

## SOCIAL SERVICES

### Better Management of the Social Welfare System

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Human Services	-	46.3	179.3	142.1	130.5
Administrative Appeals Tribunal	-	0.1	11.0	10.8	10.8
Department of Social Services	-	-	-1,732.4	-1,472.0	-1,143.3
Total — Expense	-	46.4	-1,542.1	-1,319.0	-1,002.1
<i>Related capital (\$m)</i>					
<i>Department of Human Services</i>	-	41.1	23.8	8.6	1.6

The Government will achieve savings of \$3.7 billion (\$2.1 billion in underlying cash terms) over four years from 2016-17 by expanding the Department of Human Services' (DHS) fraud prevention and debt recovery capability.

From 1 January 2017, DHS will implement a package of initiatives to enhance the integrity of social welfare payments, including expanding and extending data matching activities with the Australian Taxation Office and improving engagement with welfare recipients to ensure that they understand and meet their obligations.

This measure extends and expands the 2015-16 MYEFO package of measures titled *Enhanced Welfare Payment Integrity*.

This measure delivers on the Government's election commitment.

### Budget Savings (Omnibus) Bill — amendments

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Human Services	-	8.5	4.1	-2.0	-2.1
Australian Renewable Energy Agency	-	-	150.0	168.0	235.0
Administrative Appeals Tribunal	-	-	0.2	0.6	1.1
Department of Health	-	-2.4	-0.1	2.9	2.8
Department of Social Services	-	-433.2	-318.6	-99.7	-95.2
Total — Expense	-	-427.1	-164.4	69.8	141.6

The Government will achieve additional savings of \$380.1 million over four years from 2016-17 through policy amendments which secured the passage of the *Budget Savings (Omnibus) Bill 2016* (the Omnibus Bill), including:

- additional savings of \$643.3 million over four years from 2016-17 by ceasing the Family Tax Benefit (FTB) Part A end-of-year supplement for families with a household income in excess of \$80,000 per year from 1 July 2016;
- additional savings of \$326.7 million over four years from 2016-17 by not increasing the maximum rate of FTB Part B by \$1,000.10 for families with a youngest child aged under one year;
- restoring \$553.0 million over three years from 2017-18 (\$800.0 million over five years) for the Australian Renewable Energy Agency; and
- not proceeding with the 2014-15 MYEFO measure titled *Cessation of Social Security Benefits for Certain People Confined in a Psychiatric Institution* at a cost of \$36.9 million over four years.

Further information can be found in the joint press release of 13 September 2016 issued by the Treasurer and the Minister for Finance.

### Children and Parenting Support Services — continuation

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Social Services	-	-	10.0	-	-

The Government will provide \$10.0 million in 2017-18 to continue the delivery of Children and Parenting Support Services to children and families, including those affected by domestic violence, culturally and linguistically diverse families and Indigenous families.



**Digital Literacy for Older Australians**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Communications and Media Authority	-	1.2	4.9	5.4	5.4
Department of Social Services	-	0.6	24.8	2.5	2.5
Total — Expense	-	1.8	29.6	7.9	7.9

The Government will provide \$47.2 million over four years from 2016-17 to implement an older Australians digital inclusion and online safety strategy to support, coach and teach older Australians to improve their skills and confidence in using digital technology. This will assist older Australians to take advantage of new technology and to access government and business services, which are increasingly moving online.

This measure delivers on the Government's election commitment.

**Disability Employment Services — increasing employment projects**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Social Services	-	-	-	-	-

The Government will provide \$7.2 million over two years from 2016-17 to trial initiatives to increase employer demand for people with a disability. Initiatives will include grants to support innovative disability employment projects.

The Government will also provide \$1.0 million in 2016-17 to support the development of a new Disability Employment Services framework to commence when the current arrangements expire in March 2018.

The cost of this measure will be met from within the existing resources of the Department of Social Services.

**Extending Existing Freezes on Certain Family Payment Thresholds**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Human Services	-	0.6	..	-0.5	-1.0
Department of Health	-	-	-	-	-0.6
Department of Social Services	-	-	-19.9	-47.1	-99.1
Total — Expense	-	0.6	-19.9	-47.6	-100.8
<i>Related revenue (\$m)</i>					
<i>Australian Taxation Office</i>	-	..	..	-2.0	-4.0

The Government will achieve savings of \$161.7 million over four years from 2016-17 by maintaining the higher income thresholds of family payments at their current levels until 30 June 2020.

The higher income free area of Family Tax Benefit (FTB) Part A will be maintained at \$94,316 per year, the primary earner income limit of FTB Part B will be maintained at \$100,000 per year, and the income limit for the Paid Parental Leave scheme, which includes Parental Leave Pay and Dad and Partner Pay, will be maintained at \$150,000 per year. Indexation for these thresholds will resume on 1 July 2020.

This measure extends the 2013-14 Budget measure titled *Family Payments Reform – continuing indexation pauses on upper income limits and supplements* and the 2015-16 MYEFO measure titled *Maintain the Higher Income Free Threshold for Family Tax Benefit Part A for a Further Two Years*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

### Forced Adoption Support Services — continuation

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Social Services	-	-	1.4	1.4	1.4

The Government will provide \$5.7 million over four years from 2017-18 (including \$1.5 million in 2020-21) to continue the delivery of *Forced Adoption Support Services*, which provide specialist services to support people adversely affected by past forced adoption practices and policies.

### Income Stream — automated reviews

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Human Services	-	0.3	3.6	-1.5	-0.8
Department of Social Services	-	-	-5.3	-17.9	-18.3
Total — Expense	-	0.3	-1.8	-19.4	-19.1
<i>Related capital (\$m)</i>					
<i>Department of Human Services</i>	-	-	1.8	-	-

The Government will achieve savings of \$38.1 million over four years from 2016-17 by automating the process to collect income stream information by the Department of Human Services, which will improve the accuracy and efficiency of Australia's social security system and reduce the regulatory burden on income stream providers (primarily financial institutions) and recipients of social security payments.

From 1 January 2018, a six monthly electronic data collection process will be introduced for income stream information from financial service providers.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

**National Disability Insurance Scheme — more flexible Commonwealth funding arrangements**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Social Services	-	2.3	-	-	-
Department of Health	-	0.1	-	-	-
Department of Finance	-	..	..	..	..
National Disability Insurance Agency	-	-6.0	-	-	-
<b>Total — Expense</b>	-	-3.6	..	..	..
<i>Related revenue (\$m)</i>					
Department of Finance	-	-0.1	-0.1	-0.1	..
National Disability Insurance Agency	-	-3.6	-	-	-
<b>Total — Revenue</b>	-	-3.7	-0.1	-0.1	..

The Government will reallocate \$2.4 million and a further \$3.6 million in in-kind contributions in 2016-17 from the *National Disability Insurance Scheme* (NDIS) to existing Commonwealth disability programs to ensure ongoing services for people who have not yet transitioned into the NDIS.

**National Partnership Agreement on Homelessness — extension**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Treasury	-	-	115.0	-	-
Department of Social Services	-	-	-	-	-
<b>Total — Expense</b>	-	-	115.0	-	-

The Government will provide \$115.0 million in 2017-18 to extend the *National Partnership Agreement on Homelessness* to 30 June 2018. The extension will provide certainty to homelessness services and enable these services to continue to support Australia’s vulnerable homeless population.

The Government will continue to ensure that funding priority is given to those service providers who are assisting women and children who are homeless or at risk of homelessness and affected by domestic violence.

**Pension Supplement — changes to the payment of the Pension Supplement for permanent departures overseas and temporary absences**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Human Services	-	2.2	0.2	0.1	0.1
Department of Veterans' Affairs	-	..	-0.2	-0.2	-0.2
Department of Social Services	-	-	-41.0	-42.0	-43.1
Total — Expense	-	2.3	-40.9	-42.0	-43.1
<i>Related capital (\$m)</i>					
<i>Department of Veterans' Affairs</i>	-	0.1	..	-	-

The Government will achieve savings of \$123.6 million over four years from 2016-17 by no longer paying the Pension Supplement to recipients who permanently reside overseas or who have been absent from Australia on a temporary basis for six weeks or longer. This recognises that the intent of the Pension Supplement is to assist with specific cost of living pressures for pensioners living in Australia. This measure will commence from 1 July 2017.

**Regional and Remote Student Access to Education — additional support**

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Social Services	-	1.6	15.4	31.8	39.0
Department of Human Services	-	1.0	2.0	1.2	1.3
Total — Expense	-	2.6	17.4	33.0	40.4

The Government will provide \$93.4 million over four years from 2016-17 to increase support to regional and remote students.

Funding of \$81.1 million will be provided to enable a reduction in the period students from regional and remote locations need to be employed to meet the independence criteria for Youth Allowance and ABSTUDY Living Allowance, from 18 months to 14 months. In addition, \$12.2 million will be provided over four years to increase the Assistance for Isolated Children Additional Boarding Allowance and the ABSTUDY School Fees Allowance (Group 2) by 50 per cent.

This measure delivers on the Government's election commitment.

### Seasonal Work Incentives for Job Seekers — trial

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Employment	-	1.1	4.1	4.2	0.1
Department of Human Services	-	1.0	1.5	1.5	0.2
Department of Social Services	-	-	6.2	6.6	-
Total — Expense	-	2.1	11.8	12.3	0.3
<i>Related capital (\$m)</i>					
<i>Department of Employment</i>	-	1.1	-	-	-

The Government will provide \$27.5 million for a two year trial of incentives for eligible job seekers to undertake seasonal work, commencing from 1 July 2017.

The incentives will include being able to earn up to \$5,000 each year from seasonal work without any reduction in unemployment benefits, and a travel allowance of up to \$300 a year. Eligible job seekers will be required to have been on unemployment benefits for at least three months and engaged in approved horticultural work located over 120 kilometres from their place of residence.

### Welfare Payment Infrastructure Transformation — Tranche Two

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Human Services	-	-	-	-	-
Department of Finance	-	-	-	-	-
Total — Expense	-	-	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Human Services</i>	-	-	-	-	-

The Government will provide \$313.5 million over four years from 2016-17 (including \$55.3 million in capital funding in 2016-17 and 2017-18) to progress Tranche Two of the *Welfare Payment Infrastructure Transformation (WPIT)* program. WPIT will progressively replace Centrelink’s ageing technology platform.

Tranche Two will transform the delivery of payments to students by implementing more efficient and automated claim and assessment processes and will develop core system capability, including a new omni-channel user interface, segmentation and risk profiling.

Funding for this measure has already been provided for by the Government.

This measure builds on the 2015-16 Budget measure titled *Welfare Payment Infrastructure Transformation (WPIT) – Tranche One*.

## TREASURY

### Affordable Housing Implementation Taskforce — establishment

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Treasury	-	nfp	-	-	-

The Government will establish an Affordable Housing Implementation Taskforce (the Taskforce). The Taskforce will investigate ways to harness private sector investment through the design of a bond aggregator that would source funds in aggregate from wholesale markets and issue bonds to investors.

Further information can be found in the press release of 2 December 2016 issued by the Treasurer.

### Australian Housing and Urban Research Institute — extension of funding and transfer of policy responsibility

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Treasury	-	-	1.4	-	-

The Government will provide \$1.4 million in 2017-18 to extend funding for the Australian Housing and Urban Research Institute (AHURI) for a further 12 months.

The Government will also transfer policy responsibility for AHURI to the Treasury portfolio from the Social Services portfolio from 1 July 2017. This transfer will better support the Government's work with the states and territories on policies to improve housing supply and urban planning through the Council on Federal Financial Relations and reflects the wider economic importance of housing policy.

### Black Economy Taskforce — establishment

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Treasury	-	1.1	0.5	-	-

The Government will provide \$1.6 million over two years from 2016-17 to establish a taskforce to develop a whole-of-government strategy and policy agenda to counter economic activity that is unreported and untaxed (black economy activity). The taskforce will examine whether new responses to the black economy are required in light of technological and economic changes.

Further information can be found in the press release of 14 December 2016 issued by the Minister for Revenue and Financial Services.

### International Blockchain Standards — development

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Treasury	-	0.2	0.1	0.1	0.1

The Government will provide a grant of \$0.4 million over four years from 2016-17 to Standards Australia to develop international blockchain standards that will provide a common language for industry, policy makers, regulators and technology developers.

Further information can be found in the press release of 15 September 2016 issued by the Treasurer.

### Professional Standards for Financial Advisers

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of the Treasury	-	2.3	4.0	4.2	4.5
<i>Related revenue (\$m)</i>					
<i>Department of the Treasury</i>	-	2.3	4.0	4.2	4.5

The Government will establish an independent standards body, as a Commonwealth company, to govern the professional standards of the financial advice industry as part of the Government's commitment to raise educational, training and ethical standards of financial advisors. The body will be fully funded by industry.

Further information can be found in the press release of 17 October 2016 issued by the Minister for Revenue and Financial Services.

### SuperStream Program — Gateway Network Governance Body

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-	-	0.6	0.7
<i>Related revenue (\$m)</i>					
<i>Australian Prudential Regulation Authority</i>	-	-	-	0.6	0.7

The Government will provide \$2.0 million over three years from 2018-19 to the SuperStream Gateway Network Governance Body (GNGB). The GNGB is an industry body formed to assume responsibility from the Australian Taxation Office (ATO) for governance of the gateway infrastructure that facilitates transmission of SuperStream data messages by funds and employers. This funding will be provided to the GNGB through the ATO.

The cost of this measure will be recovered through the existing Superannuation Supervisory levy, collected by the Australian Prudential Regulation Authority, starting from 1 July 2018.

### Transfer of Campaign Funding — Australian Taxation Office

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-	-8.0	-0.1	-

The Government will achieve savings of \$8.1 million over two years from 2017-18 by not proceeding with the information campaign element of the 2015-16 Budget measure titled *Reducing red tape – reforms to the Australian Taxation Office*.

The savings from this measure will be redirected by the Government to fund policy priorities.

### Working Holiday Makers — employer register and compliance

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Tourism Australia	-	2.5	5.0	2.5	-
Australian Taxation Office	-	2.0	2.0	-	-
Office of the Fair Work Ombudsman	-	1.5	1.5	1.5	1.5
Total — Expense	-	6.0	8.5	4.0	1.5

The Government will provide \$10.0 million over four years from 2016-17 to establish a register of working holiday maker employers to assist with ongoing compliance initiatives and to address workplace exploitation of working holiday makers. An additional \$10.0 million will be provided over three years from 2016-17 for a global youth-targeted campaign to ensure Australia continues to be an attractive destination for working holiday makers.

This measure forms part of the Government’s *Working Holiday Maker Reform Package*.



## VETERANS' AFFAIRS

### Repatriation Pharmaceutical Benefits Scheme — new listings and price amendments

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Veterans' Affairs	-	-	-	-	-

The Government will provide \$0.1 million over four years from 1 January 2017 for new listings on the *Repatriation Schedule of Pharmaceutical Benefits* (the Schedule) and for price amendments for a range of medicines, which are already listed on the Schedule.

The new listings and price amendments have been recommended by the Repatriation Pharmaceutical Reference Committee, which advises on the clinical appropriateness of items to be made available under the Repatriation Pharmaceutical Benefits Scheme (RPBS).

The RPBS was established to meet the specific clinical needs of veterans with health conditions arising from war or military service.

The cost of this measure will be met from within the existing resources of the Department of Veterans' Affairs.

### Support for Veterans and Their Families

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Veterans' Affairs	-	1.9	4.5	4.4	3.3

The Government will provide \$14.1 million over four years from 2016-17 to support current and future veterans and their families. This includes:

- \$6.0 million to Phoenix Australia to establish the Centenary of ANZAC Centre to work with ex-service organisations and practitioners on veterans' mental health issues;
- \$3.1 million to extend access to the *Veterans and Veterans' Families Counselling Service* for high risk groups and their families;
- \$3.3 million as grants to ex-service organisations and other community organisations for a range of projects that engage and support younger veterans, particularly with their transition to civilian life;
- \$0.6 million to establish a Female Veterans' Policy Forum to better support Australia's growing female veteran community; and

*Appendix A: Policy decisions taken since the 2016 PEFO*

- \$1.1 million to increase the amount veterans can be reimbursed for obtaining medical reports to support their application to the Veterans' Review Board from the current \$467.50 to up to \$1,000.

This measure delivers on the Government's election commitment.

# Capital Measures

**Table 3: Capital measures since the 2016 PEFO<sup>(a)</sup>**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>AGRICULTURE AND WATER RESOURCES</b>					
	<i>Australian Pesticides and Veterinary Medicines Authority</i>					
133	Relocation of the Australian Pesticides and Veterinary Medicines Authority(b)	-	0.1	-	-	-
	<i>Department of Agriculture and Water Resources</i>					
129	Biosecurity Integrated Information System(b)	-	-	-	-	-
131	Dairy Industry Assistance Package(b)	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>0.1</b>	-	-	-
	<b>ATTORNEY-GENERAL'S</b>					
	<i>Australian Crime Commission</i>					
136	Keeping Illegal Guns off our Streets and our Communities Safe(b)	-	-	-	-	-
	<i>Australian Federal Police</i>					
135	Enhanced Protective Security Arrangements — law enforcement agencies — further funding(b)	-	7.0	19.9	-	-
136	Keeping Illegal Guns off our Streets and our Communities Safe(b)	-	2.5	0.7	-	-
	<b>Portfolio total</b>	-	<b>9.6</b>	<b>20.6</b>	-	-
	<b>COMMUNICATIONS AND THE ARTS</b>					
	<i>Australian Communications and Media Authority</i>					
103	Regional Broadband Scheme(c)	-	0.4	0.1	-	-
	<b>Portfolio total</b>	-	<b>0.4</b>	<b>0.1</b>	-	-
	<b>DEFENCE</b>					
	<i>Department of Defence</i>					
204	Australia-Singapore Comprehensive Strategic Partnership — military training and training area development in Australia	-	-	-	-	-
142	Management of Per- and Poly-Fluorinated Alkyl Substances at Defence bases(b)	-	-	-	-	-
	<b>Portfolio total</b>	-	-	-	-	-
	<b>EDUCATION AND TRAINING</b>					
	<i>Department of Education and Training</i>					
148	VET Student Loans — establishment(b)	-	0.6	-	-	-
	<b>Portfolio total</b>	-	<b>0.6</b>	-	-	-

**Table 3: Capital measures since the 2016 PEFO<sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>EMPLOYMENT</b>					
	<i>Department of Employment</i>					
195	Seasonal Work Incentives for Job Seekers — trial(b)	-	1.1	-	-	-
	<b>Portfolio total</b>	-	<b>1.1</b>	-	-	-
	<b>ENVIRONMENT AND ENERGY</b>					
	<i>Bureau of Meteorology</i>					
130	Commonwealth Water Functions(b)	-	-	6.5	6.8	3.0
	<i>Department of the Environment and Energy</i>					
154	Green Army Program — termination(b)	-	-	4.4	11.7	10.1
	<i>Great Barrier Reef Marine Park Authority</i>					
154	Green Army Program — termination(b)	-	0.3	1.0	1.3	1.0
	<b>Portfolio total</b>	-	<b>0.3</b>	<b>11.9</b>	<b>19.8</b>	<b>14.1</b>
	<b>FINANCE</b>					
	<i>Department of Finance</i>					
159	Third Electorate Office for Large Electorates(b)	-	2.4	-	-	-
	<b>Portfolio total</b>	-	<b>2.4</b>	-	-	-
	<b>HEALTH</b>					
	<i>Australian Radiation Protection and Nuclear Safety Agency</i>					
170	Radiation Oncology Health Program Grants Scheme — efficiencies	-	-	5.0	-	-
	<i>Australian Sports Commission</i>					
174	Sporting Schools Program — extension(b)	-	-	1.1	-	-
	<i>Department of Health</i>					
163	Aged Care Provider Funding — addressing growth in residential aged care(b)	-	0.1	-	-	-
142	Management of Per- and Poly-Fluorinated Alkyl Substances at Defence bases(b)	-	-	-	-	-
174	Specialist Dementia Care Units — establishment(b)	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>0.1</b>	<b>6.1</b>	-	-
	<b>IMMIGRATION AND BORDER PROTECTION</b>					
	<i>Department of Immigration and Border Protection</i>					
177	Emerging International Airports — Canberra(b)	-	-	-	-	-
177	International Settlement Strategy — enhanced border protection measures and resettlement of refugees(b)	-	0.3	-	-	-
	<b>Portfolio total</b>	-	<b>0.3</b>	-	-	-

**Table 3: Capital measures since the 2016 PEFO<sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>SOCIAL SERVICES</b>					
	<i>Department of Human Services</i>					
189	Better Management of the Social Welfare System(b)	-	41.1	23.8	8.6	1.6
192	Income Stream — automated reviews(b)	-	-	1.8	-	-
172	Revised Arrangements for Commonwealth Dental Funding(b)	-	..	..	..	..
174	Specialist Dementia Care Units — establishment(b)	-	-	-	-	-
195	Welfare Payment Infrastructure Transformation — Tranche Two(b)	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>41.1</b>	<b>25.6</b>	<b>8.6</b>	<b>1.6</b>
	<b>TREASURY</b>					
	<i>Australian Taxation Office</i>					
113	Tax integrity — improve the transparency of taxation debts(c)	-	0.4	-	-	-
	<b>Portfolio total</b>	-	<b>0.4</b>	-	-	-
	<b>VETERANS' AFFAIRS</b>					
	<i>Department of Veterans' Affairs</i>					
194	Pension Supplement — changes to the payment of the Pension Supplement for permanent departures overseas and temporary absences(b)	-	0.1	..	-	-
174	Specialist Dementia Care Units — establishment(b)	-	0.2	-	-	-
	<b>Portfolio total</b>	-	<b>0.3</b>	<b>..</b>	<b>-</b>	<b>-</b>
	<b>Decisions taken but not yet announced</b>	-	<b>5.3</b>	<b>9.4</b>	<b>3.9</b>	<b>-</b>
	<b>Depreciation expense</b>	-	<b>..</b>	<b>-9.6</b>	<b>-24.1</b>	<b>-25.3</b>
	<b>Total capital measures(d)</b>	-	<b>61.9</b>	<b>64.2</b>	<b>8.3</b>	<b>-9.6</b>

\* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

(a) A minus sign before an estimate indicates a reduction in capital, no sign before an estimate indicates increased capital.

(b) These measures can also be found in the expense measures summary table.

(c) These measures can also be found in the revenue measures summary table.

(d) Measures may not add due to rounding.

## DEFENCE

### Australia-Singapore Comprehensive Strategic Partnership — military training and training area development in Australia

Capital (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Defence	-	-	-	-	-
<i>Related expense (\$m)</i>					
<i>Department of Defence</i>	-	-	-	-	-

The Government has signed a *Memorandum of Understanding Concerning Military Training and Training Area Development in Australia* (MoU) with the Government of the Republic of Singapore. The MoU will set the conditions for upgrading the Shoalwater Bay Training Area and Townsville Field Training Area, and deliver enhanced training outcomes for both the Singapore Armed Forces and the Australian Defence Force.

Under these arrangements Australia will own and have access to all the new and upgraded facilities, and the Singapore Armed Forces will have access to the facilities for up to 18 weeks a year for training purposes for a period of 25 years.

Development and capital expenditure of \$2.25 billion from 2016-2026 will be met by the Singapore Government.

Further information can be found in the press release of 12 October 2016 issued by the Minister for Defence.

# APPENDIX B: AUSTRALIAN GOVERNMENT BUDGET FINANCIAL STATEMENTS

Consistent with the *Charter of Budget Honesty Act 1998* (the Charter), the Government has produced a single set of financial statements for the Australian Government general government sector (GGS), the public non-financial corporations (PNFC) sector, the total non-financial public sector (NFPS) and the public financial corporations (PFC) sector. The financial statements comply with both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), with departures disclosed. These statements are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance);
- a balance sheet, which also shows net worth, net financial worth, net financial liabilities and net debt; and
- a cash flow statement, which includes the calculation of the underlying cash balance.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS.

The statements reflect the policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

The Australian, state and territory governments have an agreed framework – the Uniform Presentation Framework (UPF) – for the presentation of government financial information on a basis broadly consistent with the Australian Accounting Standards Board standard AASB 1049. The financial statements are consistent with the requirements of the UPF.

In accordance with the UPF requirements, this appendix also contains an update of the Australian Loan Council Allocation.

## AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

**Table B1: Australian Government general government sector operating statement**

	Note	Estimates		Projections	
		2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Revenue</b>					
Taxation revenue	3	386,345	412,842	439,780	467,206
Sales of goods and services	4	8,905	11,737	15,434	16,614
Interest income	5	3,771	4,322	5,142	6,168
Dividend income	5	2,687	3,294	3,662	4,016
Other	6	9,404	9,028	9,043	8,695
<b>Total revenue</b>		<b>411,112</b>	<b>441,223</b>	<b>473,062</b>	<b>502,699</b>
<b>Expenses</b>					
Gross operating expenses					
Wages and salaries(a)	7	20,060	19,858	19,961	20,279
Superannuation	7	9,720	4,585	4,652	4,682
Depreciation and amortisation	8	7,855	8,066	8,500	9,077
Supply of goods and services	9	87,762	89,050	96,062	99,868
Other operating expenses(a)	7	5,572	5,537	5,636	5,733
<i>Total gross operating expenses</i>		<i>130,969</i>	<i>127,097</i>	<i>134,811</i>	<i>139,638</i>
Superannuation interest expense	7	8,446	10,445	10,809	11,179
Interest expenses	10	17,637	18,935	19,977	20,797
Current transfers					
Current grants	11	135,615	146,476	159,703	166,880
Subsidy expenses		13,509	14,213	15,242	16,486
Personal benefits	12	129,749	130,251	133,928	141,875
<i>Total current transfers</i>		<i>278,873</i>	<i>290,939</i>	<i>308,873</i>	<i>325,240</i>
Capital transfers					
Mutually agreed write-downs	11	1,479	1,509	1,601	1,693
Other capital grants		11,239	11,457	7,561	5,428
<i>Total capital transfers</i>		<i>12,718</i>	<i>12,966</i>	<i>9,162</i>	<i>7,121</i>
<b>Total expenses</b>		<b>448,642</b>	<b>460,382</b>	<b>483,632</b>	<b>503,975</b>
<b>Net operating balance</b>		<b>-37,530</b>	<b>-19,159</b>	<b>-10,571</b>	<b>-1,276</b>
<b>Other economic flows - included in operating result</b>					
Net write-downs of assets					
(including bad and doubtful debts)		-8,178	-8,984	-9,084	-9,033
Assets recognised for the first time		328	285	287	289
Liabilities recognised for the first time		0	0	0	0
Actuarial revaluations		-8	-1	-8	-12
Net foreign exchange gains		-187	88	120	27
Net swap interest received		45	0	0	0
Market valuation of debt		24,243	1,030	959	743
Other gains/(losses)		4,558	6,737	5,925	6,097
<b>Total other economic flows - included in operating result</b>		<b>20,801</b>	<b>-845</b>	<b>-1,802</b>	<b>-1,889</b>
<b>Operating result(b)</b>		<b>-16,728</b>	<b>-20,004</b>	<b>-12,372</b>	<b>-3,165</b>



**Table B1: Australian Government general government sector operating statement (continued)**

	Note	Estimates		Projections	
		2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Non-owner movements in equity</b>					
Revaluation of equity investments		-4,846	31	49	0
Actuarial revaluations		1,665	-66	-99	-146
Other economic revaluations		175	-190	-209	195
<b>Total other economic flows - included in equity</b>		<b>-3,006</b>	<b>-225</b>	<b>-259</b>	<b>49</b>
<b>Comprehensive result - Total change in net worth</b>		<b>-19,734</b>	<b>-20,229</b>	<b>-12,631</b>	<b>-3,117</b>
<b>Net operating balance</b>		<b>-37,530</b>	<b>-19,159</b>	<b>-10,571</b>	<b>-1,276</b>
<b>Net acquisition of non-financial assets</b>					
Purchases of non-financial assets		12,284	12,913	13,575	14,372
<i>less</i> Sales of non-financial assets		897	2,015	512	240
<i>less</i> Depreciation		7,855	8,066	8,500	9,077
<i>plus</i> Change in inventories		421	296	171	108
<i>plus</i> Other movements in non-financial assets		0	-8	-7	-2
<b>Total net acquisition of non-financial assets</b>		<b>3,953</b>	<b>3,119</b>	<b>4,727</b>	<b>5,161</b>
<b>Fiscal balance (Net lending/borrowing)(c)</b>		<b>-41,482</b>	<b>-22,278</b>	<b>-15,298</b>	<b>-6,437</b>

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) Operating result under AAS.

(c) The term fiscal balance is not used by the ABS.

**Table B2: Australian Government general government sector balance sheet**

	Note	Estimates		Projections	
		2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Assets</b>					
<b>Financial assets</b>					
Cash and deposits		2,942	2,978	3,690	3,960
Advances paid	13	59,987	78,107	92,613	103,370
Investments, loans and placements	14	177,400	176,043	179,529	187,842
Other receivables	13	47,959	50,572	53,160	54,794
<b>Equity investments</b>					
Investments in other public sector entities		51,944	52,153	52,568	52,921
Equity accounted investments		299	309	319	329
Investments - shares		43,343	46,347	49,686	53,413
<b>Total financial assets</b>		<b>383,874</b>	<b>406,510</b>	<b>431,566</b>	<b>456,629</b>
<b>Non-financial assets</b>					
Land	15	10,613	10,605	10,640	10,664
Buildings		25,982	26,554	27,032	27,596
Plant, equipment and infrastructure		73,645	77,295	81,207	85,514
Inventories		8,499	8,274	7,908	7,470
Intangibles		8,097	8,532	8,985	9,257
Investment properties		164	164	164	164
Biological assets		49	49	49	49
Heritage and cultural assets		11,413	11,362	11,310	11,257
Assets held for sale		227	161	161	161
Other non-financial assets		112	104	96	94
<b>Total non-financial assets</b>		<b>138,801</b>	<b>143,099</b>	<b>147,553</b>	<b>152,225</b>
<b>Total assets</b>		<b>522,675</b>	<b>549,609</b>	<b>579,118</b>	<b>608,854</b>
<b>Liabilities</b>					
<b>Interest bearing liabilities</b>					
Deposits held		217	217	217	217
Government securities		540,184	583,400	618,144	642,465
Loans	16	15,455	14,903	14,889	14,809
Other borrowing		1,666	1,617	1,565	1,512
<b>Total interest bearing liabilities</b>		<b>557,522</b>	<b>600,137</b>	<b>634,815</b>	<b>659,003</b>
<b>Provisions and payables</b>					
Superannuation liability	17	175,047	181,487	187,969	194,476
Other employee liabilities	17	18,638	18,953	19,331	19,746
Suppliers payable	18	6,358	6,329	6,400	6,379
Personal benefits provisions and payables	18	12,677	12,237	12,815	13,457
Subsidies provisions and payables	18	931	1,203	1,512	1,884
Grants provisions and payables	18	11,710	11,004	10,507	11,012
Other provisions and payables	18	20,513	19,207	19,350	19,593
<b>Total provisions and payables</b>		<b>245,874</b>	<b>250,421</b>	<b>257,883</b>	<b>266,548</b>
<b>Total liabilities</b>		<b>803,396</b>	<b>850,559</b>	<b>892,699</b>	<b>925,551</b>
<b>Net worth(a)</b>		<b>-280,721</b>	<b>-300,950</b>	<b>-313,580</b>	<b>-316,697</b>
<i>Net financial worth(b)</i>		<i>-419,522</i>	<i>-444,049</i>	<i>-461,133</i>	<i>-468,923</i>
<i>Net financial liabilities(c)</i>		<i>471,466</i>	<i>496,201</i>	<i>513,701</i>	<i>521,844</i>
<i>Net debt(d)</i>		<i>317,193</i>	<i>343,009</i>	<i>358,983</i>	<i>363,832</i>

(a) Net worth is calculated as total assets minus total liabilities.

(b) Net financial worth equals total financial assets minus total liabilities.

(c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.

(d) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

**Table B3: Australian Government general government sector cash flow statement<sup>(a)</sup>**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Cash receipts from operating activities</b>				
Taxes received	378,756	403,601	429,340	457,373
Receipts from sales of goods and services	8,766	11,698	15,358	16,538
Interest receipts	2,990	3,166	3,521	4,046
Dividends and income tax equivalents	5,828	3,370	3,517	3,895
Other receipts	8,673	8,823	8,421	7,948
<b>Total operating receipts</b>	<b>405,013</b>	<b>430,658</b>	<b>460,157</b>	<b>489,800</b>
<b>Cash payments for operating activities</b>				
Payments for employees	-28,259	-28,509	-29,033	-29,735
Payments for goods and services	-87,328	-89,026	-95,868	-99,675
Grants and subsidies paid	-159,698	-170,286	-179,539	-185,136
Interest paid	-15,377	-16,520	-17,796	-18,731
Personal benefit payments	-132,884	-134,046	-135,609	-142,989
Other payments	-5,235	-5,189	-5,245	-5,337
<b>Total operating payments</b>	<b>-428,781</b>	<b>-443,574</b>	<b>-463,089</b>	<b>-481,603</b>
<b>Net cash flows from operating activities</b>	<b>-23,768</b>	<b>-12,916</b>	<b>-2,932</b>	<b>8,196</b>
<b>Cash flows from investments in non-financial assets</b>				
Sales of non-financial assets	2,337	575	512	240
Purchases of non-financial assets	-12,282	-12,932	-13,679	-14,555
<b>Net cash flows from investments in non-financial assets</b>	<b>-9,945</b>	<b>-12,357</b>	<b>-13,167</b>	<b>-14,315</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-18,792</b>	<b>-19,947</b>	<b>-16,168</b>	<b>-11,787</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>				
Increase in investments	-27,724	2,581	-1,421	-5,596
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-27,724</b>	<b>2,581</b>	<b>-1,421</b>	<b>-5,596</b>
<b>Cash receipts from financing activities</b>				
Borrowing	82,682	46,278	38,075	26,897
Other financing	133	0	0	0
<b>Total cash receipts from financing activities</b>	<b>82,815</b>	<b>46,278</b>	<b>38,075</b>	<b>26,897</b>
<b>Cash payments for financing activities</b>				
Borrowing	0	0	0	0
Other financing	-3,281	-3,604	-3,675	-3,126
<b>Total cash payments for financing activities</b>	<b>-3,281</b>	<b>-3,604</b>	<b>-3,675</b>	<b>-3,126</b>
<b>Net cash flows from financing activities</b>	<b>79,533</b>	<b>42,674</b>	<b>34,400</b>	<b>23,771</b>
<b>Net increase/(decrease) in cash held</b>	<b>-696</b>	<b>36</b>	<b>712</b>	<b>270</b>

**Table B3: Australian Government general government sector cash flow statement (continued)<sup>(a)</sup>**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Net cash flows from operating activities and investments in non-financial assets (surplus(+)/deficit(-))</b>	<b>-33,713</b>	<b>-25,273</b>	<b>-16,099</b>	<b>-6,118</b>
Finance leases and similar arrangements(b)	0	0	0	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-33,713</b>	<b>-25,273</b>	<b>-16,099</b>	<b>-6,118</b>
less Net Future Fund earnings	2,801	3,422	3,612	3,874
<b>Equals underlying cash balance(c)</b>	<b>-36,514</b>	<b>-28,694</b>	<b>-19,711</b>	<b>-9,992</b>
plus Net cash flows from investments in financial assets for policy purposes	-18,792	-19,947	-16,168	-11,787
plus Net Future Fund earnings	2,801	3,422	3,612	3,874
<b>Equals headline cash balance</b>	<b>-52,505</b>	<b>-45,220</b>	<b>-32,267</b>	<b>-17,905</b>

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

(c) The term underlying cash balance is not used by the ABS.

**Table B4: Australian Government public non-financial corporations sector operating statement**

	Estimates
	2016-17
	\$m
<b>Revenue</b>	
Current grants and subsidies	122
Sales of goods and services	10,545
Interest income	45
Other	14
<b>Total revenue</b>	<b>10,726</b>
<b>Expenses</b>	
Gross operating expenses	
Wages and salaries(a)	4,161
Superannuation	512
Depreciation and amortisation	1,838
Supply of goods and services	6,915
Other operating expenses(a)	424
<i>Total gross operating expenses</i>	<i>13,852</i>
Interest expenses	509
Other property expenses	120
Current transfers	
Tax expenses	28
<i>Total current transfers</i>	<i>28</i>
<b>Total expenses</b>	<b>14,509</b>
<b>Net operating balance</b>	<b>-3,783</b>
<b>Other economic flows</b>	<b>-1,676</b>
<b>Comprehensive result - Total change in net worth excluding contribution from owners</b>	<b>-5,459</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	9,741
<i>less</i> Sales of non-financial assets	<i>306</i>
<i>less</i> Depreciation	<i>1,838</i>
<i>plus</i> Change in inventories	<i>78</i>
<i>plus</i> Other movements in non-financial assets	<i>-3</i>
<b>Total net acquisition of non-financial assets</b>	<b>7,672</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-11,455</b>

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.

**Table B5: Australian Government public non-financial corporations sector balance sheet**

	Estimates
	2016-17 \$m
<b>Assets</b>	
Financial assets	
Cash and deposits	2,872
Investments, loans and placements	130
Other receivables	1,664
Equity investments	3
<i>Total financial assets</i>	<i>4,669</i>
Non-financial assets	
Land and other fixed assets	35,711
Other non-financial assets(a)	241
<i>Total non-financial assets</i>	<i>35,952</i>
<b>Total assets</b>	<b>40,621</b>
<b>Liabilities</b>	
Interest bearing liabilities	
Deposits held	3
Advances received	286
Loans	2,023
Other borrowing	6,622
<i>Total interest bearing liabilities</i>	<i>8,934</i>
Provisions and payables	
Superannuation liability	191
Other employee liabilities	1,723
Other provisions and payables(a)	6,065
<i>Total provisions and payables</i>	<i>7,978</i>
<b>Total liabilities</b>	<b>16,912</b>
<b>Shares and other contributed capital</b>	<b>23,709</b>
<b>Net worth(b)</b>	<b>23,709</b>
<i>Net financial worth(c)</i>	<i>-12,243</i>
<i>Net debt(d)</i>	<i>5,932</i>

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(c) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(d) Net debt equals the sum of interest bearing liabilities (deposits held, advances received, loans and other borrowing), minus the sum of cash and deposits and investments, loans and placements.

**Table B6: Australian Government public non-financial corporations sector cash flow statement<sup>(a)</sup>**

	Estimates
	2016-17 \$m
<b>Cash receipts from operating activities</b>	
Receipts from sales of goods and services	11,570
GST input credit receipts	921
Other receipts	125
<b>Total operating receipts</b>	<b>12,616</b>
<b>Cash payments for operating activities</b>	
Payments to employees	-5,047
Payment for goods and services	-7,955
Interest paid	-479
GST payments to taxation authority	0
Other payments	-42
<b>Total operating payments</b>	<b>-13,524</b>
<b>Net cash flows from operating activities</b>	<b>-908</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	300
Purchases of non-financial assets	-8,102
<b>Net cash flows from investments in non-financial assets</b>	<b>-7,802</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>0</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	510
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>510</b>
<b>Net cash flows from financing activities</b>	
Borrowing (net)	-477
Other financing (net)	9,116
Distributions paid (net)	-125
<b>Net cash flows from financing activities</b>	<b>8,514</b>
<b>Net increase/(decrease) in cash held</b>	<b>314</b>
<b>Cash at the beginning of the year</b>	<b>2,558</b>
<b>Cash at the end of the year</b>	<b>2,872</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-8,710</b>
Distributions paid	-125
<b>Equals surplus(+)/deficit(-)</b>	<b>-8,835</b>
Finance leases and similar arrangements(b)	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-8,835</b>

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

**Table B7: Australian Government total non-financial public sector operating statement**

	Estimates
	2016-17
	\$m
<b>Revenue</b>	
Taxation revenue	386,317
Sales of goods and services	18,501
Interest income	3,798
Dividend income	2,567
Other	9,419
<b>Total revenue</b>	<b>420,601</b>
<b>Expenses</b>	
Gross operating expenses	
Wages and salaries(a)	24,222
Superannuation	10,232
Depreciation and amortisation	9,694
Supply of goods and services	93,729
Other operating expenses(a)	5,996
<i>Total gross operating expenses</i>	<i>143,872</i>
Superannuation interest expense	8,446
Interest expenses	18,127
Current transfers	
Current grants	135,615
Subsidy expenses	13,387
Personal benefits	129,749
<i>Total current transfers</i>	<i>278,751</i>
Capital transfers	12,718
<b>Total expenses</b>	<b>461,914</b>
<b>Net operating balance</b>	<b>-41,313</b>
<b>Other economic flows</b>	<b>19,818</b>
<b>Comprehensive result - Total change in net worth</b>	<b>-21,495</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	22,025
<i>less</i> Sales of non-financial assets	1,203
<i>less</i> Depreciation	9,694
<i>plus</i> Change in inventories	499
<i>plus</i> Other movements in non-financial assets	-3
<b>Total net acquisition of non-financial assets</b>	<b>11,625</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-52,938</b>

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.



**Table B8: Australian Government total non-financial public sector balance sheet**

	Estimates
	2016-17 \$m
<b>Assets</b>	
Financial assets	
Cash and deposits	5,814
Advances paid	59,700
Investments, loans and placements	177,531
Other receivables	49,500
Equity investments	69,866
<i>Total financial assets</i>	<i>362,411</i>
Non-financial assets	
Land and other fixed assets	165,862
Other non-financial assets	8,891
<i>Total non-financial assets</i>	<i>174,753</i>
<b>Total assets</b>	<b>537,164</b>
<b>Liabilities</b>	
Interest bearing liabilities	
Deposits held	221
Advances received	0
Government securities	540,184
Loans	17,478
Other borrowing	8,288
<i>Total interest bearing liabilities</i>	<i>566,170</i>
Provisions and payables	
Superannuation liability	175,238
Other employee liabilities	20,361
Other provisions and payables	58,131
<i>Total provisions and payables</i>	<i>253,729</i>
<b>Total liabilities</b>	<b>819,899</b>
<b>Shares and other contributed capital</b>	<b>23,709</b>
<b>Net worth(a)</b>	<b>-282,735</b>
<i>Net financial worth(b)</i>	<i>-457,488</i>
<i>Net debt(c)</i>	<i>323,125</i>

(a) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(b) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(c) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

**Table B9: Australian Government total non-financial public sector cash flow statement<sup>(a)</sup>**

	Estimates
	2016-17
	\$m
<b>Cash receipts from operating activities</b>	
Taxes received	378,737
Receipts from sales of goods and services	18,922
Interest receipts	3,023
Dividends and income tax equivalents	5,703
Other receipts	8,746
<b>Total operating receipts</b>	<b>415,132</b>
<b>Cash payments for operating activities</b>	
Payments to employees	-33,306
Payments for goods and services	-92,950
Grants and subsidies paid	-159,698
Interest paid	-15,837
Personal benefit payments	-132,884
Other payments	-5,259
<b>Total operating payments</b>	<b>-439,934</b>
<b>Net cash flows from operating activities</b>	<b>-24,801</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	2,637
Purchases of non-financial assets	-20,384
<b>Net cash flows from investments in non-financial assets</b>	<b>-17,747</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-9,341</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	-27,214
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-27,214</b>
<b>Net cash flows from financing activities</b>	
Borrowing (net)	82,205
Other financing (net)	-3,483
<b>Net cash flows from financing activities</b>	<b>78,722</b>
<b>Net increase/(decrease) in cash held</b>	<b>-382</b>
<b>Cash at the beginning of the year</b>	<b>6,196</b>
<b>Cash at the end of the year</b>	<b>5,814</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-42,548</b>
Distributions paid	0
<b>Equals surplus(+)/deficit(-)</b>	<b>-42,548</b>
Finance leases and similar arrangements(b)	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-42,548</b>

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

**Table B10: Australia Government public financial corporations sector operating statement**

	Estimates
	2016-17 \$m
<b>Revenue</b>	
Current grants and subsidies	150
Sales of goods and services	690
Interest income	2,000
Other	44
<b>Total revenue</b>	<b>2,884</b>
<b>Expenses</b>	
Gross operating expenses	
Wages and salaries(a)	150
Superannuation	76
Depreciation and amortisation	44
Supply of goods and services	504
Other operating expenses(a)	216
<i>Total gross operating expenses</i>	991
Interest expenses	1,010
Other property expenses	201
Current transfers	
Tax expenses	0
<i>Total current transfers</i>	0
<b>Total expenses</b>	<b>2,202</b>
<b>Net operating balance</b>	<b>682</b>
<b>Other economic flows</b>	<b>-1,776</b>
<b>Comprehensive result - Total change in net worth excluding contribution from owners</b>	<b>-1,094</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	1
<i>less</i> Sales of non-financial assets	65
<i>less</i> Depreciation	44
<i>plus</i> Change in inventories	-26
<i>plus</i> Other movements in non-financial assets	0
<b>Total net acquisition of non-financial assets</b>	<b>-135</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>817</b>

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.

**Table B11: Australian Government public financial corporations sector balance sheet<sup>(a)</sup>**

	Estimates
	2016-17 \$m
<b>Assets</b>	
Financial assets	
Cash and deposits	414
Investments, loans and placements	161,692
Other receivables	271
Equity investments	398
<i>Total financial assets</i>	<i>162,776</i>
Non-financial assets	
Land and other fixed assets	816
Other non-financial assets(b)	34
<i>Total non-financial assets</i>	<i>849</i>
<b>Total assets</b>	<b>163,625</b>
<b>Liabilities</b>	
Interest bearing liabilities	
Deposits held	130,054
Borrowing	6,539
<i>Total interest bearing liabilities</i>	<i>136,593</i>
Provisions and payables	
Superannuation liability	684
Other employee liabilities	1,441
Other provisions and payables(b)	1,225
<i>Total provisions and payables</i>	<i>3,350</i>
<b>Total liabilities</b>	<b>139,943</b>
<b>Shares and other contributed capital</b>	<b>23,682</b>
<b>Net worth(c)</b>	<b>23,682</b>
<i>Net financial worth(d)</i>	<i>22,833</i>
<i>Net debt(e)</i>	<i>-25,514</i>

(a) Assumes no valuation or currency movement.

(b) Excludes the impact of commercial taxation adjustments.

(c) Under AASB1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(d) Under AASB1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(e) Net debt equals the sum of deposits held and borrowing, minus the sum of cash and deposits and investments, loans and placements.

**Table B12: Australian Government public financial corporations sector cash flow statement<sup>(a)</sup>**

	Estimates
	2016-17 \$m
<b>Cash receipts from operating activities</b>	
Receipts from sales of goods and services	702
Grants and subsidies received	0
GST input credit receipts	5
Interest receipts	2,060
Other receipts	179
<b>Total operating receipts</b>	<b>2,946</b>
<b>Cash payments for operating activities</b>	
Payments to employees	-441
Payment for goods and services	-493
Interest paid	-1,033
GST payments to taxation authority	0
Other payments	-20
<b>Total operating payments</b>	<b>-1,987</b>
<b>Net cash flows from operating activities</b>	<b>959</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	65
Purchases of non-financial assets	0
<b>Net cash flows from investments in non-financial assets</b>	<b>65</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>0</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	-112
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-112</b>
<b>Net cash flows from financing activities</b>	
Borrowing (net)	0
Deposits received (net)	0
Other financing (net)	2,374
Distributions paid (net)	-3,285
<b>Net cash flows from financing activities</b>	<b>-911</b>
<b>Net increase/(decrease) in cash held</b>	<b>1</b>
<b>Cash at the beginning of the year</b>	<b>413</b>
<b>Cash at the end of the year</b>	<b>414</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>1,024</b>
Distributions paid	-3,285
<b>Equals surplus(+)/deficit(-)</b>	<b>-2,261</b>
Finance leases and similar arrangements(b)	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-2,261</b>

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increase the surplus or decreases the deficit.

## NOTES TO THE GENERAL GOVERNMENT SECTOR FINANCIAL STATEMENTS

### Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the Mid-Year Economic and Fiscal Outlook (MYEFO) be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for MYEFO reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework;<sup>1</sup> and
- the Australian Accounting Standards (AAS), issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards (IFRS) as adopted in Australia and the public sector specific standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS, except for departures disclosed at Note 2. A more detailed description of the AAS and ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Attachment A. Detailed accounting policies, as well as a set of notes and other disclosures, as required by AAS, are disclosed in the annual Consolidated Financial Statements.

Fiscal reporting focuses on the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, user charging and external funding. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated.

The Government's key fiscal aggregates are based on ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and the derivation of the underlying cash balance and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including net operating balance, net lending/borrowing (fiscal balance) and net worth. In addition to these ABS GFS

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1 The 2015 ABS GFS Manual will replace the current 2005 ABS GFS Manual for reporting from 1 July 2017. The 2015 ABS GFS Manual has been updated to incorporate the changes included by the International Monetary Fund outlined in its IMF GFS Manual 2014.

aggregates, the Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

AASB 1049 and the UPF also provide a basis for reporting of the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors and the total non-financial public sector (NFPS).

Explanations of major variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the 2016-17 Budget are disclosed in Part 3, with decisions taken since the 2016-17 Budget disclosed in Appendix A.

Updates to fiscal risks and contingent liabilities since the 2016-17 Budget are disclosed in Appendix C.

**Note 2: Departures from external reporting standards**

The Charter requires that departures from applicable external reporting standards be identified. The major differences between AAS and the ABS GFS treatments of transactions are outlined in Table B13.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to ABS GFS measurement of key fiscal aggregates, where different, in notes to the financial statements. Differences from the AAS measurement of items outlined above and reconciliation have not been included as they would effectively create different measures of the same aggregate.

Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

**Table B13: Major differences between AAS and ABS GFS**

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Circulating coins — seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Provisions for bad and doubtful debts	Reported in the balance sheet as an offset to assets. Under AASB 1049, it is included in the operating statement as other economic flows.	Creating provisions for bad and doubtful debts is not considered an economic event and is therefore not considered to be an expense or reflected in the balance sheet.	AAS
Advances to the International Development Association and Asian Development Fund	Recorded at fair value in the balance sheet.	Recorded at nominal value in the balance sheet.	ABS GFS
Concessional loans	Discounts concessional loans by a market rate of a similar instrument.	Does not discount concessional loans as no secondary market is considered to exist.	AAS
Investment in other public sector entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is permissible.	Unlisted entities valued based on their net assets in the balance sheet.	AAS
Provision for restoration, decommissioning and make-good	Included in the fiscal balance capital adjustment.	Excluded from the calculation of net lending capital adjustment.	AAS
Renewable Energy Certificates (RECs)	The issuance and registration of RECs is considered to be an administrative function and does not result in the recognition of assets or liabilities and, consequently, no revenues or expenses are recognised.	The issuance and registration of RECs is considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.	AAS
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS
Dividends paid by the Reserve Bank of Australia	Dividends are recognised in the year profit was earned.	Dividends are recognised when the Treasurer makes a determination.	AAS
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS



**Table B13: Major differences between AAS and ABS GFS (continued)**

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
<b>Fiscal aggregates differences</b>			
Finance leases	Does not deduct finance leases in the derivation of the cash surplus/deficit.	Deducts finance leases in the derivation of the cash surplus/deficit.	Both are disclosed
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Net financial worth of PNFC and PFC sectors	Calculated as financial assets less total liabilities.	Calculated as financial assets less total liabilities less shares and contributed capital.	AAS
<b>Classification differences</b>			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS
Spectrum sales	Recognise non-financial asset sales for fiscal balance when payment is made and the licences take effect, which may be after the auction of licences, as this is regarded as the point control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sales for fiscal balance at time of auction as this is regarded as the point control is transferred. Recognise cash at the time of receipt.	AAS

**Note 3: Taxation revenue by type**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Individuals and other withholding taxes				
Gross income tax withholding	180,680	190,320	202,850	215,550
Gross other individuals	46,700	48,560	51,560	55,450
<i>less</i> Refunds	28,900	29,550	31,250	32,000
Total individuals and other withholding tax	198,480	209,330	223,160	239,000
Fringe benefits tax	4,540	4,550	4,670	4,940
Company tax	68,700	78,600	84,100	88,800
Superannuation fund taxes	8,080	8,790	9,810	10,820
Petroleum resource rent tax(a)	920	890	890	900
<b>Income taxation revenue</b>	<b>280,720</b>	<b>302,160</b>	<b>322,630</b>	<b>344,460</b>
Goods and services tax	62,410	65,680	69,270	72,040
Wine equalisation tax	910	940	1,040	1,100
Luxury car tax	640	640	660	700
Excise and customs duty				
Petrol	6,210	6,410	6,710	7,030
Diesel	9,970	10,370	10,920	11,480
Other fuel products	1,940	1,940	1,970	2,030
Tobacco	10,670	11,440	12,680	13,810
Beer	2,400	2,450	2,510	2,570
Spirits	2,120	2,180	2,270	2,370
Other alcoholic beverages(b)	930	960	990	1,040
Other customs duty				
Textiles, clothing and footwear	300	240	260	290
Passenger motor vehicles	500	520	580	640
Other imports	1,050	730	760	830
<i>less</i> Refunds and drawbacks	420	420	420	420
Total excise and customs duty	35,670	36,820	39,230	41,670
Agricultural levies	519	518	528	533
Other taxes	5,476	6,083	6,423	6,703
Mirror taxes	547	571	598	627
<i>less</i> Transfers to States in relation to mirror tax revenue	547	571	598	627
Mirror tax revenue	0	0	0	0
<b>Indirect taxation revenue</b>	<b>105,625</b>	<b>110,682</b>	<b>117,150</b>	<b>122,747</b>
<b>Taxation revenue</b>	<b>386,345</b>	<b>412,842</b>	<b>439,780</b>	<b>467,206</b>
<i>Memorandum:</i>				
Total excise	21,410	22,090	23,060	24,110
Total customs duty	14,260	14,730	16,170	17,560
Capital gains tax(c)	12,000	14,100	15,800	17,500
Medicare and DisabilityCare Australia levy	15,140	15,820	16,430	17,210

(a) This item includes a small amount of MRRT revenue relating to a pre-2013-14 income year which cannot be separately disclosed owing to taxpayer confidentiality.

(b) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

**Note 3(a): Taxation revenue by source**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Taxes on income, profits and capital gains				
Income and capital gains levied on individuals	203,030	213,880	227,830	243,940
Income and capital gains levied on enterprises	77,690	88,280	94,800	100,520
<b>Total taxes on income, profits and capital gains</b>	<b>280,720</b>	<b>302,160</b>	<b>322,630</b>	<b>344,460</b>
Taxes on employers' payroll and labour force	635	613	648	653
Taxes on the provision of goods and services				
Sales/goods and services tax	63,960	67,260	70,970	73,840
Excises and levies	21,929	22,608	23,588	24,643
Taxes on international trade	14,260	14,730	16,170	17,560
<b>Total taxes on the provision of goods and services</b>	<b>100,149</b>	<b>104,598</b>	<b>110,728</b>	<b>116,043</b>
Other taxes	4,841	5,470	5,775	6,050
<b>Total taxation revenue</b>	<b>386,345</b>	<b>412,842</b>	<b>439,780</b>	<b>467,206</b>
<i>Memorandum:</i>				
<i>Medicare and DisabilityCare Australia levy</i>	<i>15,140</i>	<i>15,820</i>	<i>16,430</i>	<i>17,210</i>

**Note 4: Sales of goods and services revenue**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Sales of goods	1,483	1,653	1,723	1,774
Rendering of services	5,445	8,044	11,600	12,589
Operating lease rental	65	67	69	69
Fees from regulatory services	1,912	1,972	2,043	2,182
<b>Total sales of goods and services revenue</b>	<b>8,905</b>	<b>11,737</b>	<b>15,434</b>	<b>16,614</b>

**Note 5: Interest and dividend revenue**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Interest from other governments</b>				
State and Territory debt	51	69	79	96
Housing agreements	124	119	114	109
<b>Total interest from other governments</b>	<b>176</b>	<b>188</b>	<b>193</b>	<b>204</b>
<b>Interest from other sources</b>				
Advances	58	80	106	121
Deposits	92	92	93	94
Bank deposits	123	110	115	122
Indexation of HELP receivable and other student loans	494	801	1,012	1,350
Other	2,829	3,051	3,624	4,277
<b>Total interest from other sources</b>	<b>3,596</b>	<b>4,134</b>	<b>4,949</b>	<b>5,964</b>
<b>Total interest</b>	<b>3,771</b>	<b>4,322</b>	<b>5,142</b>	<b>6,168</b>
<b>Dividends</b>				
Dividends from other public sector entities	345	280	418	537
Other dividends	2,341	3,014	3,244	3,478
<b>Total dividends</b>	<b>2,687</b>	<b>3,294</b>	<b>3,662</b>	<b>4,016</b>
<b>Total interest and dividend revenue</b>	<b>6,458</b>	<b>7,616</b>	<b>8,804</b>	<b>10,184</b>

**Note 6: Other sources of non-taxation revenue**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Industry contributions	139	141	140	138
Royalties	835	710	640	616
Seigniorage	104	105	97	90
Other	8,326	8,073	8,166	7,851
<b>Total other sources of non-taxation revenue</b>	<b>9,404</b>	<b>9,028</b>	<b>9,043</b>	<b>8,695</b>

**Note 7: Employee and superannuation expense**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
<b>Wages and salaries expenses</b>	<b>20,060</b>	<b>19,858</b>	<b>19,961</b>	<b>20,279</b>
<b>Other operating expenses</b>				
Leave and other entitlements	2,256	2,182	2,194	2,174
Separations and redundancies	55	40	39	39
Workers compensation premiums and claims	1,012	1,004	1,014	1,062
Other	2,249	2,311	2,388	2,458
<b>Total other operating expenses</b>	<b>5,572</b>	<b>5,537</b>	<b>5,636</b>	<b>5,733</b>
<b>Superannuation expenses</b>				
Superannuation	9,720	4,585	4,652	4,682
Superannuation interest cost	8,446	10,445	10,809	11,179
<b>Total superannuation expenses</b>	<b>18,166</b>	<b>15,030</b>	<b>15,461</b>	<b>15,860</b>
<b>Total employee and superannuation expense</b>	<b>43,798</b>	<b>40,425</b>	<b>41,058</b>	<b>41,872</b>

**Note 8: Depreciation and amortisation expense**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
<b>Depreciation</b>				
Specialist military equipment	3,976	4,129	4,532	5,077
Buildings	1,345	1,353	1,365	1,390
Other infrastructure, plant and equipment	1,446	1,469	1,473	1,483
Heritage and cultural assets	104	106	106	107
<b>Total depreciation</b>	<b>6,872</b>	<b>7,057</b>	<b>7,477</b>	<b>8,057</b>
<b>Total amortisation</b>	<b>983</b>	<b>1,009</b>	<b>1,024</b>	<b>1,020</b>
<b>Total depreciation and amortisation expense</b>	<b>7,855</b>	<b>8,066</b>	<b>8,500</b>	<b>9,077</b>

**Note 9: Supply of goods and services expense**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
Supply of goods and services	27,802	28,111	28,483	29,369
Operating lease rental expenses	2,461	2,500	2,577	2,552
Personal benefits - indirect(a)(b)(c)	50,194	51,017	57,755	60,736
Health care payments	5,008	4,890	4,784	4,710
Other	2,296	2,532	2,463	2,500
<b>Total supply of goods and services expense</b>	<b>87,762</b>	<b>89,050</b>	<b>96,062</b>	<b>99,868</b>

(a) Includes the Child Care Subsidy, which commences from 2018-19, with majority of payments to be made directly to child care providers. See also Note 12, Personal benefits expense.

(b) Reclassification since the 2016-17 Budget between Personal benefits expense (Note 12) and Supply of goods and services expense — 'personal benefits — indirect' (Note 9) reflecting more accurate information about the nature of benefits provided.

(c) Home care packages are reclassified from subsidy expenses to 'personal benefits — indirect' from 2016-17 to reflect legislative changes to the program.

**Note 10: Interest expense**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Interest on debt</b>				
Government securities(a)	15,960	17,197	18,234	19,122
Other	257	313	327	337
<b>Total interest on debt</b>	<b>16,217</b>	<b>17,510</b>	<b>18,561</b>	<b>19,460</b>
<b>Other financing costs</b>	<b>1,420</b>	<b>1,425</b>	<b>1,416</b>	<b>1,337</b>
<b>Total interest expense</b>	<b>17,637</b>	<b>18,935</b>	<b>19,977</b>	<b>20,797</b>

(a) Public debt interest estimates are calculated using the contract interest rates incurred on existing Commonwealth Government Securities (CGS) when issued and on technical assumptions, based on prevailing market interest rates across the yield curve, for yields on future CGS issuance.

**Note 11: Current and capital grants expense**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Current grants expense</b>				
State and Territory governments	104,567	109,046	115,665	117,228
Local governments	3	0	0	0
Private sector(a)	7,792	7,850	8,210	8,350
Overseas	4,276	3,678	3,948	4,656
Non-profit organisations(a)	3,212	3,425	3,248	3,109
Multi-jurisdictional sector	10,246	10,280	10,019	10,176
Other(a)	5,519	12,196	18,614	23,360
<b>Total current grants expense</b>	<b>135,615</b>	<b>146,476</b>	<b>159,703</b>	<b>166,880</b>
<b>Capital grants expense</b>				
Mutually agreed write-downs	1,479	1,509	1,601	1,693
Other capital grants				
State and Territory governments	9,239	9,511	6,225	4,636
Local governments	794	668	355	379
Non-profit organisations(a)	370	288	277	71
Private sector(a)	693	847	557	194
Multi-jurisdictional sector	141	142	145	148
Other(a)	2	1	2	0
<b>Total capital grants expense</b>	<b>12,718</b>	<b>12,966</b>	<b>9,162</b>	<b>7,121</b>
<b>Total grants expense</b>	<b>148,333</b>	<b>159,441</b>	<b>168,865</b>	<b>174,001</b>

(a) Includes reallocation of some programs between grants to non-profit organisations, private sector and other since the 2016-17 Budget.

**Note 12: Personal benefits expense**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Social welfare - assistance to the aged	44,939	45,867	48,044	50,149
Assistance to veterans and dependants	5,472	5,270	5,113	4,995
Assistance to people with disabilities	24,911	25,829	26,632	27,617
Assistance to families with children(a)	32,928	31,674	28,483	29,139
Assistance to the unemployed	10,453	9,437	10,448	11,085
Student assistance	3,144	2,629	3,018	3,162
Other welfare programs	989	1,144	1,130	1,161
Financial and fiscal affairs	318	306	300	311
Vocational and industry training	41	41	42	42
Other(b)	6,554	8,053	10,718	14,215
<b>Total personal benefits expense</b>	<b>129,749</b>	<b>130,251</b>	<b>133,928</b>	<b>141,875</b>

- (a) The majority of payments under the Child Care Subsidy, which commences from 2018-19, are to be made directly to child care providers. See also Note 9, Supply of goods and services expense.
- (b) Reclassification since the 2016-17 Budget between Personal benefits expense (Note 12) and Supply of goods and services expense — 'personal benefits — indirect' (Note 9) reflecting more accurate information about the nature of benefits provided.

**Note 13: Advances paid and other receivables**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Advances paid</b>				
Loans to State and Territory governments(a)	4,057	4,269	4,582	5,079
Higher Education Loan Program	42,468	48,123	53,743	59,667
Student Financial Supplement Scheme	367	317	267	217
Other(a)	13,396	25,815	34,570	39,104
less Provision for doubtful debts	300	417	550	698
<b>Total advances paid</b>	<b>59,987</b>	<b>78,107</b>	<b>92,613</b>	<b>103,370</b>
<b>Other receivables</b>				
Goods and services receivable	1,029	1,010	1,029	1,049
Recoveries of benefit payments	6,044	7,635	7,629	7,575
Taxes receivable	20,146	21,707	23,622	25,018
Prepayments	4,415	4,474	4,593	4,801
Other	18,583	18,914	19,963	20,422
less Provision for doubtful debts	2,258	3,167	3,676	4,072
<b>Total other receivables</b>	<b>47,959</b>	<b>50,572</b>	<b>53,160</b>	<b>54,794</b>

- (a) Farm loans were reclassified in the 2016-17 Budget from 'other' to 'loans to State and Territory governments' to reflect the actual circumstances of the loans.

**Note 14: Investments, loans and placements**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Investments - deposits	57,425	54,891	54,668	48,016
IMF quota	12,066	12,239	12,422	12,422
Other	107,909	108,913	112,439	127,404
<b>Total investments, loans and placements</b>	<b>177,400</b>	<b>176,043</b>	<b>179,529</b>	<b>187,842</b>

**Note 15: Non-financial assets**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Land and buildings</b>				
Land	10,613	10,605	10,640	10,664
Buildings	25,982	26,554	27,032	27,596
<b>Total land and buildings</b>	<b>36,594</b>	<b>37,159</b>	<b>37,672</b>	<b>38,260</b>
<b>Plant, equipment and infrastructure</b>				
Specialist military equipment(a)	58,188	60,816	64,222	67,926
Other	15,457	16,478	16,985	17,587
<b>Total plant, equipment and infrastructure</b>	<b>73,645</b>	<b>77,295</b>	<b>81,207</b>	<b>85,514</b>
<b>Inventories</b>				
Inventories held for sale	1,494	1,549	1,462	1,302
Inventories not held for sale	7,005	6,725	6,447	6,167
<b>Total inventories</b>	<b>8,499</b>	<b>8,274</b>	<b>7,908</b>	<b>7,470</b>
<b>Intangibles</b>				
Computer software	4,348	4,363	4,402	4,418
Other	3,749	4,169	4,583	4,839
<b>Total intangibles</b>	<b>8,097</b>	<b>8,532</b>	<b>8,985</b>	<b>9,257</b>
<b>Total investment properties</b>	<b>164</b>	<b>164</b>	<b>164</b>	<b>164</b>
<b>Total biological assets</b>	<b>49</b>	<b>49</b>	<b>49</b>	<b>49</b>
<b>Total heritage and cultural assets</b>	<b>11,413</b>	<b>11,362</b>	<b>11,310</b>	<b>11,257</b>
<b>Total assets held for sale</b>	<b>227</b>	<b>161</b>	<b>161</b>	<b>161</b>
<b>Total other non-financial assets</b>	<b>112</b>	<b>104</b>	<b>96</b>	<b>94</b>
<b>Total non-financial assets</b>	<b>138,801</b>	<b>143,099</b>	<b>147,553</b>	<b>152,225</b>

(a) 'Specialist military equipment' is included at fair value rather than cost, as foreshadowed in the 2016-17 Budget.

**Note 16: Loans**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Promissory notes	9,287	8,779	8,755	8,731
Special drawing rights	5,657	5,741	5,827	5,827
Other	511	383	306	251
<b>Total loans</b>	<b>15,455</b>	<b>14,903</b>	<b>14,889</b>	<b>14,809</b>



**Note 17: Employee and superannuation liabilities**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
<b>Total superannuation liability(a)</b>	<b>175,047</b>	<b>181,487</b>	<b>187,969</b>	<b>194,476</b>
<b>Other employee liabilities</b>				
Leave and other entitlements	7,832	7,888	7,988	8,079
Accrued salaries and wages	216	220	227	271
Workers compensation claims	3,168	3,165	3,170	3,178
Other	7,422	7,680	7,946	8,219
<b>Total other employee liabilities</b>	<b>18,638</b>	<b>18,953</b>	<b>19,331</b>	<b>19,746</b>
<b>Total employee and superannuation liabilities</b>	<b>193,685</b>	<b>200,441</b>	<b>207,300</b>	<b>214,223</b>

(a) For budget reporting purposes (including the Budget and Mid-Year Economic and Fiscal Outlook), a discount rate of 6 per cent used by actuaries in preparing Long-Term Cost Reports is used to value the superannuation liability. This reflects the average annual rate estimated to apply over the term of the liability and it reduces the volatility in reported liabilities that would occur from year to year if the long-term government bond rate were used. Consistent with Australian Accounting Standards, for the 2015-16 Final Budget Outcome the long-term government bond rate as at 30 June 2016 was used to calculate the superannuation liability. This rate was 2.7 per cent.

**Note 18: Provisions and payables**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
<b>Suppliers payable</b>				
Trade creditors	4,343	4,423	4,497	4,490
Operating lease rental payable	416	429	427	416
Other creditors	1,599	1,477	1,475	1,473
<b>Total suppliers payable</b>	<b>6,358</b>	<b>6,329</b>	<b>6,400</b>	<b>6,379</b>
<b>Total personal benefits provisions and payables</b>	<b>12,677</b>	<b>12,237</b>	<b>12,815</b>	<b>13,457</b>
<b>Total subsidies provisions and payables</b>	<b>931</b>	<b>1,203</b>	<b>1,512</b>	<b>1,884</b>
<b>Grants provisions and payables</b>				
State and Territory governments	98	93	89	89
Non-profit organisations	198	201	203	205
Private sector	365	365	365	365
Overseas	2,308	1,956	1,737	2,531
Other	8,740	8,390	8,114	7,823
<b>Total grants provisions and payables</b>	<b>11,710</b>	<b>11,004</b>	<b>10,507</b>	<b>11,012</b>
<b>Other provisions and payables</b>				
Provisions for tax refunds	2,997	3,011	3,003	2,997
Other	17,517	16,197	16,346	16,597
<b>Total other provisions and payables</b>	<b>20,513</b>	<b>19,207</b>	<b>19,350</b>	<b>19,593</b>

**Note 19: Reconciliation of cash**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Net operating balance (revenues less expenses)</b>	<b>-37,530</b>	<b>-19,159</b>	<b>-10,571</b>	<b>-1,276</b>
<i>less</i> Revenues not providing cash				
Other	2,336	1,979	2,133	2,635
<b>Total revenues not providing cash</b>	<b>2,336</b>	<b>1,979</b>	<b>2,133</b>	<b>2,635</b>
<i>plus</i> Expenses not requiring cash				
Increase/(decrease) in employee entitlements	10,295	6,717	6,767	6,775
Depreciation/amortisation expense	7,855	8,066	8,500	9,077
Mutually agreed write-downs	1,479	1,509	1,601	1,694
Other	479	1,026	995	469
<b>Total expenses not requiring cash</b>	<b>20,108</b>	<b>17,317</b>	<b>17,863</b>	<b>18,014</b>
<i>plus</i> Cash provided / (used) by working capital items				
Decrease/(increase) in inventories	-243	-112	19	89
Decrease/(increase) in receivables	-4,252	-9,235	-9,229	-8,451
Decrease/(increase) in other financial assets	2,690	2,997	2,990	2,730
Decrease/(increase) in other non-financial assets	-207	-44	-36	-30
Increase/(decrease) in benefits, subsidies and grants payable	-960	-668	562	1,631
Increase/(decrease) in suppliers' liabilities	755	138	45	-59
Increase/(decrease) in other provisions and payables	-1,795	-2,172	-2,443	-1,815
<b>Net cash provided / (used) by working capital</b>	<b>-4,011</b>	<b>-9,096</b>	<b>-8,092</b>	<b>-5,906</b>
<i>equals</i> (Net cash from/(to) operating activities)	-23,768	-12,916	-2,932	8,196
<i>plus</i> (Net cash from/(to) investing activities)	-56,461	-29,723	-30,756	-31,698
<b>Net cash from operating activities and investment</b>	<b>-80,229</b>	<b>-42,639</b>	<b>-33,688</b>	<b>-23,501</b>
<i>plus</i> (Net cash from/(to) financing activities)	79,533	42,674	34,400	23,771
<b>equals Net increase/(decrease) in cash</b>	<b>-696</b>	<b>36</b>	<b>712</b>	<b>270</b>
<b>Cash at the beginning of the year</b>	<b>3,638</b>	<b>2,942</b>	<b>2,978</b>	<b>3,690</b>
Net increase/(decrease) in cash	-696	36	712	270
<b>Cash at the end of the year</b>	<b>2,942</b>	<b>2,978</b>	<b>3,690</b>	<b>3,960</b>

## Attachment A

### FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The MYEFO primarily focuses on the financial performance and position of the general government sector (GGS). The ABS defines the GGS as providing public services which are mainly non-market in nature, mainly for the collective consumption of the community, or involving the transfer or redistribution of income and financed mainly through taxes and other compulsory levies. AASB 1049 recognises the GGS as a reporting entity.

#### AASB 1049 history and conceptual framework

The Australian Accounting Standards Board (AASB) released AASB 1049 for application from the 2008-09 financial year. AASB 1049 seeks to 'harmonise' ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of each government's GGS; and information that facilitates assessments of the macroeconomic impact. While AASB 1049 provides a basis for whole of government (including the PNFC and PFC sectors) and GGS outcome reporting, budget reporting and budget outcome reporting focuses on the GGS.

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, overriding AASB 10 *Consolidated Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2014*.<sup>1</sup>

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1 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.<sup>2</sup>

A change to the value or volume of an asset or liability that does not result from a transaction is an 'other economic flow'. This can include changes in values from market prices, most actuarial valuations and exchange rates, and changes in volumes from discoveries, depletion and destruction. All 'other economic flows' are reported in the operating statement.

Consistent with the ABS GFS framework, and in general AAS, the financial statements record flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

### **Operating statement**

The operating statement presents details of transactions in revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

Revenues arise from transactions that increase net worth, and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets. This measures the net effect of purchases, sales and consumption (for example, depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

Other economic flows are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, expenses and other economic flows sum to the total change in net worth during a period. The majority of other economic flows for the Australian Government GGS arise from price movements in its assets and liabilities.

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<sup>2</sup> Not all transactions impact on net worth. For example, transactions in financial assets and liabilities do not impact on net worth as they represent the swapping of assets and liabilities on the balance sheet.

## **Fiscal balance**

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. Thus, the fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.<sup>3</sup>

The fiscal balance measures the Australian Government's investment saving balance. It measures in accrual terms the gap between government savings plus net capital transfers, and investment in non-financial assets. As such, it approximates the contribution of the Australian Government GGS to the balance on the current account in the balance of payments.

## **Balance sheet**

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the UPF, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

## **Net worth**

The net worth of the GGS, PNFC and PFC sectors is defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors, where net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

## **Net financial worth**

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets, less liabilities, less shares and other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt. As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

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3 The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

### **Net financial liabilities**

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of government results in a purer measure of financial worth than net financial worth, as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed up by physical assets.

### **Net debt**

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans and other borrowing) less the sum of selected financial assets<sup>4</sup> (cash and deposits, advances paid, and investments, loans and placements). This includes financial assets held by the Future Fund which are invested in these asset classes, including term deposits and investments in collective investment vehicles. Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

### **Cash flow statement**

The cash flow statement identifies how cash is generated and applied in a single accounting period. The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are specifically identified because cash management is considered an integral function of accrual budgeting.

### **Underlying cash balance**

The underlying cash balance plus net Future Fund earnings (ABS GFS cash surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance.

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<sup>4</sup> Financial assets are defined as cash, an equity instrument of another entity, a contractual right to receive cash or financial asset, and a contract that will or may be settled in the entity's own equity instruments.

For the GGS, the underlying cash balance is calculated as shown below:

Net cash flows from operating activities
<i>plus</i>
Net cash flows from investments in non-financial assets
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements <sup>5</sup>
<i>equals</i>
ABS GFS cash surplus/deficit
<i>less</i>
Net Future Fund earnings
<i>equals</i>
Underlying cash balance

The Government has excluded net Future Fund earnings from the calculations of the underlying cash balance. Prior to the 2012-13 MYEFO, the underlying cash balance only excluded the gross earnings of the Future Fund. Under the *Future Fund Act 2006*, earnings are required to be reinvested to meet the Government's future public sector superannuation liabilities. The Future Fund becomes available to meet the Government's superannuation liabilities from 2020. At this time, when drawdowns from the Future Fund are permitted under governing legislation, the Government's cash saving-investment balance would no longer be adjusted to reflect reinvestment of Future Fund earnings.

In contrast, net Future Fund earnings are included in the fiscal balance because superannuation expenses relating to future cash payments are recorded in the fiscal balance.

Net Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table B3 of this statement and related tables in Part 3 and Appendix D.

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5 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease – acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases do not generate cash flows at the time of acquisition or disposal equivalent to the value of the asset. As such, net acquisitions of assets under finance leases are not shown in the body of the cash flow statement but are reported as a supplementary item for the calculation of the underlying cash balance.

## Headline cash balance

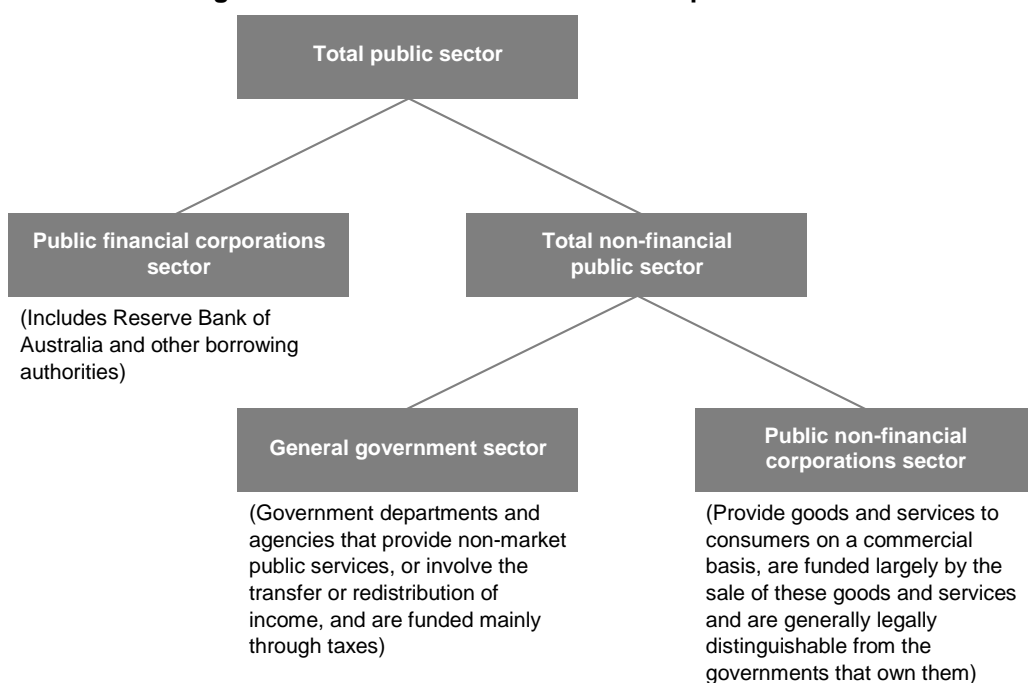
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.<sup>6</sup> Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Loan Program (HELP), and contributions to international organisations that increase the Australian Government’s financial assets.

## Sectoral classifications

To assist in analysing the public sector, data is presented by institutional sector as shown in Figure B1. ABS GFS defines the general government sector (GGS) and the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors. AASB 1049 has also adopted this sectoral reporting.

**Figure B1: Institutional structure of the public sector**



All entities are classified as GGS entities except for the following list of portfolio entities that are classified as PFC or PNFC (Table B14).

<sup>6</sup> Cash flows from investments in financial assets for policy purposes are often referred to as net advances.



A table which provides a full list of public sector principal entities is available on the Department of Finance website at:  
[http://www.finance.gov.au/sites/default/files/PGPA\\_Entity\\_List-October\\_2016.pdf](http://www.finance.gov.au/sites/default/files/PGPA_Entity_List-October_2016.pdf).

**Table B14: Entities outside of the general government sector**

<b>Public financial corporations</b>
Employment Portfolio
<ul style="list-style-type: none"><li>• Coal Mining Industry (Long Service Leave Funding) Corporation</li></ul>
Foreign Affairs and Trade Portfolio
<ul style="list-style-type: none"><li>• Export Finance and Insurance Corporation</li></ul>
Treasury Portfolio
<ul style="list-style-type: none"><li>• Australian Reinsurance Pool Corporation</li><li>• Reserve Bank of Australia</li></ul>
<b>Public non-financial corporations</b>
Communications and the Arts Portfolio
<ul style="list-style-type: none"><li>• Australian Postal Corporation</li><li>• NBN Co Limited</li></ul>
Finance Portfolio
<ul style="list-style-type: none"><li>• ASC Pty Ltd*</li></ul>
Industry, Innovation and Science Portfolio
<ul style="list-style-type: none"><li>• ANSTO Nuclear Medicine Pty Ltd</li></ul>
Infrastructure and Regional Development Portfolio
<ul style="list-style-type: none"><li>• Airservices Australia</li><li>• Australian Rail Track Corporation Ltd</li><li>• Moorebank Intermodal Company Ltd</li></ul>
Prime Minister and Cabinet Portfolio
<ul style="list-style-type: none"><li>• Voyages Indigenous Tourism Australia Pty Ltd</li></ul>
Social Services Portfolio
<ul style="list-style-type: none"><li>• Australian Hearing Services</li></ul>

\*The government has announced that ASC will be separated into three individual Government owned companies. Full separation is expected to be completed in 2017.

## AUSTRALIAN LOAN COUNCIL ALLOCATION

Under the Loan Council arrangements, every year the Commonwealth and each State and Territory government nominate a Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector ABS GFS cash surplus/deficit (made up from the balances of the general government (GGS) and public non-financial corporations (PNFC) sectors and total non-financial public sector (NFPS) acquisitions under finance leases and similar arrangements);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items, which involve transactions that are not formally borrowings but nevertheless have many of the characteristics of borrowings.

LCA nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and infrastructure requirements, as well as the macroeconomic implications of the aggregate figure.

As set out in Table B15, the Australian Government's revised estimate for the 2016-17 LCA is a \$60.4 billion deficit, which is an improvement of \$1.6 billion from the LCA deficit of \$62.0 billion at the 2016-17 Budget. The revised LCA estimate falls within the tolerance limit set at Budget.

**Table B15: 2016-17 Commonwealth Loan Council Allocation**

	2016-17 Budget estimate \$m	2016-17 MYEFO estimate \$m
GGs cash surplus(-)/deficit(+)	33,760	33,713
PNFC sector cash surplus(-)/deficit(+)	9,930	8,835
NFPS cash surplus(-)/deficit(+)(a)	43,690	42,548
<i>plus</i> Acquisitions under finance leases and similar arrangements	0	0
<i>equals</i> ABS GFS cash surplus(-)/deficit(+)	43,690	42,548
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(b)	-19,678	-18,792
<i>plus</i> Memorandum items(c)	-1,348	-903
<b>Loan Council Allocation</b>	<b>62,020</b>	<b>60,437</b>

(a) May not directly equate to the sum of the GGS and the PNFC sector due to intersectoral transfers which are netted out.

(b) Net cash flows from investments in financial assets for policy purposes are displayed with the same sign as they are reported in cash flow statements. Such transactions involve the transfer or exchange of a financial asset and are not included within the cash surplus/deficit. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.

(c) For the Commonwealth's LCA outcome, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than \$5 million), the net funding of superannuation and the net financing requirement of the Australian National University.

# APPENDIX C: STATEMENT OF RISKS

## OVERVIEW

Full details of fiscal risks and contingent liabilities are provided in Budget Paper No. 1, *Budget Strategy and Outlook 2016-17*. The following statement updates fiscal risks and contingent liabilities and assets that have materially changed since the 2016-17 Budget. Risks updated in the *Pre-Election and Fiscal Outlook 2016* (PEFO) have also been included and, where appropriate, updated in the following statement for completeness.

The forward estimates of revenue and expenses in the *Mid-Year Economic and Fiscal Outlook 2016-17* (MYEFO) incorporate assumptions and judgments based on the best information available at the time of publication, together with a range of economic assumptions and other forecasts and projections.

To the extent that unanticipated changes in economic circumstances occur, their impact will flow through to government expense and revenue forecasts.

Major taxes such as company and individuals' income taxes fluctuate significantly with economic activity. Capital gains tax is particularly volatile and is affected by both the level of gains in asset markets and the timing of when those gains are realised.

In addition, revenue forecasting relies heavily on the observed historical relationships between the economy, tax bases and tax revenues. Such relationships may shift over time as the economy changes, presenting a further risk to the estimates. Revenue forecasts also incorporate costings for new policies that typically have a margin of uncertainty.

The estimates and projections of revenue are subject to a number of general risks that can affect taxation collections. These general pressures include failure of the tax system to keep pace with changes in the business environment, tax avoidance, court decisions and Australian Taxation Office rulings, and the outcome of compliance programs. These pressures may result in a shift in the composition of taxation collected from the various tax bases and/or a change in the size of the tax base.

## DETAILS OF FISCAL RISKS AND CONTINGENT LIABILITIES

New or revised fiscal risks, contingent assets and contingent liabilities with a possible impact on the forward estimates greater than \$20 million in any one year, or \$50 million over the forward estimates period, that have arisen or changed since the 2016-17 Budget are described below and summarised in Table C1.

Information on both contingent assets and contingent liabilities is also provided in the annual financial statements of departments, entities and non-budget entities.

**Table C1: Summary of material changes to the Statement of Risks since the 2016-17 Budget<sup>(a)</sup>**

<b>Fiscal risks</b>	
<b>Agriculture and Water Resources</b>	
Murray Darling Basin Plan	Modified
<b>Finance</b>	
Same-Sex Marriage Plebiscite	New
<b>Industry, Innovation and Science</b>	
Risks to External Revenue	New
<b>Infrastructure and Regional Development</b>	
National System for Domestic Commercial Vessels	New
<b>Significant but remote contingencies</b>	
<b>Communications and the Arts</b>	
NBN Co Limited — Equity Agreement	Modified
Optus financial guarantee	Modified
Telstra financial guarantee	Modified
Termination of funding agreement with OPEL Network Pty Ltd	Removed
<b>Defence</b>	
Litigation cases	Modified
Remote contingencies	Modified
<b>Treasury</b>	
Asbestos Injuries Compensation Fund (AICF)	Modified
Financial Claims Scheme	Modified
Guarantee of State and Territory Borrowing	Modified
Guarantees under the <i>Commonwealth Bank Sale Act 1995</i>	Modified
Reserve Bank of Australia — guarantee	Modified
<b>Contingent liabilities — unquantifiable</b>	
<b>Agriculture and Water Resources</b>	
Compensation claims arising from equine influenza outbreak	Removed
Emergency pest and disease response arrangements and funding	Modified
<b>Defence</b>	
Non-remote contingent liabilities	Modified
<b>Finance</b>	
Australian Government domestic property	Modified
<b>Health</b>	
Accommodation Payment Guarantee	Modified
<b>Industry, Innovation and Science</b>	
Australian Nuclear Science and Technology Organisation — asbestos contamination	New
Australian Nuclear Science and Technology Organisation — indemnity	Modified
Gorgon liquefied natural gas and carbon dioxide storage project — long-term liability	Modified
Land decontamination, site restoration for CSIRO property	New
<b>Infrastructure and Regional Development</b>	
Aviation Rescue & Fire Fighting potential Per- and Poly-Fluoroalkyl Substances (PFAS) Contamination	Modified
Service Delivery Arrangement Indemnities — External Territories	Modified
<b>Social Services</b>	
National Disability Insurance Scheme	Removed

**Table C1: Summary of material changes to the Statement of Risks since the 2016-17 Budget<sup>(a)</sup> (continued)**

<b>Contingent assets — unquantifiable</b>	
<b>Defence</b>	
Non-remote contingent assets	Modified
<b>Contingent liabilities — quantifiable</b>	
<b>Defence</b>	
Claims against the Department of Defence	Modified
<b>Foreign Affairs and Trade</b>	
Export Finance and Insurance Corporation	Modified
<b>Treasury</b>	
Australian Taxation Office — tax disputes	Modified
International financial institutions — uncalled capital subscriptions	Modified
International Monetary Fund	Modified
<b>Contingent assets — quantifiable</b>	
<b>Defence</b>	
Claims by the Department of Defence	Modified

(a) Risks appearing in Budget Paper No. 1, *Budget Strategy and Outlook 2016-17*, Statement 8, but not listed in the table above are substantially unchanged.

## FISCAL RISKS

Fiscal risks comprise general developments or specific events that may affect the fiscal outlook. Some developments or events raise the possibility of a fiscal impact. In other cases, the likelihood of a fiscal impact may be reasonably certain, but will not be included in the forward estimates because the timing or magnitude is not known.

### Agriculture and Water Resources

#### Murray Darling Basin Plan

The introduction in the 2014-15 Budget of a 1,500 gigalitre (GL) cap on Australian Government water purchasing under the Basin Plan comes with a potential, but currently unquantifiable, fiscal risk for the Government. If there is a substantial shortfall in sustainable diversion limit (SDL) adjustments from supply measures, then the cap on water purchases may be reached and other potentially more expensive means of water recovery will need to be used to meet SDLs. It will not be possible to identify whether this risk will be realised, and what the financial implications are, until the SDL adjustment mechanism is operational.

### Finance

#### Same-Sex Marriage Plebiscite

The Australian Government remains committed to a plebiscite in relation to same-sex marriage, despite the Senate not supporting the *Plebiscite (Same-Sex Marriage) Bill 2016*.

To this end, the Australian Government will provide \$170 million to conduct a same-sex marriage plebiscite as soon as the necessary legislation is enacted by the Parliament.

## **Industry, Innovation and Science**

### **Risks to External Revenue**

Estimates for the Commonwealth Scientific and Industrial Research Organisation (CSIRO) include revenue from the non-government sector for research undertaken as part of CSIRO's role within the national innovation system. Changes to the economic climate, and the potential for cyber-attacks to compromise CSIRO research, could reduce the value of scientific research and Intellectual Property and lead to lower levels of external revenue.

## **Infrastructure and Regional Development**

### **National System for Domestic Commercial Vessels**

The Australian Maritime Safety Authority (AMSA) has been working towards assuming service delivery responsibility for the National System for Domestic Commercial Vessels from 1 July 2017 on a cost recovered basis. The Transport and Infrastructure Council decided on 4 November 2016 to delay service delivery until 1 July 2018, to allow jurisdictions and industry to better consult and prepare for the transition to the cost recovery arrangements, with no resolution on funding. The delay that limits AMSA's ability to charge on a full cost recovery basis poses a financial risk to AMSA. AMSA has to date invested significant funding to be ready for the original date of 1 July 2017. The delay in charging or limitation on full charging will result in unfunded program delivery costs of up to \$25 million per annum (up to \$50 million over two years) as well as unfunded transition costs estimated at \$11 million in 2016-17 and \$15 million in 2017-18 (up to \$26 million over two years). Transition costs include establishment of AMSA as the national regulator, costs associated with establishment of a national database, safety management system and a private accreditation scheme, and assisting industry transition to the new national system.

## **SIGNIFICANT BUT REMOTE CONTINGENCIES**

### **Communications and the Arts**

#### **NBN Co Limited — Equity Agreement**

The Australian Government has entered into an Equity Funding Agreement with NBN Co Limited (NBN Co). The Agreement formalises the Australian Government's intention to provide equity to fund the roll-out of the National Broadband Network, with such funding being conditional on the annual appropriation processes. In addition, it commits the Australian Government, in the event of a termination of the National Broadband Network roll-out, to provide sufficient funds to NBN Co to meet its costs arising from that termination. Although the NBN Co Equity Funding Agreement will end in 2019, the Commonwealth would retain obligations to meet

NBN Co's costs arising from a termination of the roll-out. As at 30 September 2016, NBN Co's termination liabilities were estimated at \$11.8 billion.

### **Optus financial guarantee**

The Australian Government has provided a guarantee in respect of the NBN Co Limited's (NBN Co) financial obligations to Optus Networks Pty Ltd, Optus Internet Pty Limited, Optus Vision Media Pty Limited and SingTel Optus Pty Ltd (collectively, Optus) under the Optus HFC Subscriber Agreement (Guarantee). An amended version of that Agreement came into effect on 19 September 2015 and the Guarantee continues to apply to that Agreement. The Agreement extends for the period of the National Broadband Network roll-out in Optus Hybrid Fibre Coaxial areas. The Australian Government is only liable in the event NBN Co does not pay an amount when due under the Agreement. As at 30 September 2016 NBN Co had generated liabilities covered by the Optus Agreement, which are estimated at an amount lower than \$50 million. There is a low risk that a claim would be made under the Guarantee. The Guarantee will terminate in 2021.

### **Telstra financial guarantee**

The Australian Government has provided a guarantee to Telstra Corporation Limited (Telstra) in respect of NBN Co Limited's (NBN Co) financial obligations to Telstra under the Definitive Agreements. The Agreements were amended on 14 December 2014. The Guarantee was not amended at that time and it continues in force in accordance with its terms in respect of the amended Definitive Agreements. The liabilities under the agreements between Telstra and NBN Co arise progressively during the roll-out of the National Broadband Network as Telstra's infrastructure is accessed and Telstra's customers are disconnected from its copper and Hybrid Fibre Coaxial cable networks. The Australian Government is only liable in the event NBN Co does not pay an amount when due under the Definitive Agreements. As at 30 September 2016, NBN Co had generated liabilities covered by the guarantee estimated at \$4.9 billion. The guarantee will terminate when NBN Co achieves specified credit ratings for a period of two continuous years and either:

- the company is capitalised by the Commonwealth to the agreed amount; or
- the Communications Minister declares, under the *National Broadband Network Companies Act 2011*, that, in his or her opinion, the National Broadband Network should be treated as built and fully operational.

## **Defence**

### **Litigation cases**

The Department of Defence is involved in a wide range of litigation and other claims for compensation and/or damages that may result in litigation where the matters are not able to be finalised by use of negotiation. The litigation includes common law liability claims, including for personal injury and property damage. A number of

claims have been received seeking compensation for loss, injury or damage caused by the use of a Defence Practice Area. A number of claims have been received seeking compensation for loss, injury or damage arising from the Defence use of aqueous film forming foam (AFFF) that contained man-made per- and poly-fluoroalkyl substances (PFAS). A number of claims have also been received following reviews into Australian Defence Force and Defence culture. There is potential for claims to arise from the disposal of assets to third parties where such assets contain hazardous materials or components that have the potential to cause injury.

### **Remote contingencies**

These significant remote contingent liabilities are restricted in nature and details are not given due to reasons of commercial in confidence and/or national security.

As at 31 October 2016, the Department of Defence carried 1,449 instances of quantifiable remote contingent liabilities valued at \$5.6 billion and 444 instances of unquantifiable remote contingent liabilities, of which 421 relate to Foreign Military Sales.

## **Treasury**

### **Asbestos Injuries Compensation Fund**

In February 2016, the Commonwealth agreed to assume one-third of the default risk associated with a \$320 million NSW Government loan to the Asbestos Injuries Compensation Fund (AICF), contingent on all States and Territories agreeing to assume the remaining default risk. States and Territories agreed to assume the remaining default risk in the period following the publication of the 2016-17 Budget.

The AICF provides compensation to Australian asbestos disease related claims against former subsidiaries of the James Hardie Group, and is funded on an ongoing basis through contributions from the James Hardie Group. NSW provided a \$320 million loan facility in 2010 to enable AICF to continue to pay compensation as lump sums, rather than on an instalment basis.

### **Financial Claims Scheme**

The Financial Claims Scheme provides depositors of authorised deposit-taking institutions (ADIs) and claimants of general insurers with timely access to their funds in the event of a financial institution failure.

Under the *Banking Act 1959* the scheme provides a mechanism for making payments to depositors under the Government's guarantee of deposits in ADIs. Payments are capped at \$250,000 per account holder per ADI. As at 30 June 2016, deposits eligible for coverage under the Financial Claims Scheme were estimated to be \$820 billion, compared to an estimated \$810 billion as at 31 December 2015, reflecting overall deposit growth in the financial system.



Under the *Insurance Act 1973* the scheme provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer. It is not possible to estimate the amounts of any eventual payments that may be required in relation to general insurance claims.

In the very unlikely event of an ADI or general insurer failure, any payments made under the Financial Claims Scheme would be recovered through the liquidation of the failed institution. If there was a shortfall in the amount recovered through the liquidation of the failed institution, a levy could be applied to the relevant industry to recover the difference between the amount expended and the amount recovered in the liquidation.

The Australian Prudential Regulation Authority (APRA) is responsible for the Financial Claims Scheme. Under the Financial Claims Scheme, any payments to account-holders with eligible protected accounts or eligible claimants would be made from APRA's Financial Claims Scheme Special Account. Under the legislation, upon activation, up to \$20 billion per institution would be available to meet Financial Claims Scheme payments and up to \$100 million for administration costs per institution.

### **Guarantee of State and Territory Borrowing**

The Australian Government announced on 25 March 2009 that a voluntary, temporary guarantee would be put in place over State and Territory borrowing. The Guarantee of State and Territory Borrowing commenced on 24 July 2009 and closed on 31 December 2010.

Securities covered by the guarantee will continue to be guaranteed until these securities either mature or are bought back and extinguished by the issuer.

The expected liability under the guarantee is remote and unquantifiable. Australian Government expenditure would arise under the guarantee only in the unlikely event that a State or Territory failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant State or Territory at a future date. The impact on the Government's budget would depend upon the extent of the default and the State or Territory's ability to meet the Government's claim.

As at 30 September 2016, the face value of State and Territory borrowings covered by the guarantee was \$8.2 billion, down from \$9.3 billion at 31 March 2016.

### **Guarantees under the *Commonwealth Bank Sale Act 1995***

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various superannuation and other liabilities: \$130 million is attributable to liabilities of the Commonwealth Bank of Australia, as at

30 September 2016; and \$4.4 billion is attributable to liabilities of the Commonwealth Bank Officers' Superannuation Corporation, as at 30 September 2016.

### **Reserve Bank of Australia — guarantee**

The Australian Government guarantees the liabilities of the Reserve Bank of Australia, measured as the Bank's total liabilities excluding capital, reserves, and Australian Government deposits. The major component of the Bank's liabilities is Australian banknotes on issue. Banknotes on issue amount to \$72.1 billion as at 31 October 2016, and the total guarantee is \$108.2 billion (\$110.0 billion at the 2016-17 Budget).

## **CONTINGENT LIABILITIES — UNQUANTIFIABLE**

### **Agriculture and Water Resources**

#### **Emergency pest and disease response arrangements and funding**

National emergency response arrangements for animal, plant and environmental pest and disease incursions are largely funded through cost sharing agreements between Australian governments and, where relevant, agricultural industry bodies. Under the terms of the emergency response agreements, the Australian Government is typically liable for 50 per cent of the total government funding for a nationally agreed response to a disease or pest incursion. Limited funding is provided in the forward estimates for the Australian Government's contribution under the emergency response agreements to pay the relevant state or territory government. This funding is unlikely to be sufficient to meet the unquantifiable costs of a major pest or disease incursion, additional and multiple responses (noting there are currently 16 national cost shared emergency responses) or a large scale emergency response exercise.

The Australian Government may also provide financial assistance to an industry party by funding its share of an emergency response. These contributions may subsequently be recovered from the industry over a period of up to 10 years, usually through an emergency response levy. The Australian Government may also be expected to contribute bilaterally in situations where an incursion is not covered by a cost sharing agreement or where the affected industry body/bodies are not party to an emergency response agreement, depending on the circumstances of the incursion.

### **Defence**

#### **Non-remote contingent liabilities**

The Department of Defence has 36 instances of unquantifiable non-remote contingent liabilities. There is potential for claims to arise from legacy contamination at various Defence locations.

## **Finance**

### **Australian Government domestic property**

The Australian Government's domestic property portfolio managed by the Department of Finance has approximately 120 properties. This number has reduced from approximately 170 reported at the 2016-17 Budget due to the ongoing implementation of the measure – Smaller Government – Surplus Commonwealth Properties – divestment. A small number of properties have had potential remediation issues identified, which are currently the subject of further investigation. Except for the properties at Lucas Heights, New South Wales and Cox Peninsula, Northern Territory, none of the remaining properties with potential remediation issues has had a provision recognised, as neither the conditions for legal nor constructive obligations have been met, nor is a reliable estimate of the obligation currently possible.

## **Health**

### **Accommodation Payment Guarantee Scheme**

The Accommodation Payment Guarantee Scheme (the Guarantee Scheme) guarantees the repayment of aged care residents' refundable accommodation payments (including refundable deposits and accommodation bonds) if the approved provider becomes insolvent or bankrupt and defaults on its refund obligations. In return for the payment, the rights that the resident had to recover the amount from their approved provider are transferred to the Australian Government so it can pursue the approved provider for the funds. In cases where the funds are unable to be recovered, the Australian Government may levy all approved providers holding bonds, entry contributions and refundable accommodation deposits to meet any shortfall.

## **Industry, Innovation and Science**

### **Australian Nuclear Science and Technology Organisation — asbestos contamination**

The Australian Nuclear Science and Technology Organisation (ANSTO) site contains asbestos in a number of buildings and potentially in soil surrounding these buildings. Although there is potential for claims being made in relation to asbestos related diseases, the potential costs have not been assessed and are unquantifiable contingencies.

### **Australian Nuclear Science and Technology Organisation — indemnity**

On 21 April 2016, the Minister for Industry, Innovation and Science signed a Deed of Indemnity between the Commonwealth Government, ANSTO and ANSTO Nuclear Medicine Pty Ltd (ANM), under which the government has formally agreed to indemnify ANSTO and ANSTO Officers, and ANM and ANM Officers, from any loss or liability arising from claims caused by ionising radiation. This Deed will remain in place until April 2026.

### **Gorgon liquefied natural gas and carbon dioxide storage project — long-term liability**

The Australian and Western Australian Governments have provided an indemnity to the Gorgon Joint Venture Partners (GJV) against independent third party claims (relating to stored carbon dioxide) under common law following closure of the carbon dioxide sequestration project. The claims are subject to conditions equivalent to those set out in the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*.

The Western Australian Government has indemnified the GJV, and the Australian Government has indemnified the Western Australian Government for 80 per cent of any amount determined to be payable under that indemnity.

### **Land decontamination and site restoration for CSIRO property**

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) has made a financial provision for the estimated costs in restoring and decontaminating land where a legal or constructive obligation has arisen. For cases where there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable contingencies.

### **Infrastructure and Regional Development**

#### **Aviation Rescue & Fire Fighting potential Per- and Poly-Fluoroalkyl Substances (PFAS) Contamination**

Airservices Australia has identified a number of sites around the country that potentially have been contaminated with per- and poly-fluoroalkyl substances (PFAS) (formerly known as PFCs) previously contained in firefighting foams. The foams containing these chemicals were widely used internationally and were used by Airservices Australia's predecessors from 1980 until 1995 and then by Airservices Australia from 1995 until 2010. The identified contaminants do not breakdown in the natural environment. Testing and assessment of the fire training grounds commenced in 2008-09 with some additional site assessments conducted in the years following. The amount for potential long-term remediation costs cannot be quantified at this time, but is expected to be considerable as potentially 21 federally-leased airports and other regional airports may contain historical contamination.

#### **Service Delivery Arrangement Indemnities — External Territories**

A range of services are delivered to the Indian Ocean Territories through arrangements that are in place with the Western Australian (WA) Government (referred to as Service Delivery Arrangements or SDAs). There are 40 WA Government agencies delivering services to the Indian Ocean Territories.

The Australian Government has provided certain indemnities for the WA Government, their respective officers, agents, contractors and employees against civil claims relating to their employment and conduct as officers.

Commencing 1 July 2016, the New South Wales (NSW) Government will provide a range of services to the Norfolk Island community through an SDA. The Australian Government will provide certain indemnities for the NSW Government, their respective officers, agents, contractors and employees against civil claims relating to their employment and conduct as officers.

The likelihood of an event occurring that may result in a liability for the Australian Government has been assessed as remote and the risks are currently mitigated through the training and professional qualifications of the staff of these agencies.

## **CONTINGENT ASSETS — UNQUANTIFIABLE**

### **Defence**

#### **Non-remote contingent assets**

The Department of Defence has 6 instances of unquantifiable non-remote contingent assets.

## **CONTINGENT LIABILITIES — QUANTIFIABLE**

### **Defence**

#### **Claims against the Department of Defence**

The Department of Defence (Defence) has 19 instances of non-remote, quantifiable contingent liabilities in respect of claims on Defence valued at \$94.9 million. The estimated figure is determined by conducting an objective analysis of the probable amount payable for all matters managed by Defence through the Attorney-General's Legal Services Multi Use List and those being handled in-house by Defence Legal Division. However, the exact amount payable under those claims is uncertain. Defence is defending the claims or is trying to resolve them by recourse to alternative dispute resolution measures.

### **Foreign Affairs and Trade**

#### **Export Finance and Insurance Corporation**

The Australian Government guarantees the due payment of money that is, or may at any time become, payable by the Export Finance and Insurance Corporation (EFIC) to anybody other than the Government. The Government also has in place a \$200 million callable capital facility available to EFIC on request to cover liabilities, losses and claims. As at 30 September 2016, the Government's total contingent liability was \$3.4 billion. The \$3.4 billion contingent liability comprises EFIC's liabilities to third parties (\$2.7 billion) and EFIC's overseas investment insurance, contracts of insurance and guarantees (\$0.7 billion). Of the total contingent liability, \$2.8 billion relates to EFIC's Commercial Account and \$0.6 billion relates to the National Interest Account.

## **Treasury**

### **Australian Taxation Office — tax disputes**

At any point in time the Australian Taxation Office is involved in a range of dispute resolution processes, including litigation, relating to tax disputes.

Details of the outcome of dispute resolution processes are uncertain until a court ruling is made and/or an agreement is reached with the taxpayer. As a result, in most cases it is not possible to estimate with any reliability the likely financial impact of current disputes. The estimated aggregate value of tax in dispute as at 31 October 2016, for which a provision has not been made, is \$3.6 billion.

Outcomes of dispute resolution processes are included in the Commissioner of Taxation's Annual Report each year. This may include disputes resolved through objections, settlements and court and tribunal decisions. It may also include amounts owed by taxpayers that are subject to dispute but not finalised.

### **International financial institutions — uncalled capital subscriptions**

The Australian Government has held an uncalled capital subscription in the International Bank for Reconstruction and Development (IBRD) since 1947. Australia's uncalled capital subscription to the IBRD totals US\$3.6 billion (estimated value A\$4.7 billion as at 31 October 2016).

The Australian Government has also held an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals EUR237.5 million (estimated value A\$342.2 million as at 31 October 2016).

The Australian Government has further held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals US\$7.0 billion (estimated value A\$9.2 billion as at 31 October 2016).

The Australian Government has further held an uncalled capital subscription in the Multilateral Investment Guarantee Agency of US\$26.5 million (estimated value A\$34.8 million as at 31 October 2016).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government has subscribed to shares in the AIIB, which includes an uncalled capital subscription. Australia's uncalled capital subscription to the AIIB totals US\$3.0 billion (estimated value A\$3.9 billion as at 31 October 2016).

None of these international financial institutions have ever drawn on Australia's uncalled capital subscriptions.

## **International Monetary Fund**

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The value of Australia's NAB credit arrangement now stands at Special Drawing Rights (SDR, the IMF's unit of account) SDR2.2 billion (estimated value A\$4.0 billion at 31 October 2016).

In addition to the NAB credit line, as part of a broad international effort to increase the resources available to the IMF, Australia has made available a SDR4.6 billion (approximately A\$8.0 billion at 31 October 2016) contingent bilateral loan to the IMF. The contingent loan is on terms consistent with separate bilateral loan and note purchase agreements between the IMF and all contributing countries. It will be drawn upon by the IMF only if needed to supplement the IMF's quota and NAB resources and any loans would be repaid in full with interest. The increase in the IMF's resources will help ensure that it has the capability to address any potential vulnerability facing the global economy.

## **CONTINGENT ASSETS — QUANTIFIABLE**

### **Defence**

#### **Claims by the Department of Defence**

The Department of Defence has 19 instances of non-remote, quantifiable contingent assets in respect of claims by the Department valued at \$5.5 million. Defence is expecting to succeed in its claims. The estimated figure is determined by conducting an objective analysis of the probable amounts owing to Defence.

## **GOVERNMENT LOANS**

Loans are recorded as financial assets and accordingly the amounts advanced and repaid do not normally affect the budget aggregates of fiscal balance and underlying cash balance. Loans that are concessional (lower than market interest rate) or are agreed to be written off may result in an impact on the fiscal balance in some circumstances. The Government makes loans for policy purposes. All loans contain some element of credit risk that they will not be repaid in full, although in many cases this risk is small. Table C2 summarises Government loans estimated to exceed \$200 million at 30 June 2017.



Table C2: Summary of material changes to Australian Government loans exceeding \$200 million since the 2016-17 Budget<sup>(a)</sup>

Entity	Loan amount <sup>(b)</sup> (\$m)	Borrower	Interest rate	Term	Status
<b>Department of Education and Training</b>					
Higher Education Loan Programme	42,469	Eligible tertiary education students	Consumer Price Index (CPI)	8.8 years*	Modified
<b>Australian Office of Financial Management</b>					
Commonwealth-State financing arrangements — Housing and Specific Purpose Capital	1,879	State and Northern Territory governments	3.5-6 per cent	Up to 30 June 2042	Modified
<b>Clean Energy Finance Corporation</b>					
Clean Energy Finance Corporation	888	Eligible entities undertaking clean energy technology projects	4.1 per cent	5-10 years	Modified
<b>Department of Agriculture and Water Resources</b>					
Drought related and Farm Finance Concessional Loans — Agriculture	754	State Governments (that, through their delivery agencies, on-lend to eligible farm businesses)	Various	Various	Modified
<b>Indigenous Business Australia</b>					
Indigenous Home Ownership, Business Development and Assistance	750	Eligible Indigenous persons	4.4 per cent*	4.3-28.6 years*	Modified
<b>Department of the Treasury</b>					
International Monetary Fund New Arrangements to Borrow	722	International Monetary Fund	0.125 per cent at 31 October 2016	10 years	Modified
<b>Department of Social Services</b>					
Student Financial Supplement Scheme	366	Eligible recipients of Youth Allowance (student), Austudy and ABSTUDY	CPI	Various	Modified
<b>Department of Education and Training</b>					
Trade Support Loans Programme	323	Eligible Australian Apprentices	CPI	#	Modified

**Table C2: Summary of material changes to Australian Government loans exceeding \$200 million since the 2016-17 Budget<sup>(a)</sup> (Continued)**

Entity	Loan amount <sup>(b)</sup> (\$m)	Borrower	Interest rate	Term	Status
<b>Department of Health</b>					
Zero Real Interest Loans	304	Residential aged care providers building or extending residential aged care facilities in areas of high need	CPI	Up to 22 years	Modified
<b>Export Finance and Insurance Corporation</b>					
Papua New Guinea Liquefied Natural Gas	291	Entities associated with the Papua New Guinea Liquefied Natural Gas project	Commercial-In-Confidence	Until 2026	Modified
<b>Indigenous Land Corporation</b>					
Indigenous Land Corporation-Voyages Indigenous Tourism Australia Pty Ltd	286	Voyages Indigenous Tourism Australia Pty Ltd	90 Day bank bill swap reference rate + 5 per cent	9 years, 11 months	Modified
<b>Export Finance and Insurance Corporation</b>					
Development Import Finance Facility	208	The Republic of Indonesia acting through its Ministry of Finance	Various	Various	Modified

\*Average

#To be determined after sufficient numbers of compulsory repayments commence.

(a) Loans appearing in Budget Paper No. 1, *Budget Strategy and Outlook 2016-17*, Statement 8, but not listed in the table above are substantially unchanged.

(b) Loan amount is the estimated loan programme amounts outstanding as at 30 June 2017 in \$ million.

Note: The Government has committed \$29.5 billion in equity to NBN Co Limited (NBN Co), which is expected to be fully utilised by the end of 2016-17. The Government will provide NBN Co with a loan of up to \$19.5 billion on commercial terms to complete the rollout of the National Broadband Network. The loan will commence in 2017-18 and is expected to be re-financed by NBN Co on external markets in 2020-21.

## Higher Education Loan Programme

The Higher Education Loan Programme (HELP) is an income contingent loan program that assists eligible tertiary education students with the cost of their fees. As at 30 June 2017, the fair value of debt outstanding is estimated to be \$42.5 billion. The fair value takes into account the concessionality of HELP loans and makes an allowance for debt not expected to be repaid.

Debts are indexed annually by the Consumer Price Index. The repayment term depends on individual circumstances including the amount borrowed and each debtor's income. There were 2,223,041 HELP debtors as at 30 June 2015. The repayment term of a HELP debt can only be determined for people who have fully repaid their debt. As at the end of June 2015, the average time taken to repay HELP debts was 8.7 years.

## Commonwealth-State financing arrangements — Housing and Specific Purpose Capital

From 1945 to 1989, the Australian Government made concessional advances to the State and Northern Territory Governments under Commonwealth-State financing arrangements for housing and for specific purpose capital. The advances are concessional fixed rate loans to be repaid over 53 years, with the last loans maturing in 2042. Annual payments, comprising both interest and principal repayment, are made by the States and the Northern Territory. As at 30 June 2017, the estimated amortised value of the advances is \$1.9 billion.

The Australian Office of Financial Management manages the receipt of interest and principal repayments from the State and Northern Territory Governments.

## Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) has developed a portfolio of loans and investments across the spectrum of clean energy technologies, as required by the *Clean Energy Finance Corporation Act 2012*. This portfolio has an acceptable but not excessive level of risk relative to the sector, as required under the Clean Energy Finance Corporation Investment Mandate Direction 2016 (Investment Mandate). As at 30 June 2017, loans contracted and the fair value of outstanding loans are estimated to total \$888 million.

The CEFC's loan portfolio consists of predominantly senior ranking, secured loans, and secured project finance facilities, typically secured against energy generating assets such as wind or solar farms or biogas facilities or other assets such as building or council rates.

The CEFC has predominantly made loans as a co-financier either jointly or in consortiums with private sector financial institutions. Interest rates vary with a current

average expected return of approximately 4.1 per cent. Loans have various maturity dates, typically in the range of 5-10 years.

### **Drought related and Farm Finance Concessional Loans — Agriculture**

As at 30 June 2017, the fair value of drought and dairy farm related loans is estimated to total \$753.7 million. These include:

**Drought Concessional Loans Scheme:** This scheme provides loans to drought affected farm businesses for debt restructuring, operating expenses and drought recovery and preparedness activities. The scheme commenced in June 2014 as a two year loans scheme and operated in Queensland, Victoria, New South Wales, South Australia, Western Australia, Tasmania and the Northern Territory. The Government extended the application period until 31 October 2016 to cover the period until the new 10-year Drought Concessional Loans Scheme was able to commence. The Government also extended the Western Australian application period for the Drought Concessional Loans Scheme until 30 June 2017, or until state approvals are in place to open the new Farm Business Concessional Loans Scheme.

The interest rate is 3.05 per cent, reviewed on a six-monthly basis and revised in accordance with material changes in the five-year Commonwealth bond rate. Loans have a maximum term of five years, with an extenuating circumstances clause in some jurisdictions, which allows a maximum two-year extension to the loan at commercial rates.

**Drought Recovery and Dairy Recovery Concessional Loans Scheme(s):** The drought recovery component of this scheme provides loans to farm businesses affected by unprecedented drought or, where applicable, Queensland farm businesses directly impacted by the combined effects of drought and the mid-2011 disruption to live cattle exports to Indonesia. The loans are for planting and restocking activities and associated expenses, when seasonal conditions allow. The loans have been in place since January 2015 and in 2014–15 operated in Queensland and New South Wales. In 2015–16 drought recovery concessional loans were available in Queensland, New South Wales, South Australia and Tasmania.

The dairy recovery component of this scheme provides concessional loans to dairy farm businesses affected by the 2016 reduction in farm gate milk prices by Murray Goulburn and Fonterra. Loans are available for debt restructuring, providing new debt for operating expenses or productivity enhancement activities, or a combination of these purposes. Dairy recovery concessional loans were available in Victoria, New South Wales, South Australia and Tasmania from June 2016.

The interest rate is 2.66 per cent, reviewed on a six-monthly basis and revised in accordance with changes in the 10-year Commonwealth bond rate. Loans have a maximum term of 10 years with interest-only payments required for the first five years. Principal and interest repayments will be made in the remaining five years of the loan term.

**Farm Business Concessional Loans Scheme:** This scheme provides two types of concessional loans – drought assistance and dairy recovery. This scheme is designed to cover a farmer’s short-term needs when income is tight and to supplement, not replace, commercial finance. Drought assistance concessional loans have been offered in Queensland, New South Wales, Victoria, South Australia, Tasmania and the Northern Territory. Dairy recovery concessional loans are only available in New South Wales, Victoria, South Australia and Tasmania. The interest rate is 2.47 per cent, reviewed on a six-monthly basis and revised in accordance with changes in the 10-year Commonwealth bond rate. Loans have a maximum term of 10 years.

**Farm Finance Concessional Loans Scheme:** This scheme provides concessional loans to eligible farm businesses experiencing financial difficulties that were considered commercially viable in the long term, and intended to assist productivity enhancements and debt refinancing. Applications for Farm Finance Concessional Loans closed on 30 June 2015. The interest rate is 3.55 per cent, reviewed on a six-monthly basis and revised in accordance with material changes in the five-year Commonwealth bond rate. Loans have a maximum term of five years, with an extenuating circumstances clause in some jurisdictions, which allows a maximum two-year extension to the loan, on commercial terms.

### **Indigenous Home Ownership, Business Development and Assistance**

Indigenous Business Australia delivers flexible loans with concessional interest rates to improve Indigenous home ownership across Australia, including in remote Indigenous communities. Indigenous Business Australia also provides concessional interest rate business loans and business support to increase Indigenous ownership of small to medium sized enterprises, and support their sustainability and growth. As at 30 June 2017, the fair value of outstanding loans for Indigenous Home Ownership and Business Development and Assistance is estimated to total \$750 million.

### **International Monetary Fund New Arrangements to Borrow**

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. The NAB is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The funds are drawn upon by the IMF as needed to supplement the IMF’s usual quota resources and will be repaid in full with interest. It is expected that the fair value of loans outstanding will be approximately \$722 million as at 30 June 2017.

### **Student Financial Supplement Scheme**

The Student Financial Supplement Scheme (SFSS) was a program whereby student income support recipients could trade one dollar of entitlement for two dollars provided as an income contingent loan. The program closed for new recipients on 1 January 2004. The outstanding debt relates to debtors who received loans prior

to 2004. As at 30 June 2017 the fair value of loans outstanding is estimated to total \$366.6 million.

### **Trade Support Loans Programme**

The Trade Support Loans Programme is an income contingent, concessional loan program that assists eligible Australian Apprentices by providing financial support of up to \$20,000 to assist with the costs of living, learning and completing an apprenticeship.

Eligible Australian Apprentices can access up to \$8,000 in their first year, \$6,000 in the second, \$4,000 in the third and \$2,000 in the fourth year. The lifetime limit of \$20,000 will be indexed on 1 July 2017 and each year after on 1 July to maintain its real value.

Upon successful completion of an apprenticeship, Australian Apprentices will be entitled to a 20 per cent discount on the loan. The loans become repayable at the same thresholds as the Higher Education Loan Programme, which is \$54,869 in 2016-17.

### **Zero Real Interest Loans**

The Zero Real Interest Loans program provides loans to assist aged care providers to build or extend residential aged care services in areas of high need. Loans provided under the program attract an interest rate equivalent to the Consumer Price Index (updated quarterly). Four funding rounds were completed with the final round of offers finalised in 2013. No further loans will be allocated under the program. As at 30 June 2017, the total amount owing to the Commonwealth is estimated to be \$304 million.

### **Papua New Guinea Liquefied Natural Gas**

The loan in support of the Papua New Guinea Liquefied Natural Gas (PNG LNG) project involves the development, construction, operation and maintenance of a LNG liquefaction plant, gas production and processing facilities, onshore and offshore pipelines, associated ancillary facilities and infrastructure. As at 30 June 2017, the fair value of the loan amount outstanding is estimated to total \$291 million.

### **Indigenous Land Corporation-Voyages Indigenous Tourism Australia Pty Ltd**

The Indigenous Land Corporation purchased Ayers Rock Resort (ARR) for \$292 million in May 2011 and immediately on-sold it to its wholly-owned subsidiary Voyages Indigenous Tourism Australia Pty Ltd (Voyages) creating an intercompany loan that is partly funded by borrowings. The interest rate is set at the 90 day bank bill swap reference rate plus 5 per cent, and is reset six-monthly. As at 30 June 2017, the fair value of the outstanding loan is estimated to total \$286 million. Accrued interest incurred during 2016-17 was \$18.5 million.

### **Development Import Finance Facility**

The Development Import Finance Facility (DIFF), administered by the Export Finance and Insurance Corporation on behalf of the former Australian Agency for International Development (AusAID), provided concessional loans to Indonesia to deliver development benefits to that country. The DIFF was discontinued in 1996 with no further concessional loans being provided. As at 30 June 2017, the fair value of loans outstanding is estimated to total \$207.9 million.





# APPENDIX D: HISTORICAL AUSTRALIAN GOVERNMENT DATA

This appendix reports historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

## DATA SOURCES

Data are sourced from Australian Government *Final Budget Outcomes*, the Australian Bureau of Statistics (ABS), the Australian Office of Financial Management (AOFM) and Australian Government *Consolidated Financial Statements*.

- Accrual data from 1996-97 onwards and cash data, net debt data, net financial worth data and net worth data from 1999-2000 onwards are sourced from Australian Government *Final Budget Outcomes*. Back-casting adjustments for accounting classification changes and other revisions have been made from 1998-99 onwards where applicable.
- Cash data prior to 1999-2000 are sourced from ABS data, which have been calculated using methodology consistent with that used for later years in ABS cat. no. 5512.0 *Government Finance Statistics*.
- Net debt data prior to 1999-2000 are from ABS cat. no. 5512.0 *Government Finance Statistics 2003-04* in 1998-99, ABS cat. no. 5501.0 *Government Financial Estimates 1999-2000* and ABS cat. no. 5513.0 *Public Sector Financial Assets and Liabilities 1998* in 1987-88 to 1997-98, and Treasury estimates (see Treasury's *Economic Roundup*, Spring 1996, pages 97-103) prior to 1987-88.

## COMPARABILITY OF DATA ACROSS YEARS

The data set contains a number of structural breaks owing to accounting classification differences and changes to the structure of the budget which cannot be eliminated through back-casting because of data limitations. These breaks can affect the comparability of data across years, especially when the analysis is taken over a large number of years. Specific factors causing structural breaks include:

- from 2005-06 onwards, underlying Government Finance Statistics (GFS) data are provided by agencies in accordance with Australian Accounting Standards (AAS) which includes International Financial Reporting Standards (IFRS) as adopted in Australia. Prior to 2005-06, underlying GFS data are based on data provided by agencies applying AAS prior to the adoption of IFRS;
- most recent accounting classification changes that require revisions to the historical series have been back-cast (where applicable) to 1998-99, ensuring that data are

consistent across the accrual period from 1998-99 onwards. However, because of data limitations, these changes have not been back-cast to earlier years;

- prior to 1999-2000, Australian Government general government sector debt instruments are valued at historic cost, whereas from 1999-2000 onwards they are valued at market prices (consistent with accrual GFS standards). This affects net debt and net interest payments;
- cash data up to and including 1997-98 are calculated under a cash accounting framework, while cash data from 1998-99 onwards are derived from an accrual accounting framework.<sup>1</sup> Although the major methodological differences associated with the move to the accrual framework have been eliminated through back-casting, comparisons across the break may still be affected by changes to some data sources and collection methodologies;
- adjustments in the coverage of agencies included in the accounts of the different sectors. These include the reclassification of Central Banking Authorities from the general government to the public financial corporations sector in 1998-99, and subsequent back-casting to account for this change;
- changes in arrangements for transfer payments, where tax concessions or rebates have been replaced by payments through the social security system. This has the effect of increasing both cash receipts and payments, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction (tax expenditures replacing payments) reduce both cash payments and receipts; and
- classification differences in the data relating to the period prior to 1976-77 (which means that earlier data may not be entirely consistent with data for 1976-77 onwards).

## **REVISIONS TO PREVIOUSLY PUBLISHED DATA**

Under the accrual GFS framework and generally under AAS, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods, and can be reliably assigned to the relevant period(s).

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1 Prior to the 2008-09 Budget, cash data calculated under the cash accounting framework were used up to and including 1998-99. In the 2008-09 Budget, cash data prior to 1998-99 have been replaced by ABS data derived from the accrual framework.

The 2016-17 MYEFO includes revisions to the 2014-15 financial year to capture adjustments to percentages used by the Australian Taxation Office (ATO) in the calculation of the provision for credit amendments and provision for refunds, as well as an adjustment to ATO settlements as a result of the overstatement of revenue and expenses. These adjustments have no impact on total receipts, total payments or the underlying cash balance.

**Table D1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance<sup>(a)</sup>**

	Receipts(b)		Payments(c)				Net Future Fund earnings	Underlying cash balance(d)	
	\$m	Per cent of GDP	\$m	Per cent real growth (CPI)	Per cent real growth (NFGDP deflator)(f)	Per cent of GDP	\$m	\$m	Per cent of GDP
1970-71	8,290	20.5	7,389	na	na	18.3	-	901	2.2
1971-72	9,135	20.5	8,249	4.1	4.7	18.5	-	886	2.0
1972-73	9,735	19.6	9,388	7.7	7.8	18.9	-	348	0.7
1973-74	12,228	20.3	11,078	4.2	3.6	18.4	-	1,150	1.9
1974-75	15,643	22.0	15,463	19.9	14.6	21.7	-	181	0.3
1975-76	18,727	22.5	20,225	15.7	13.5	24.3	-	-1,499	-1.8
1976-77	21,890	22.8	23,157	0.6	1.9	24.1	-	-1,266	-1.3
1977-78	24,019	22.9	26,057	2.7	3.3	24.8	-	-2,037	-1.9
1978-79	26,129	22.0	28,272	0.3	2.7	23.8	-	-2,142	-1.8
1979-80	30,321	22.5	31,642	1.5	2.1	23.5	-	-1,322	-1.0
1980-81	35,993	23.6	36,176	4.6	3.6	23.8	-	-184	-0.1
1981-82	41,499	23.6	41,151	2.9	0.5	23.4	-	348	0.2
1982-83	45,463	24.0	48,810	6.3	6.2	25.8	-	-3,348	-1.8
1983-84	49,981	23.4	56,990	9.4	9.6	26.7	-	-7,008	-3.3
1984-85	58,817	25.0	64,853	9.1	9.0	27.6	-	-6,037	-2.6
1985-86	66,206	25.4	71,328	1.5	3.7	27.4	-	-5,122	-2.0
1986-87	74,724	26.1	77,158	-1.1	0.7	27.0	-	-2,434	-0.9
1987-88	83,491	25.7	82,039	-0.9	0.1	25.3	-	1,452	0.4
1988-89	90,748	24.6	85,326	-3.1	-4.4	23.2	-	5,421	1.5
1989-90	98,625	24.4	92,684	0.6	1.7	22.9	-	5,942	1.5
1990-91	100,227	24.1	100,665	3.1	3.8	24.2	-	-438	-0.1
1991-92	95,840	22.6	108,472	5.7	5.9	25.6	-	-12,631	-3.0
1992-93	97,633	22.0	115,751	5.6	5.9	26.0	-	-18,118	-4.1
1993-94	103,824	22.2	122,009	3.5	4.4	26.1	-	-18,185	-3.9
1994-95	113,458	22.9	127,619	1.4	2.5	25.7	-	-14,160	-2.9
1995-96	124,429	23.5	135,538	1.9	3.2	25.6	-	-11,109	-2.1
1996-97	133,592	24.0	139,689	1.7	1.5	25.1	-	-6,099	-1.1
1997-98	140,736	23.9	140,587	0.6	-0.7	23.9	-	149	0.0
1998-99	152,063	24.5	148,175	4.1	4.9	23.9	-	3,889	0.6
1999-00	166,199	25.1	153,192	1.0	0.8	23.2	-	13,007	2.0
2000-01	182,996	25.9	177,123	9.1	10.8	25.1	-	5,872	0.8
2001-02	187,588	24.9	188,655	3.5	4.1	25.0	-	-1,067	-0.1
2002-03	204,613	25.5	197,243	1.4	1.4	24.6	-	7,370	0.9
2003-04	217,775	25.3	209,785	3.9	2.6	24.3	-	7,990	0.9
2004-05	235,984	25.6	222,407	3.5	2.0	24.1	-	13,577	1.5
2005-06	255,943	25.6	240,136	4.6	2.6	24.1	51	15,757	1.6
2006-07	272,637	25.1	253,321	2.5	0.5	23.3	2,127	17,190	1.6
2007-08	294,917	25.0	271,843	3.8	2.7	23.1	3,319	19,754	1.7
2008-09	292,600	23.2	316,046	12.7	10.4	25.1	3,566	-27,013	-2.1
2009-10	284,662	21.9	336,900	4.2	5.5	26.0	2,256	-54,494	-4.2

**Table D1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance<sup>(a)</sup> (continued)**

	Receipts(b)		Payments(c)				Net Future Fund earnings	Underlying cash balance(d)	
	\$m	Per cent of GDP	\$m	Per cent real growth (CPI)	Per cent real growth (NFGDP deflator)(f)	Per cent of GDP	\$m	\$m	Per cent of GDP
2010-11	302,024	21.4	346,102	-0.4	-3.2	24.5	3,385	-47,463	-3.4
2011-12	329,874	22.1	371,032	4.8	5.1	24.9	2,203	-43,360	-2.9
2012-13	351,052	23.0	367,204	-3.2	-0.8	24.0	2,682	-18,834	-1.2
2013-14	360,322	22.7	406,430	7.8	9.0	25.6	2,348	-48,456	-3.0
2014-15	378,301	23.4	412,079	-0.3	2.3	25.5	4,089	-37,867	-2.3
2015-16	386,924	23.4	423,328	1.3	3.3	25.6	3,202	-39,606	-2.4
<b>2016-17 (e)</b>	<b>407,350</b>	<b>23.3</b>	<b>441,063</b>	<b>2.6</b>	<b>0.4</b>	<b>25.2</b>	<b>2,801</b>	<b>-36,514</b>	<b>-2.1</b>
2017-18 (e)	431,233	23.8	456,506	1.5	2.7	25.2	3,422	-28,694	-1.6
2018-19 (p)	460,669	24.4	476,768	2.2	3.4	25.2	3,612	-19,711	-1.0
2019-20 (p)	490,040	24.8	496,158	1.5	2.8	25.2	3,874	-9,992	-0.5

(a) Data have been revised in the 2016-17 MYEFO to improve accuracy and comparability through time.

(b) Receipts are equal to cash receipts from operating activities and sales of non-financial assets.

(c) Payments are equal to cash payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(d) Underlying cash balance is equal to receipts less payments, less net Future Fund earnings. For the purposes of consistent comparison with years prior to 2005-06, net Future Fund earnings should be added back to the underlying cash balance.

(e) Estimates.

(f) Real spending growth is calculated using the Consumer Price Index as the deflator. Real spending growth using non-farm GDP deflator is included for comparative purposes only.

(p) Projections.

**Table D2: Australian Government general government sector net cash flows from investments in financial assets for policy purposes and headline cash balance<sup>(a)</sup>**

			Net cash flows		Headline cash	
	Receipts	Payments	from investments in	financial assets for	balance(c)	
			policy purposes(b)			
	\$m	\$m	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	8,290	7,389	-851	-2.1	50	0.1
1971-72	9,135	8,249	-987	-2.2	-101	-0.2
1972-73	9,735	9,388	-977	-2.0	-629	-1.3
1973-74	12,228	11,078	-1,275	-2.1	-125	-0.2
1974-75	15,643	15,463	-2,648	-3.7	-2,467	-3.5
1975-76	18,727	20,225	-2,040	-2.4	-3,539	-4.2
1976-77	21,890	23,157	-1,530	-1.6	-2,796	-2.9
1977-78	24,019	26,057	-1,324	-1.3	-3,361	-3.2
1978-79	26,129	28,272	-1,074	-0.9	-3,216	-2.7
1979-80	30,321	31,642	-702	-0.5	-2,024	-1.5
1980-81	35,993	36,176	-962	-0.6	-1,146	-0.8
1981-82	41,499	41,151	-1,008	-0.6	-660	-0.4
1982-83	45,463	48,810	-1,363	-0.7	-4,711	-2.5
1983-84	49,981	56,990	-1,136	-0.5	-8,144	-3.8
1984-85	58,817	64,853	-922	-0.4	-6,959	-3.0
1985-86	66,206	71,328	-810	-0.3	-5,932	-2.3
1986-87	74,724	77,158	-545	-0.2	-2,979	-1.0
1987-88	83,491	82,039	657	0.2	2,109	0.6
1988-89	90,748	85,326	168	0.0	5,589	1.5
1989-90	98,625	92,684	1,217	0.3	7,159	1.8
1990-91	100,227	100,665	1,563	0.4	1,125	0.3
1991-92	95,840	108,472	2,156	0.5	-10,475	-2.5
1992-93	97,633	115,751	2,471	0.6	-15,647	-3.5
1993-94	103,824	122,009	3,447	0.7	-14,738	-3.2
1994-95	113,458	127,619	1,546	0.3	-12,614	-2.5
1995-96	124,429	135,538	5,188	1.0	-5,921	-1.1
1996-97	133,592	139,689	7,241	1.3	1,142	0.2
1997-98	140,736	140,587	15,154	2.6	15,303	2.6
1998-99	152,063	148,175	6,948	1.1	10,837	1.7
1999-00	166,199	153,192	9,500	1.4	22,507	3.4
2000-01	182,996	177,123	5,673	0.8	11,545	1.6
2001-02	187,588	188,655	3,422	0.5	2,355	0.3
2002-03	204,613	197,243	-229	0.0	7,141	0.9
2003-04	217,775	209,785	-452	-0.1	7,538	0.9
2004-05	235,984	222,407	-1,139	-0.1	12,438	1.3
2005-06	255,943	240,136	-1,647	-0.2	14,160	1.4
2006-07	272,637	253,321	7,403	0.7	26,720	2.5
2007-08	294,917	271,843	5,108	0.4	28,181	2.4
2008-09	292,600	316,046	-7,889	-0.6	-31,336	-2.5
2009-10	284,662	336,900	-4,278	-0.3	-56,516	-4.4

**Table D2: Australian Government general government sector net cash flows from investments in financial assets for policy purposes and headline cash balance<sup>(a)</sup> (continued)**

	Receipts		Payments		Net cash flows from investments in financial assets for policy purposes(b)		Headline cash balance(c)	
					Per cent of GDP		Per cent of GDP	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2010-11	302,024	346,102	-7,028	-0.5	-51,106	-3.6		
2011-12	329,874	371,032	-5,866	-0.4	-47,023	-3.2		
2012-13	351,052	367,204	-4,802	-0.3	-20,954	-1.4		
2013-14	360,322	406,430	-6,371	-0.4	-52,479	-3.3		
2014-15	378,301	412,079	-5,158	-0.3	-38,936	-2.4		
2015-16	386,924	423,328	-12,684	-0.8	-49,088	-3.0		
<b>2016-17 (e)</b>	<b>407,350</b>	<b>441,063</b>	<b>-18,792</b>	<b>-1.1</b>	<b>-52,505</b>	<b>-3.0</b>		
2017-18 (e)	431,233	456,506	-19,947	-1.1	-45,220	-2.5		
2018-19 (p)	460,669	476,768	-16,168	-0.9	-32,267	-1.7		
2019-20 (p)	490,040	496,158	-11,787	-0.6	-17,905	-0.9		

(a) Data have been revised in the 2016-17 MYEFO to improve accuracy and comparability through time.

(b) Prior to 1999-2000, net cash flows from investments in financial assets for policy purposes were referred to as 'net advances'. A negative number reflects a cash outflow, while a positive number reflects a cash inflow.

(c) Headline cash balance is equal to receipts less payments, plus net cash flows from investments in financial assets for policy purposes. Receipts and payments are identical to Table D1.

(e) Estimates.

(p) Projections.

**Table D3: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts<sup>(a)</sup>**

	Taxation receipts		Non-taxation receipts		Total receipts(b)	
		Per cent		Per cent		Per cent
	\$m	of GDP	\$m	of GDP	\$m	of GDP
1970-71	7,193	17.8	1,097	2.7	8,290	20.5
1971-72	7,895	17.7	1,240	2.8	9,135	20.5
1972-73	8,411	16.9	1,324	2.7	9,735	19.6
1973-74	10,832	18.0	1,396	2.3	12,228	20.3
1974-75	14,141	19.9	1,502	2.1	15,643	22.0
1975-76	16,920	20.3	1,807	2.2	18,727	22.5
1976-77	19,714	20.5	2,176	2.3	21,890	22.8
1977-78	21,428	20.4	2,591	2.5	24,019	22.9
1978-79	23,409	19.7	2,720	2.3	26,129	22.0
1979-80	27,473	20.4	2,848	2.1	30,321	22.5
1980-81	32,641	21.4	3,352	2.2	35,993	23.6
1981-82	37,880	21.5	3,619	2.1	41,499	23.6
1982-83	41,025	21.7	4,438	2.3	45,463	24.0
1983-84	44,849	21.0	5,132	2.4	49,981	23.4
1984-85	52,970	22.5	5,847	2.5	58,817	25.0
1985-86	58,841	22.6	7,365	2.8	66,206	25.4
1986-87	66,467	23.2	8,257	2.9	74,724	26.1
1987-88	75,076	23.1	8,415	2.6	83,491	25.7
1988-89	83,452	22.7	7,296	2.0	90,748	24.6
1989-90	90,773	22.4	7,852	1.9	98,625	24.4
1990-91	92,739	22.3	7,488	1.8	100,227	24.1
1991-92	87,364	20.6	8,476	2.0	95,840	22.6
1992-93	88,760	20.0	8,873	2.0	97,633	22.0
1993-94	93,362	20.0	10,462	2.2	103,824	22.2
1994-95	104,921	21.1	8,537	1.7	113,458	22.9
1995-96	115,700	21.8	8,729	1.6	124,429	23.5
1996-97	124,559	22.4	9,033	1.6	133,592	24.0
1997-98	130,984	22.2	9,752	1.7	140,736	23.9
1998-99	138,420	22.3	13,643	2.2	152,063	24.5
1999-00	151,313	22.9	14,887	2.3	166,199	25.1
2000-01	170,354	24.1	12,641	1.8	182,996	25.9
2001-02	175,108	23.2	12,481	1.7	187,588	24.9
2002-03	192,131	24.0	12,482	1.6	204,613	25.5
2003-04	206,478	23.9	11,296	1.3	217,775	25.3
2004-05	223,723	24.2	12,262	1.3	235,984	25.6
2005-06	241,681	24.2	14,262	1.4	255,943	25.6
2006-07	257,973	23.7	14,665	1.3	272,637	25.1
2007-08	279,018	23.7	15,899	1.3	294,917	25.0
2008-09	273,379	21.7	19,221	1.5	292,600	23.2
2009-10	261,864	20.2	22,798	1.8	284,662	21.9



**Table D3: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts<sup>(a)</sup> (continued)**

	Taxation receipts		Non-taxation receipts		Total receipts(b)	
		Per cent		Per cent		Per cent
	\$m	of GDP	\$m	of GDP	\$m	of GDP
2010-11	281,767	20.0	20,257	1.4	302,024	21.4
2011-12	310,972	20.8	18,902	1.3	329,874	22.1
2012-13	327,589	21.4	23,464	1.5	351,052	23.0
2013-14	339,962	21.4	20,359	1.3	360,322	22.7
2014-15	353,494	21.9	24,807	1.5	378,301	23.4
2015-16	361,962	21.9	24,962	1.5	386,924	23.4
<b>2016-17 (e)</b>	<b>378,756</b>	<b>21.6</b>	<b>28,594</b>	<b>1.6</b>	<b>407,350</b>	<b>23.3</b>
2017-18 (e)	403,601	22.2	27,632	1.5	431,233	23.8
2018-19 (p)	429,340	22.7	31,329	1.7	460,669	24.4
2019-20 (p)	457,373	23.2	32,667	1.7	490,040	24.8

(a) Data have been revised in the 2016-17 MYEFO to improve accuracy and comparability through time.

(b) Receipts are equal to receipts from operating activities and sales of non-financial assets. Receipts are identical to Table D1.

(e) Estimates.

(p) Projections.

**Table D4: Australian Government general government sector net debt and net interest payments<sup>(a)</sup>**

	Net debt(b)		Net interest payments(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	344	0.9	-189	-0.5
1971-72	-496	-1.1	-245	-0.6
1972-73	-790	-1.6	-252	-0.5
1973-74	-1,851	-3.1	-286	-0.5
1974-75	-1,901	-2.7	-242	-0.3
1975-76	-341	-0.4	-330	-0.4
1976-77	898	0.9	-62	-0.1
1977-78	2,896	2.8	4	0.0
1978-79	4,983	4.2	254	0.2
1979-80	6,244	4.6	440	0.3
1980-81	6,356	4.2	620	0.4
1981-82	5,919	3.4	680	0.4
1982-83	9,151	4.8	896	0.5
1983-84	16,015	7.5	1,621	0.8
1984-85	21,896	9.3	2,813	1.2
1985-86	26,889	10.3	3,952	1.5
1986-87	29,136	10.2	4,762	1.7
1987-88	27,344	8.4	4,503	1.4
1988-89	21,981	6.0	4,475	1.2
1989-90	16,123	4.0	4,549	1.1
1990-91	16,915	4.1	3,636	0.9
1991-92	31,041	7.3	3,810	0.9
1992-93	55,218	12.4	3,986	0.9
1993-94	70,223	15.0	5,628	1.2
1994-95	83,492	16.8	7,292	1.5
1995-96	95,831	18.1	8,861	1.7
1996-97	96,281	17.3	9,489	1.7
1997-98	82,935	14.1	8,279	1.4
1998-99	72,065	11.6	8,649	1.4
1999-00	53,869	8.1	7,514	1.1
2000-01	42,719	6.1	6,195	0.9
2001-02	38,180	5.1	5,352	0.7
2002-03	29,047	3.6	3,758	0.5
2003-04	22,639	2.6	3,040	0.4
2004-05	10,741	1.2	2,502	0.3
2005-06	-4,531	-0.5	2,303	0.2
2006-07	-29,150	-2.7	228	0.0
2007-08	-44,820	-3.8	-1,015	-0.1
2008-09	-16,148	-1.3	-1,196	-0.1
2009-10	42,283	3.3	2,386	0.2

**Table D4: Australian Government general government sector net debt and net interest payments<sup>(a)</sup> (continued)**

	Net debt(b)		Net interest payments(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
2010-11	84,551	6.0	4,608	0.3
2011-12	147,334	9.9	6,609	0.4
2012-13	152,982	10.0	8,285	0.5
2013-14	202,463	12.7	10,843	0.7
2014-15	238,721	14.8	10,868	0.7
2015-16	296,371	17.9	12,041	0.7
<b>2016-17 (e)</b>	<b>317,193</b>	<b>18.1</b>	<b>12,386</b>	<b>0.7</b>
2017-18 (e)	343,009	18.9	13,353	0.7
2018-19 (p)	358,983	19.0	14,274	0.8
2019-20 (p)	363,832	18.4	14,685	0.7

(a) Data have been revised in the 2016-17 MYEFO to improve accuracy and comparability through time.

(b) Net debt is equal to the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

(c) Net interest payments are equal to the difference between interest paid and interest receipts.

(e) Estimates.

(p) Projections.

**Table D5: Australian Government general government sector face value of Commonwealth Government Securities (CGS) on issue and interest paid<sup>(a)</sup>**

	Face value of CGS on issue(b)					
	Total CGS on issue(c)		Subject to Treasurer's Direction(d)		Interest paid(f)	
	End of year \$m	Per cent of GDP	End of year \$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	10,887	27.0	-	-	580	1.4
1971-72	11,490	25.8	-	-	614	1.4
1972-73	12,217	24.5	-	-	675	1.4
1973-74	12,809	21.2	-	-	712	1.2
1974-75	14,785	20.8	-	-	893	1.3
1975-76	17,940	21.5	-	-	1,001	1.2
1976-77	20,845	21.7	-	-	1,485	1.5
1977-78	23,957	22.8	-	-	1,740	1.7
1978-79	28,120	23.7	-	-	2,080	1.8
1979-80	29,321	21.8	-	-	2,356	1.8
1980-81	30,189	19.8	-	-	2,723	1.8
1981-82	31,060	17.7	-	-	3,058	1.7
1982-83	37,071	19.6	-	-	3,580	1.9
1983-84	45,437	21.3	-	-	4,558	2.1
1984-85	54,420	23.1	-	-	5,952	2.5
1985-86	63,089	24.2	-	-	7,394	2.8
1986-87	67,172	23.5	-	-	8,339	2.9
1987-88	62,794	19.3	-	-	8,139	2.5
1988-89	56,854	15.4	-	-	8,222	2.2
1989-90	48,399	12.0	-	-	8,064	2.0
1990-91	48,723	11.7	-	-	6,994	1.7
1991-92	58,826	13.9	-	-	6,819	1.6
1992-93	76,509	17.2	-	-	6,487	1.5
1993-94	90,889	19.5	-	-	7,709	1.7
1994-95	105,466	21.3	-	-	9,144	1.8
1995-96	110,166	20.8	-	-	10,325	1.9
1996-97	111,067	19.9	-	-	10,653	1.9
1997-98	93,664	15.9	-	-	9,453	1.6
1998-99	85,331	13.7	-	-	9,299	1.5
1999-00	75,536	11.4	-	-	8,509	1.3
2000-01	66,403	9.4	-	-	7,335	1.0
2001-02	63,004	8.4	-	-	6,270	0.8
2002-03	57,435	7.2	-	-	4,740	0.6
2003-04	54,750	6.3	-	-	4,096	0.5
2004-05	55,151	6.0	-	-	3,902	0.4
2005-06	54,070	5.4	-	-	4,628	0.5
2006-07	53,264	4.9	-	-	3,959	0.4
2007-08	55,442	4.7	-	-	3,754	0.3
2008-09	101,147	8.0	95,103	7.6	3,970	0.3
2009-10	147,133	11.3	141,806	10.9	6,411	0.5

**Table D5: Australian Government general government sector face value of Commonwealth Government Securities (CGS) on issue and interest paid<sup>(a)</sup> (continued)**

	Face value of CGS on issue(b)					
	Total CGS on issue(c)		Subject to Treasurer's Direction(d)		Interest paid(f)	
	End of year \$m	Per cent of GDP	End of year \$m	Per cent of GDP	\$m	Per cent of GDP
2010-11	191,292	13.6	186,704	13.2	9,551	0.7
2011-12	233,976	15.7	229,389	15.4	10,875	0.7
2012-13	257,378	16.8	252,791	16.5	11,846	0.8
2013-14	319,481	20.1	316,952	19.9	13,972	0.9
2014-15	368,738	22.8	366,202	22.6	13,924	0.9
2015-16	420,420	25.4	417,936	25.3	14,977	0.9
<b>2016-17 (e)</b>	<b>498,000</b>	<b>28.4</b>	<b>496,000</b>	<b>28.3</b>	<b>15,377</b>	<b>0.9</b>
2017-18 (e)	542,000	29.9	539,000	29.7	16,520	0.9
2018-19 (p)	578,000	30.6	576,000	30.5	17,796	0.9
2019-20 (p)	604,000	30.6	601,000	30.5	18,731	0.9

(a) Data have been revised in the 2016-17 MYEFO to improve accuracy and comparability through time.

(b) From 2016-17 onwards, data for CGS on issue are projections and are rounded to the nearest \$1 billion.

(c) Total CGS on issue includes CGS held on behalf of the States and the Northern Territory, but excludes Commonwealth holdings of CGS.

(d) The face value of CGS subject to the Treasurer's Direction excludes the stock and securities outlined in subsection 51JA(2A) of the *Commonwealth Inscribed Stock Act 1911*. These are the same stock and securities that were excluded from the previous legislative debt limit. Data on CGS on issue subject to the Treasurer's Direction are not available prior to 2008-09 because the limit was first introduced in July 2008.

(e) Estimates.

(f) Interest paid consists of all cash interest payments of the general government sector, including those relating to CGS on issue.

(p) Projections.

**Table D6: Australian Government general government sector revenue, expenses, net capital investment and fiscal balance<sup>(a)</sup>**

	Revenue(b)		Expenses(b)		Net capital investment		Fiscal balance(b)(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1996-97	141,688	25.4	145,821	26.2	90	0.0	-4,223	-0.8
1997-98	146,820	24.9	148,652	25.2	147	0.0	-1,979	-0.3
1998-99	152,106	24.5	146,772	23.6	1,433	0.2	3,901	0.6
1999-00	167,304	25.3	155,558	23.5	-69	0.0	11,815	1.8
2000-01	186,106	26.4	180,090	25.5	8	0.0	6,007	0.9
2001-02	190,432	25.2	192,984	25.6	382	0.1	-2,935	-0.4
2002-03	206,778	25.8	201,113	25.1	287	0.0	5,377	0.7
2003-04	222,042	25.8	215,235	25.0	660	0.1	6,148	0.7
2004-05	242,354	26.3	229,092	24.8	1,034	0.1	12,228	1.3
2005-06	260,569	26.1	241,665	24.2	2,498	0.3	16,406	1.6
2006-07	277,895	25.6	258,761	23.8	2,333	0.2	16,801	1.5
2007-08	303,402	25.7	279,862	23.7	2,593	0.2	20,948	1.8
2008-09	298,508	23.7	324,188	25.7	4,064	0.3	-29,743	-2.4
2009-10	292,387	22.5	339,829	26.2	6,433	0.5	-53,875	-4.2
2010-11	309,204	21.9	355,667	25.2	5,297	0.4	-51,760	-3.7
2011-12	337,324	22.6	377,220	25.3	4,850	0.3	-44,746	-3.0
2012-13	359,496	23.5	381,980	25.0	987	0.1	-23,472	-1.5
2013-14	374,151	23.5	414,047	26.0	3,850	0.2	-43,746	-2.8
2014-15	379,455	23.5	417,514	25.8	2,706	0.2	-40,764	-2.5
2015-16	395,055	23.9	428,691	25.9	3,829	0.2	-37,464	-2.3
<b>2016-17 (e)</b>	<b>411,112</b>	<b>23.5</b>	<b>448,642</b>	<b>25.6</b>	<b>3,953</b>	<b>0.2</b>	<b>-41,482</b>	<b>-2.4</b>
2017-18 (e)	441,223	24.3	460,382	25.4	3,119	0.2	-22,278	-1.2
2018-19 (p)	473,062	25.0	483,632	25.6	4,727	0.3	-15,298	-0.8
2019-20 (p)	502,699	25.5	503,975	25.6	5,161	0.3	-6,437	-0.3

(a) Data have been revised in the 2016-17 MYEFO to improve accuracy and comparability through time.

(b) The 2016-17 MYEFO includes revisions to the 2014-15 financial year to capture adjustments to ATO provisions and settlements.

(c) Fiscal balance is equal to revenue less expenses less net capital investment.

(e) Estimates.

(p) Projections.

**Table D7: Australian Government general government sector net worth and net financial worth<sup>(a)(b)</sup>**

	Net worth(c)		Net financial worth(d)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1999-00	-7,046	-1.1	-67,036	-10.1
2000-01	-6,618	-0.9	-71,876	-10.2
2001-02	-11,655	-1.5	-78,032	-10.3
2002-03	-15,330	-1.9	-82,931	-10.3
2003-04	-1,152	-0.1	-72,389	-8.4
2004-05	14,556	1.6	-58,882	-6.4
2005-06	17,971	1.8	-59,763	-6.0
2006-07	46,351	4.3	-35,696	-3.3
2007-08	70,859	6.0	-14,690	-1.2
2008-09	19,427	1.5	-71,490	-5.7
2009-10	-45,938	-3.5	-144,485	-11.1
2010-11	-95,386	-6.8	-198,787	-14.1
2011-12	-247,208	-16.6	-355,834	-23.9
2012-13	-202,650	-13.3	-312,724	-20.5
2013-14	-256,045	-16.1	-370,331	-23.3
2014-15	-303,230	-18.8	-422,009	-26.1
2015-16	-418,565	-25.3	-542,919	-32.8
<b>2016-17 (e)</b>	<b>-280,721</b>	<b>-16.0</b>	<b>-419,522</b>	<b>-24.0</b>
2017-18 (e)	-300,950	-16.6	-444,049	-24.5
2018-19 (p)	-313,580	-16.6	-461,133	-24.4
2019-20 (p)	-316,697	-16.1	-468,923	-23.8

(a) Data have been revised in the 2016-17 MYEFO to improve accuracy and comparability through time.

(b) The 2016-17 MYEFO includes revisions to the 2014-15 financial year to capture adjustments to ATO provisions and settlements.

(c) Net worth is equal to total assets less liabilities.

(d) Net financial worth is equal to financial assets less total liabilities.

(e) Estimates.

(p) Projections.

**Table D8: Australian Government general government sector accrual taxation revenue, non-taxation revenue and total revenue<sup>(a)</sup>**

	Taxation revenue(b)		Non-taxation revenue		Total revenue(b)	
	\$m	Per cent	\$m	Per cent	\$m	Per cent
		of GDP		of GDP		of GDP
1999-00	153,409	23.2	13,895	2.1	167,304	25.3
2000-01	175,876	24.9	10,229	1.4	186,106	26.4
2001-02	178,154	23.6	12,278	1.6	190,432	25.2
2002-03	195,057	24.3	11,719	1.5	206,778	25.8
2003-04	210,220	24.4	11,822	1.4	222,042	25.8
2004-05	230,198	24.9	12,155	1.3	242,354	26.3
2005-06	245,512	24.6	15,056	1.5	260,569	26.1
2006-07	262,576	24.1	15,320	1.4	277,895	25.6
2007-08	286,544	24.3	16,858	1.4	303,402	25.7
2008-09	278,981	22.2	19,528	1.6	298,508	23.7
2009-10	268,512	20.7	23,875	1.8	292,387	22.5
2010-11	289,247	20.5	19,957	1.4	309,204	21.9
2011-12	317,023	21.3	20,301	1.4	337,324	22.6
2012-13	337,823	22.1	21,673	1.4	359,496	23.5
2013-14	352,884	22.2	21,267	1.3	374,151	23.5
2014-15	355,884	22.0	23,570	1.5	379,455	23.5
2015-16	368,939	22.3	26,116	1.6	395,055	23.9
<b>2016-17 (e)</b>	<b>386,345</b>	<b>22.1</b>	<b>24,767</b>	<b>1.4</b>	<b>411,112</b>	<b>23.5</b>
2017-18 (e)	412,842	22.7	28,381	1.6	441,223	24.3
2018-19 (p)	439,780	23.3	33,281	1.8	473,062	25.0
2019-20 (p)	467,206	23.7	35,492	1.8	502,699	25.5

(a) Data have been revised in the 2016-17 MYEFO to improve accuracy and comparability through time.

(b) The 2016-17 MYEFO includes revisions to the 2014-15 financial year to capture adjustments to ATO provisions and settlements.

(e) Estimates.

(p) Projections.



Table D9: Australian Government cash receipts, payments and surplus by institutional sector (\$m)<sup>(a)</sup>

	General government						Public non-financial corporations						Non-financial public sector					
	Underlying cash			Cash surplus			Cash surplus			Cash surplus			Cash surplus			Cash surplus		
	Receipts(b)	Payments(c)	balance(d)	Receipts(b)	Payments(c)	Cash surplus	Receipts(b)	Payments(c)	Cash surplus	Receipts(b)	Payments(c)	Cash surplus	Receipts(b)	Payments(c)	Cash surplus	Receipts(b)	Payments(c)	Cash surplus
1988-89	90,748	85,326	5,421	4,177	6,035	257	93,923	90,312	3,611	93,923	90,312	3,611	93,923	90,312	3,611	93,923	90,312	3,611
1989-90	98,625	92,684	5,942	3,926	11,322	-5,261	101,495	102,883	-1,388	101,495	102,883	-1,388	101,495	102,883	-1,388	101,495	102,883	-1,388
1990-91	100,227	100,665	-438	4,804	9,351	-2,139	103,837	108,808	-4,971	103,837	108,808	-4,971	103,837	108,808	-4,971	103,837	108,808	-4,971
1991-92	95,840	108,472	-12,631	3,899	7,713	101	97,937	114,369	-16,432	97,937	114,369	-16,432	97,937	114,369	-16,432	97,937	114,369	-16,432
1992-93	97,633	115,751	-18,118	4,385	7,819	-196	100,512	122,042	-21,530	100,512	122,042	-21,530	100,512	122,042	-21,530	100,512	122,042	-21,530
1993-94	103,824	122,009	-18,185	5,178	6,476	1,482	106,747	126,214	-19,467	106,747	126,214	-19,467	106,747	126,214	-19,467	106,747	126,214	-19,467
1994-95	113,458	127,619	-14,160	5,262	7,318	1,956	116,751	132,965	-16,214	116,751	132,965	-16,214	116,751	132,965	-16,214	116,751	132,965	-16,214
1995-96	124,429	135,538	-11,109	4,927	8,190	-527	126,593	140,963	-14,364	126,593	140,963	-14,364	126,593	140,963	-14,364	126,593	140,963	-14,364
1996-97	133,592	139,689	-6,099	4,782	7,373	473	135,259	143,948	-8,689	135,259	143,948	-8,689	135,259	143,948	-8,689	135,259	143,948	-8,689
1997-98	140,736	140,587	149	6,238	7,923	1,119	144,517	145,985	-1,468	144,517	145,985	-1,468	144,517	145,985	-1,468	144,517	145,985	-1,468
1998-99	152,063	148,175	3,889	na	na	-353	na	na	na	na	na	na	na	na	na	na	na	na
1999-00	166,199	153,192	13,007	na	na	-2,594	na	na	na	na	na	na	na	na	na	na	na	na
2000-01	182,996	177,123	5,872	na	na	391	na	na	na	na	na	na	na	na	na	na	na	na
2001-02	187,588	188,655	-1,067	na	na	1,210	na	na	na	na	na	na	na	na	na	na	na	na
2002-03	204,613	197,243	7,370	27,386	26,105	1,280	238,236	228,669	9,564	238,236	228,669	9,564	238,236	228,669	9,564	238,236	228,669	9,564
2003-04	217,775	209,785	7,990	27,718	26,142	1,575	257,946	242,818	15,128	257,946	242,818	15,128	257,946	242,818	15,128	257,946	242,818	15,128
2004-05	235,984	222,407	13,577	29,621	28,071	1,550	278,254	263,445	14,809	278,254	263,445	14,809	278,254	263,445	14,809	278,254	263,445	14,809
2005-06	255,943	240,136	15,757	30,875	31,874	-999	285,336	267,778	17,556	285,336	267,778	17,556	285,336	267,778	17,556	285,336	267,778	17,556
2006-07	272,637	253,321	17,190	16,882	18,641	-1,759	300,503	277,903	22,600	300,503	277,903	22,600	300,503	277,903	22,600	300,503	277,903	22,600
2007-08	294,917	271,843	19,754	7,758	8,232	-473	297,421	321,841	-24,352	297,421	321,841	-24,352	297,421	321,841	-24,352	297,421	321,841	-24,352
2008-09	292,600	316,046	-27,013	7,987	8,960	-973	290,681	343,841	-52,904	290,681	343,841	-52,904	290,681	343,841	-52,904	290,681	343,841	-52,904
2009-10	284,662	336,900	-54,494	8,419	9,341	-922	na	na	na	na	na	na	na	na	na	na	na	na

**Table D9: Australian Government cash receipts, payments and surplus by institutional sector (\$m)<sup>(a)</sup> (continued)**

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts(b)	Payments(c)	Underlying cash balance(d)	Receipts(b)	Payments(c)	Cash surplus	Receipts(b)	Payments(c)	Cash surplus
2010-11	302,024	346,102	-47,463	8,558	9,733	-1,175	308,258	353,511	-44,970
2011-12	329,874	371,032	-43,360	8,845	10,847	-2,002	336,122	379,282	-42,779
2012-13	351,052	367,204	-18,834	9,766	14,135	-4,369	358,088	378,609	-20,521
2013-14	360,322	406,430	-48,456	11,042	16,322	-5,280	368,521	419,910	-51,388
2014-15	378,301	412,079	-37,867	11,256	15,544	-4,288	386,643	424,709	-38,067
2015-16	386,924	423,328	-39,606	11,606	18,281	-6,675	395,842	438,921	-43,079
<b>2016-17 (e)</b>	<b>407,350</b>	<b>441,063</b>	<b>-36,514</b>	<b>12,916</b>	<b>21,751</b>	<b>-8,835</b>	<b>417,770</b>	<b>460,318</b>	<b>-42,548</b>
2017-18 (e)	431,233	456,506	-28,694	na	na	na	na	na	na
2018-19 (p)	460,669	476,768	-19,711	na	na	na	na	na	na
2019-20 (p)	490,040	496,158	-9,992	na	na	na	na	na	na

(a) Data have been revised in the 2016-17 MYEFO to improve accuracy and comparability through time.

(b) Receipts are equal to receipts from operating activities and sales of non-financial assets.

(c) Payments are equal to payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(d) This item excludes net Future Fund earnings from 2005-06 onwards. Net Future Fund earnings are shown in Table D1.

(e) Estimates.

(p) Projections.

na Data not available.

**Table D10: Australian Government accrual revenue, expenses and fiscal balance by institutional sector (a)**

	General government(b)			Public non-financial corporations			Non-financial public sector(b)		
	Revenue	Expenses	Fiscal balance(c)	Revenue	Expenses	Fiscal balance(c)	Revenue	Expenses	Fiscal balance(c)
1996-97	141,688	145,821	-4,223	27,431	26,015	-331	na	na	-4,554
1997-98	146,820	148,652	-1,979	29,618	26,999	2,360	na	na	387
1998-99	152,106	146,772	3,901	27,687	26,088	-816	175,891	168,958	3,085
1999-00	167,304	155,558	11,815	25,485	23,542	1,062	188,841	175,152	11,721
2000-01	186,106	180,090	6,007	25,869	24,762	-826	207,367	200,246	5,181
2001-02	190,432	192,984	-2,935	26,638	25,341	793	212,462	213,718	-2,142
2002-03	206,778	201,113	5,377	24,339	22,916	1,975	225,989	218,944	7,311
2003-04	222,042	215,235	6,148	25,449	23,444	2,143	241,746	232,934	8,291
2004-05	242,354	229,092	12,228	26,965	25,191	1,473	263,434	248,398	13,700
2005-06	260,569	241,665	16,406	28,143	29,531	-2,442	281,927	264,410	13,964
2006-07	277,895	258,761	16,801	15,443	16,360	-1,763	289,551	271,335	15,038
2007-08	303,402	279,862	20,948	6,854	6,686	-584	308,888	285,179	20,364
2008-09	298,508	324,188	-29,743	6,998	7,576	-1,495	303,309	329,566	-31,238
2009-10	292,387	339,829	-53,875	7,288	7,297	-1,079	298,033	345,483	-54,954
2010-11	309,204	355,667	-51,760	7,563	7,787	-1,446	315,001	361,689	-53,205
2011-12	337,324	377,220	-44,746	8,046	8,238	-2,158	343,722	383,810	-46,904
2012-13	359,496	381,980	-23,472	8,863	9,415	-4,189	366,642	389,678	-27,661
2013-14	374,151	414,047	-43,746	9,537	11,127	-6,070	381,971	423,457	-49,816
2014-15	379,455	417,514	-40,764	9,987	11,850	-4,856	387,719	427,641	-45,620
2015-16	395,055	428,691	-37,464	10,044	12,809	-7,486	403,868	440,270	-44,950
<b>2016-17 (e)</b>	<b>411,112</b>	<b>448,642</b>	<b>-41,482</b>	<b>10,726</b>	<b>14,509</b>	<b>-11,455</b>	<b>420,601</b>	<b>461,914</b>	<b>-52,938</b>
2017-18 (e)	441,223	460,382	-22,278	na	na	na	na	na	na
2018-19 (p)	473,062	483,632	-15,298	na	na	na	na	na	na
2019-20 (p)	502,699	503,975	-6,437	na	na	na	na	na	na

(a) Data have been revised in the 2016-17 MYEFO to improve accuracy and comparability through time.

(b) The 2016-17 MYEFO includes revisions to the 2014-15 financial year to capture adjustments to ATO provisions and settlements.

(c) Fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.

(e) Estimates.

(p) Projections.

na Data not available

