

# Mid-Year Economic and Fiscal Outlook 2014-15

DECEMBER 2014

Statement by

The Honourable J. B. Hockey MP  
Treasurer of the Commonwealth of Australia  
and  
Senator the Honourable Mathias Cormann  
Minister for Finance of the Commonwealth of Australia

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 2014-15, while the forward years refer to 2015-16, 2016-17 and 2017-18; 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| nfp     | not for publication                         |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 2014-15* (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 2014-15 Budget. 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 2014-15 Budget** – provides details of decisions taken since the 2014-15 Budget 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**

Despite a deteriorating global economy over 2014, the Australian economy continues to grow solidly, with strong growth in areas such as exports and housing investment.

Moving into 2015, growth will be further supported by historically low interest rates, the recent depreciation of the Australian dollar and lower energy prices. The Government is executing its Economic Action Strategy to deliver a stronger and more prosperous economy with greater opportunities next year and beyond.

A key component of this Strategy is the continued roll out of over \$50 billion of infrastructure investment. These investments have already begun and include major projects across the nation that will reduce congestion, improve productivity and create jobs. The Government's investment in infrastructure also includes incentives of \$5 billion through the Asset Recycling Initiative, which will catalyse over \$38 billion in new infrastructure. In total, the Infrastructure Growth Package will lead to over \$125 billion of new productive infrastructure over the next decade.

The business environment has improved since 2013 and costs for all Australians have been reduced as a result of the abolition of the Carbon Tax and the Minerals Resource Rent Tax. The abolition of these taxes will encourage investment and job creation. The Government has also removed the uncertainty created by nearly 100 announced but unlegislated tax and superannuation measures dating back 12 years.

The Government has successfully concluded landmark negotiations on free trade agreements with Korea, Japan and China. These are world-class, comprehensive agreements that substantially liberalise our trade with major markets, delivering significant benefits to Australian exporters, farmers, manufacturers and consumers. Starting next year and developing in the coming years, they will provide enormous opportunities for Australian business to expand in the region, particularly for the providers of services to cater for the demand of the growing Asian middle class.

In 2014, the Government removed around 57,000 pages of government regulation and legislation and cut around \$2 billion of red tape for businesses, community organisations, and individuals, with further reductions to come in 2015. These red tape reductions are easing the costs and complexity of doing business.

The Government has accelerated environmental assessments and approvals for over 300 major new projects worth over \$1 trillion for Australia and these projects are now getting underway.

The Medibank Private Limited Share Offer was successfully completed this year, surpassing expectations and returning \$5.7 billion in proceeds to be re-invested in job-creating infrastructure.

## Repairing the Budget

Most importantly, in 2014 the Government commenced the critical task of repairing the budget.

The 2014-15 Budget outlined an ambitious structural reform agenda designed to drive economic growth and create jobs. It also took major steps towards ensuring the Government lives within its means, returns the budget to surplus and pays down debt.

The Government has made considerable progress. The majority of Budget measures have now been implemented. As a result, the budget position is fundamentally stronger than it would have been under the unsustainable trajectory of debt and deficits left behind by the former Government. Compared with the projection of \$667 billion in debt inherited just over a year ago, the 2014-15 Mid-Year Economic and Fiscal Outlook (MYEFO) shows the Government on track to reduce this by nearly \$170 billion. In addition, budget deficits are still forecast to reduce steadily over the forward estimates and beyond.

However, since May, two key factors have primarily driven the \$43.7 billion deterioration in the budget over the forward estimates: the impact of the economy on tax receipts and payments; and the impact of the Senate's decisions.

Primarily as a result of the collapse in iron ore prices by over 30 per cent and weaker than expected wage growth, tax receipts have been revised down by \$31.6 billion. Government payments have also been affected. Delays in passing legislation and negotiations with the Senate have cost the budget more than \$10.6 billion over the forward estimates, keeping debt and interest payments higher for longer.

An underlying cash deficit of \$40.4 billion is now expected in 2014-15 (2.5 per cent of GDP), narrowing to a deficit of \$11.5 billion (0.6 per cent of GDP) by 2017-18. This reinforces that there is much more work to do and budget repair will take time.

**Table 1.1: Budget aggregates**

	Estimates			
	2014-15		2015-16	
	Budget	MYEFO	Budget	MYEFO
<b>Underlying cash balance(\$b)(a)</b>	<b>-29.8</b>	<b>-40.4</b>	<b>-17.1</b>	<b>-31.2</b>
Per cent of GDP	-1.8	-2.5	-1.0	-1.9
<b>Fiscal balance(\$b)</b>	<b>-25.9</b>	<b>-39.8</b>	<b>-12.2</b>	<b>-27.2</b>
Per cent of GDP	-1.6	-2.5	-0.7	-1.6
	Projections			
	2016-17		2017-18	
	Budget	MYEFO	Budget	MYEFO
<b>Underlying cash balance(\$b)(a)</b>	<b>-10.6</b>	<b>-20.8</b>	<b>-2.8</b>	<b>-11.5</b>
Per cent of GDP	-0.6	-1.2	-0.2	-0.6
<b>Fiscal balance(\$b)</b>	<b>-6.6</b>	<b>-17.8</b>	<b>1.0</b>	<b>-5.0</b>
Per cent of GDP	-0.4	-1.0	0.1	-0.3

(a) Excludes expected net Future Fund earnings.

## Update to the economic outlook

Overall, the outlook for real GDP growth is unchanged since Budget. Real GDP is forecast to grow at 2½ per cent in 2014-15, before increasing to near-trend growth of 3 per cent in 2015-16. This reflects the expectation of solid growth of real activity in the economy continuing.

However, the changes to the economic outlook since the Budget are driven by the sharper than expected fall in the terms of trade, including significant falls in prices of iron ore and coal, and weaker wage growth. While the forecasts for solid real GDP growth are unchanged, the prices we receive for our production have declined significantly. Accordingly, nominal GDP growth in 2014-15 is expected to be weaker than forecast at Budget, at 1½ per cent. This would be the weakest nominal GDP growth in a financial year in over 50 years.

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

	Forecasts		Projections	
	2014-15	2015-16	2016-17	2017-18
Real GDP	2 1/2	3	3 1/2	3 1/2
Employment	1	1 3/4	2	2 1/4
Unemployment rate	6 1/2	6 1/2	6	5 3/4
Consumer price index	2 1/2	2 1/2	2 1/2	2 1/2
Wage price index	2 1/2	3	2 3/4	3
Nominal GDP	1 1/2	4 1/2	5 1/4	5 1/4

(a) Year average unless otherwise stated. Employment, the wage price index and the consumer price index are through the year growth to the June quarter in 2014-15 and 2015-16. The unemployment rate is the rate for the June quarter.

Source: Treasury projections.

Iron ore prices have unexpectedly fallen by over 30 per cent since the Budget. MYEFO assumes a free-on-board iron ore price of US\$60 per tonne over the next two years, which compares with a spot price of US\$95 at Budget. The fall in iron ore prices has led to company tax receipts being revised down by \$2.3 billion in 2014-15 and \$14.4 billion over the forward estimates.

At the same time weaker wage and employment growth are expected to lower individuals' income tax receipts by \$2.3 billion in 2014-15 and \$8.6 billion over the forward estimates. Weaker wage and employment growth will also increase payments for existing government programmes.

Excluding policy changes, total taxation receipts have been revised down by \$6.2 billion in 2014-15 and \$31.6 billion over the forward estimates. This brings the total writedown in tax receipts since the Government was elected to over \$70 billion.

To avoid detracting from economic growth, the Government has let the impact on the budget from sharply lower iron ore prices and slower wage growth flow through to the bottom line, rather than taking decisions to cut expenditure dramatically or increase tax.

## **Impact of the Senate**

The other key driver of the deterioration in the budget position since May has been the impact of delays in the passage of key legislative measures and outcomes of negotiations with the Senate.

Considerable progress has been made in implementing the 2014-15 Budget. Around 75 per cent of the over 400 measures in the Budget have already been implemented. Included in these measures are some of the Government's largest decisions to repair the budget, such as the reduction in Official Development Assistance (\$7.9 billion over five years) and changes to welfare and social services totalling \$2.7 billion.

The Government is committed to negotiating constructively with the Senate on Budget measures, but there is a cost of delay. The delay in passing legislation to allow Budget measures to commence has already cost the budget \$3.4 billion. These delays are hampering progress towards budget repair and result in debt and associated interest payments staying higher for longer than would otherwise be the case.

The cost to date of completed and ongoing negotiations with the Senate totals \$7.2 billion over the forward estimates. These costs are primarily a result of changes required to: repeal the Minerals Resource Rent Tax and associated spending (\$6.6 billion); amend the higher education reforms announced in the Budget; and implement the re-installment of Temporary Protection Visas.

This brings the total cost to the budget of Senate delays and negotiations to \$10.6 billion over the forward estimates.

Notably though, the budget costs associated with the Minerals Resource Rent Tax repeal package were fully offset by the end of 2023 by the decision to delay the increase in the superannuation guarantee rate until 1 July 2021. The repeal of the Minerals Resource Rent Tax and other related measures will save the budget over \$10 billion over the forward estimates and around \$50 billion over the next decade.

The Government remains committed to budget repair and to successfully negotiating the structural reform measures announced in the 2014-15 Budget through the Parliament.

Around \$33.9 billion of measures that improve the budget position also remain subject to the passage of legislation. Over \$5 billion in measures that were policies of the former Government are yet to secure passage through the Parliament. If these measures are not passed, the projected improvement in the budget position will be further weakened.

## **New policy decisions**

Fiscal discipline has been maintained and, setting aside negotiations with the Senate, the Government has improved the budget position over the forward estimates by \$3.2 billion as a result of policy decisions in MYEFO.

The spending decisions that have been taken since the Budget primarily respond to changes in the international security environment, or reflect the commitment to drive growth and support a strong economy.

The Government has responded to a rapidly changing security environment, investing around \$1.3 billion to keep Australians safe and secure. To counter the threat of home-grown terrorism, security and law enforcement agencies have been given \$631.4 million in extra resources to track, disrupt and prosecute Australians involved in violent extremism, both at home and overseas. Operations in Iraq are addressing the enduring threat of terrorism at a cost of \$306.4 million.

The Government has also taken further steps to build a stronger, more prosperous economy. This includes the finalisation of the Japan-Australia Economic Partnership Agreement. It also includes the Industry Innovation and Competitiveness Agenda with key decisions such as the reinstatement of important incentives for entrepreneurship through Employee Share Schemes and the establishment of five new sector specific Industry Growth Centres. MYEFO also includes funding for the Global Infrastructure Hub, a key outcome of Australia's G20 presidency, to facilitate greater infrastructure investment and collaboration between governments, the private sector and international organisations.

Building on measures in the 2014-15 Budget, the Government has also agreed to a third tranche of Smaller Government reforms with a further reduction of 175 bodies. This supplements firm action to restrain the size of government by achieving necessary wage restraint and reducing the size of the public service.

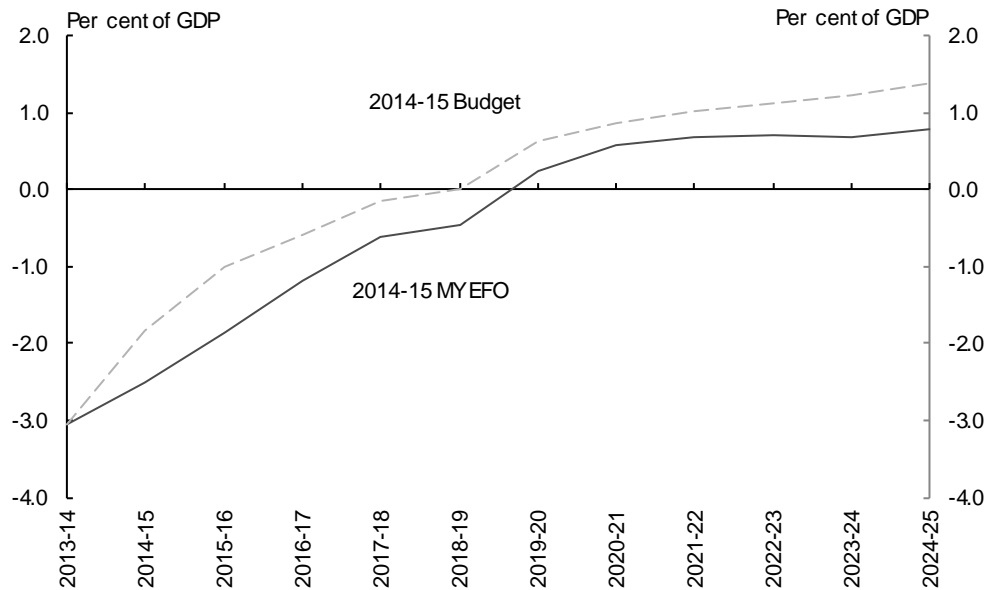
## **Medium term outlook**

The 2013-14 MYEFO showed that, without action, the budget would not return to surplus for a decade, and debt would reach \$667 billion by 2023-24 and still be rising.

Despite the deterioration in the fiscal outlook over the forward estimates, the medium-term outlook for the budget is considerably better than a year ago. Debt is now projected to be nearly \$170 billion lower than it would have been by 2023-24 and to be falling.

The underlying cash balance is projected to reach surplus in 2019-20, with the surplus reaching 0.8 per cent of GDP by the end of the medium term, including future tax relief being incorporated from 2020-21. This remains a considerable improvement from the 2013-14 MYEFO projections.

**Chart 1.1: Underlying cash balance projected to 2024-25**



Notes: The underlying cash balance excludes Future Fund earnings and payments. A tax-to-GDP cap of 23.9 per cent is applied on 2014-15 Budget and 2014-15 MYEFO projections.  
Source: Treasury projections

The Government remains committed to its objective of building a stronger economy and achieving surpluses, which build to at least 1 per cent of GDP by 2023-24. While budget repair is underway, there is more work to do to deliver on this commitment.

While there are positive signs of the Australian economy strengthening and transitioning towards broader-based drivers of growth, there is still much work to be done and budget repair will take time.

The path of fiscal consolidation and policy settings will be considered comprehensively as part of the normal annual Budget process. The Government is determined to work with the Australian people to build a strong and prosperous economy and take advantage of the many opportunities that will build Australia's future.



## PART 2: ECONOMIC OUTLOOK

### OVERVIEW

Against the backdrop of weaker global economic growth, the Australian economy continues to grow solidly. The outlook is for an improvement in Australia's real GDP growth, which is unchanged since Budget.

Exports and dwelling investment have been growing strongly and there are tentative signs of recovery elsewhere. Interest rates at historic lows are supportive of growth. The depreciation of the Australian dollar and recently signed free trade agreements are improving the prospects for the trade-exposed sectors of the economy.

In contrast, nominal GDP growth in 2014-15 is expected to be weaker than forecast at Budget and the weakest growth in a financial year in over 50 years. This reflects a substantial fall in commodity prices, particularly iron ore prices (which fell by more than all major forecasters expected) and further moderation in wage growth. This has led to lower forecast company and individuals' income tax receipts and government payments have increased.

### INTERNATIONAL ECONOMIC OUTLOOK

The global economy is expected to recover but at a slower rate than expected at Budget. The United States is leading advanced economy recoveries, but there has been a loss of momentum in both the euro area and Japan.

China's economic transition towards more sustainable growth, and a slowdown in its property market, are weighing on iron ore and coal prices.

The majority of world growth is still expected to come from emerging market economies, predominantly those in our region, with **world growth** expected to pick up to 3¾ per cent in 2015 and 4 per cent in 2016.

**Australia's major trading partner growth** is expected to continue to exceed world growth, with forecasts of 4½ per cent in 2015 and 2016. This reflects the relative and increasing importance of fast-growing east Asian economies within our export markets.

The most immediate risk to the global recovery is the euro area, which faces the possibility of a long period of subdued growth and low inflation. The long period of relatively calm financial markets and rising asset prices could be reversed by a variety of triggers, such as increased geopolitical tensions. Any such reversal could potentially weigh on confidence and growth.

Finally, while China's transition to more moderate but sustainable growth will underpin increasing prosperity and a burgeoning middle class, this transition may not be smooth.

**Table 2.1: International GDP growth forecasts<sup>(a)</sup>**

	Actuals	Forecasts		
	2013	2014	2015	2016
China(b)	7.7	7 1/4	6 3/4	6 1/2
India(b)	4.7	5 1/4	5 1/2	6
Japan	1.5	1/2	1	3/4
United States	2.2	2 1/4	3	3
Euro area	-0.4	3/4	1	1 1/2
Other East Asia(c)	4.3	4	4 3/4	4 3/4
Major trading partners	4.3	4 1/2	4 1/2	4 1/2
World	3.3	3 1/4	3 3/4	4

(a) 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.

(b) Production-based measure of GDP.

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

Source: National statistical agencies, IMF *World Economic Outlook* October 2014, Thomson Reuters and Treasury.

The **United States** (which is our third largest trading partner) has been a source of optimism in the global economy, with a return to strong growth following the first quarter contraction. Fundamentals are improving: household finances are healthy, the labour market is improving and business investment is growing. Forecast growth is 3 per cent in 2015 and 2016.

In line with the recovery, the United States Federal Reserve has brought to a close its program of net asset purchases. This has been done without generating the volatility in financial markets that had been feared, with attention now on the likely timing and pace of interest rate rises. The pace and timing of these rises and the communication strategy by the Federal Reserve may again raise the prospect of volatility in financial markets.

In **China**, growth is moderating to a more sustainable rate as the economy matures and the benefits of past stimulus fade. While forecasts have been revised down, reflecting this moderation in growth and headwinds from the property market, China is still expected to be the fastest growing and by far the largest of Australia's major trading partners. The composition of growth in China is also as important to the evolution of Australia's trading relationship as the pace of growth.

A key development for our trade with China has been the slowdown in the property market, which has added to broader and significant downward pressure on iron ore prices (Box A). Adding to this has been pre-existing Chinese overcapacity in resource and energy intensive sectors such as steel and cement. While the impact on growth has

been partly offset by supportive policy and improving external demand, the net effect on key commodities has been weaker demand and lower prices.

Looking ahead, solid and sustained growth in China will be underpinned by the transition already underway from investment-led to consumption-led growth. This phase of growth is expected to be less resource intensive and, together with recently signed Free Trade Agreements with China, Japan and Korea, should expand export opportunities for Australia in other goods and services. An important component of the medium-term reform agenda is financial system deregulation. This is critical to improve the efficient allocation of capital across the economy, but carries with it risks as it will require the management of impaired loans in the system.

Forecast growth for China has been downgraded to 6¾ per cent in 2015 and 6½ per cent in 2016 reflecting further signs of weakness since the Budget forecasts were prepared, and since the IMF's World Economic Outlook in October. There are downside risks given the transitions that are taking place, although these are moderated to some degree by the policy buffers at the authorities' disposal. The recent monetary policy easing demonstrates the authorities' preparedness to support growth.

Elsewhere in emerging Asia, **India** is recovering from an extended downturn, with a steady but promising reform agenda expected to lift medium-term growth. Forecast growth has been upgraded to 5½ per cent in 2015 and 6 per cent in 2016. The ASEAN-5 are expected to benefit from lower commodity prices, with Indonesia and Malaysia notable exceptions as fellow commodity exporters.

The **euro area** recovery lost some momentum this year. Parts of the European periphery are growing strongly, albeit with a lot of ground to make up, but growth in Germany, France and Italy has been weak. Forecast growth has been downgraded to ¾ per cent in 2014 and 1 per cent in 2015, but held at 1½ per cent for 2016. There is a risk of long-lasting damage to potential growth in the euro area, with depressed business investment and a near-record high unemployment rate.

As a result of this economic weakness, the euro area is facing persistent low inflation and falling inflation expectations. The European Central Bank has pursued further easing measures in response to these pressures. While highly accommodative monetary policy is expected to support a gradual recovery in activity, progress on fiscal and structural reforms remains key to prospects across the euro area.

In **Japan** (our second largest trading partner), the recovery faltered following the consumption tax increase in April, with two consecutive quarters of negative growth, suggesting underlying economic weakness rather than a temporary setback. In response, the Bank of Japan has provided further considerable monetary easing, while the Government has pursued a fresh electoral mandate. More broadly, Japan faces significant structural challenges which present downside risks to growth. Forecast growth has been downgraded to ½ per cent in 2014, left at 1 per cent for 2015 and downgraded to ¾ per cent in 2016.

## DOMESTIC ECONOMIC OUTLOOK

The outlook for real GDP growth is unchanged since Budget, and the economy is forecast to grow at 2½ per cent in 2014-15, before increasing to near-trend growth of 3 per cent in 2015-16. The economy continues to transition from resources investment-led growth towards broader-based drivers of activity. Exports and housing construction are growing strongly. With interest rates at historic lows, the decline in the Australian dollar and new market opportunities becoming available, the Australian economy is expected to strengthen.

**Exports** volumes are growing strongly. The transition of the resources investment boom to its production phase has seen Australian iron ore export volumes grow more quickly than expected, as new mines and capacity expansions in the Pilbara reached production targets faster than expected. Going forward, exports should be supported by a lower dollar and by stronger demand for services and other exports from the expanding Asian middle class.

**Imports**, especially of capital goods, declined in 2013-14, largely reflecting the reduction in resources investment. The fall in the Australian dollar will encourage consumers and businesses to switch from imports to domestically produced goods, with imports now expected to continue to fall slightly in 2014-15 and grow by only ½ per cent in 2015-16.

**Business investment** growth in 2013-14 was weaker than expected, amid a fast decline in resources investment since the recent peak. However, the outlook for non-resources investment has improved. Non-mining business conditions and confidence have been high over much of this year. In addition, historically low interest rates and a lower exchange rate will support investment going forward, though at this stage it has yet to be reflected in strong investment plans.

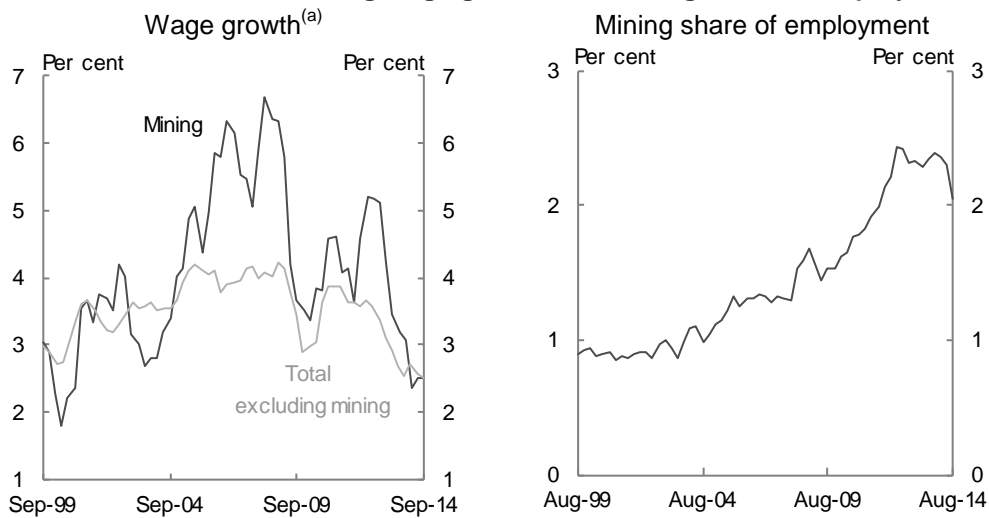
**Dwelling investment** has been growing strongly, rising by 5.1 per cent in 2013-14, supported by low interest rates and rising house prices. While dwelling investment fell unexpectedly in the September quarter, building approvals point to a strong outlook in the near term.

In 2014, the average number of jobs created per month has been more than double that of 2013. However, below trend real GDP growth continues to mean that **employment growth** has not been strong enough to keep up with growth in the labour force. This has led the **unemployment rate** to rise slightly. An increase in job advertisements and low wage growth highlights upside risks to employment growth. Nevertheless, with the unemployment rate currently a little higher than expected at Budget, the unemployment rate is now expected to peak at 6½ per cent. The implied unemployment rate forecasts for calendar years 2014 and 2015 are within the range of consensus forecasts.

**Wage growth** has been very subdued, reflecting the spare capacity in the labour market and a significant reduction in wage growth in the mining sector. Wage growth is expected to pick up as the economy strengthens.

With the transition from mining construction towards the less labour-intensive production phase of the resources boom well underway, wage growth in the mining sector and the share of employment in the mining sector have declined (Chart 2.1).

**Chart 2.1 Declines in mining wage growth and mining share of employment**



(a) Through the year growth.  
Source: ABS cat. no. 6345.0, 6291.0.55.003 and Treasury.

Looking through recent volatility, **consumption** has been growing a little below trend. While some measures of consumer confidence have been around long-run averages, and retail trade has picked up recently, lower wage growth and employment growth are expected to impact on consumption. Growth in consumer spending in 2014-15 has been revised down to 2½ per cent, before picking up in 2015-16, supported by rising household wealth.

Subdued wage growth and the removal of the carbon tax is helping to contain inflationary pressure, notwithstanding the inflationary effects of the fall in the Australian dollar. Headline and underlying **inflation** are forecast to be 2½ per cent through the year to both the June quarter of 2015 and the June quarter of 2016.

Since Budget, key **commodity prices** have fallen significantly driven by supply increases and slower demand growth. Iron ore prices are now more than 30 per cent lower than at Budget as a result of increased production by Australian and other suppliers together with the slowing in the Chinese property market. Further details on iron ore price developments are in Box A.

**Box A: Iron ore price developments**

After being around US\$125/tonne on average over 2013, the iron ore price has fallen substantially since the beginning of the year (down roughly 50 per cent). The iron ore price is currently around 50 per cent lower than it was at the 2013-14 Budget, delivered 18 months ago, and the Pre-Election Economic and Fiscal Outlook. That said, a large part of this fall has occurred since the 2014-15 Budget, after which the iron ore price has declined by more than 30 per cent. The iron ore price is currently US\$63/tonne free on board (FOB) (as at 9 December 2014), around its lowest level since 2009 (Chart 2.2). The extent of the fall in the price was widely unexpected.

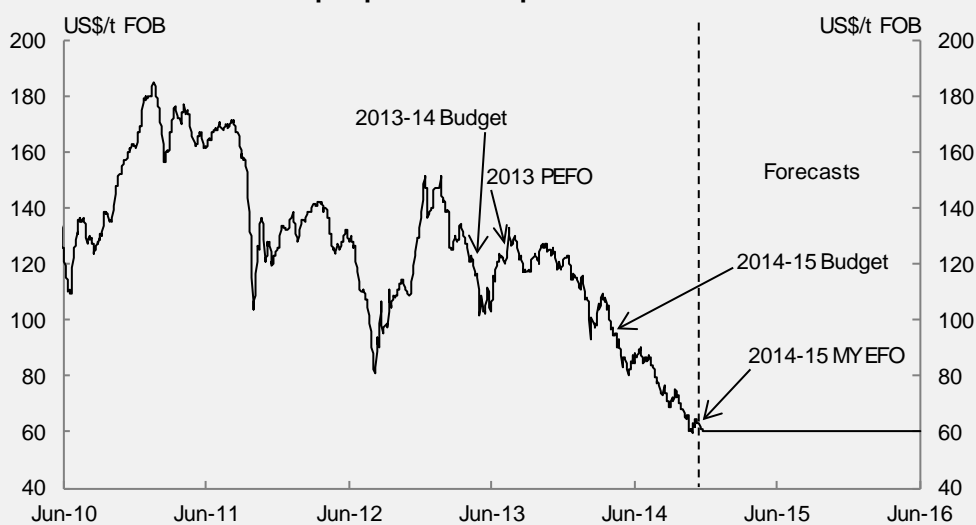
At Budget, Treasury expected the iron ore price to fall in line with increasing global supply, primarily from Australia, and softening demand from China. The spot price was expected to fall from around US\$95/tonne at the time of the 2014-15 Budget to US\$92/tonne by June 2016, having started the year at over US\$120/tonne.

At the time, the Budget outlook for iron ore prices was considered to be conservative as it was below market expectations, with the median consensus forecast predicting a price of US\$98/tonne in June 2016.

The sharper-than-anticipated fall in the iron ore price over 2014 reflects a number of factors. Firstly, the early completion of major projects in the Pilbara region, assisted by favourable weather conditions, led to a greater than anticipated expansion of supply.

Secondly, it was expected that the lower prices associated with increased Australian supply would displace high-cost production elsewhere, providing a natural floor for the price. While some unprofitable supply did exit the market, the response has been surprisingly limited to date, with much of China's high-cost production (which accounts for roughly 15 per cent of global production) remaining in the market.

**Chart 2.2 Spot price developments and forecasts**



Source: Platts and Treasury.

**Box A: Iron ore price developments (cont.)**

Finally, the softening economic conditions in China have also placed downward pressure on iron ore prices since Budget. Most notably, the outlook for the Chinese property sector – the single largest consumer of steel – has deteriorated sharply over 2014, while tighter credit conditions have placed pressure on Chinese steel mills. This has weighed on demand at a time when ample supply of iron ore is available.

Whilst low cost mines in Australia and Brazil are expected to continue to expand global supply, on the demand side, China's growth outlook for 2015 has been downgraded from Budget. The associated weakness in the property sector and the ongoing transition from resource-intensive growth is expected to constrain Chinese steel demand.

The price of iron ore is consequently expected to remain around US\$60/tonne over the forecast period. This is lower than consensus forecasts which were published in October 2014, with many forecasts in consensus likely finalised well before the publication date. Prices have fallen considerably since then, implying potential downgrades for consensus forecasts going forward.

There is considerable uncertainty around this forecast, but this is assessed to be broadly balanced.

Using the sensitivity analysis in Scenario 1 in Part 3, Attachment A, the analysis in Table 2.2 below examines the effects on nominal GDP and receipts of altering the iron ore price forecast. These scenarios provide a rule of thumb indication of the impact of changes in the price. They represent partial economic analysis only and do not attempt to capture all the economic feedback and other policy responses related to changed economic conditions. In particular, the analysis assumes no change in the exchange rate, interest rates or policy over the forecast period. As such the impacts are merely illustrative.

The analysis suggests a US\$10/tonne reduction in the forecast iron ore spot price results in a 2 per cent fall in the terms of trade and a ½ per cent reduction in nominal GDP by 2015-16. This would imply a rule of thumb decline in tax receipts of \$0.8 billion in 2014-15 and \$2.8 billion in 2015-16.

**Table 2.2 Illustrative impact of different iron ore price forecasts (compared to US\$60/tonne baseline)<sup>(a)</sup>**

	US\$50/tonne FOB <sup>(b)</sup> spot price		US\$70/tonne FOB spot price	
	2014-15	2015-16	2014-15	2015-16
Nominal GDP (\$billion)	-3.5	-8.4	3.5	8.4
Receipts (\$billion)	-0.8	-2.8	0.8	2.8

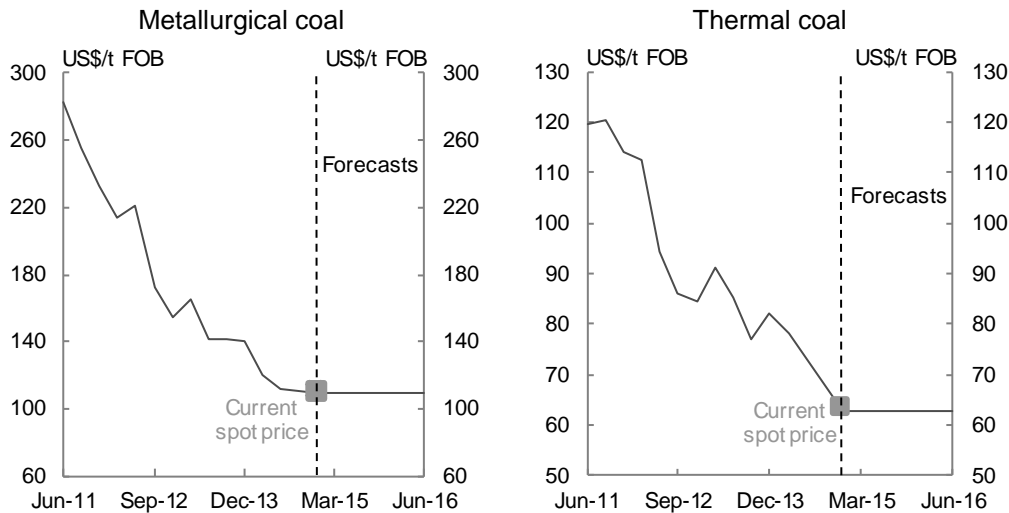
(a) Key aggregates are shown relative to the 2014-15 MYEFO iron ore spot price forecast of US\$60/tonne.

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

Source: Treasury.

The price for thermal coal has also fallen by around 15 per cent since the Budget, while metallurgical coal prices remain subdued (Chart 2.3). Thermal and metallurgical coal spot prices are expected to be US\$63 and US\$110 over the forecast horizon. Without a sustained price recovery, some high-cost operations may close. However, productivity gains and a lower Australian dollar are expected to alleviate some of the pressure of weak prices on the resources sector more broadly.

**Chart 2.3 Metallurgical coal and thermal coal prices**



Source: Platts, Bloomberg and Treasury.

Increases in global oil supply and lower demand have also resulted in a significant fall in the price of oil since the Budget, with oil prices down by around 35 per cent and retail petrol prices down by around 20 cents per litre. The oil price is assumed to remain lower across the forecast period. Cheaper fuel costs will benefit domestic consumers, by freeing up income to spend on other goods and services.

A sustained lower oil price is also expected to eventually feed through into lower prices for Australian LNG exports, which are contractually linked to oil prices. This will become particularly important as Australian LNG export capacity starts to come online over the forecast period, to become our second largest export.

Wheat prices, which were elevated around the time of Budget amid geo-political tensions, have declined by around 20 per cent since Budget and have been relatively stable over recent months.

These commodity price falls have led to a substantial downward revision to the **terms of trade** which is now expected to fall by 13½ per cent in 2014-15 and 3¾ per cent in 2015-16. We are now 25 per cent off the peak level for the terms of trade which occurred in the September quarter 2011. **The forecast decline in the terms of trade would be the largest fall in the terms of trade in a financial year since the Australian Bureau of Statistic's Annual National Accounts started in 1959-60.**



**Nominal GDP growth** has been weak over recent years, reflecting the lower terms of trade and weaker wage growth. As such, forecast nominal GDP growth has been downgraded significantly since Budget. Declines in commodity prices have resulted in lower forecast company tax receipts, while weaker wage growth is leading to softer income tax receipts. These developments have been primarily responsible for the \$31.6 billion write down in tax receipts since Budget.

**Key risks** to the outlook relate to movements in commodity prices, the household saving ratio and the outlook for business investment. A stronger than anticipated moderation in Chinese growth could lead to weaker commodity prices than forecast, while the departure of high cost suppliers from the market could result in stronger prices. Uncertainty over the economic outlook could lead households to save more than expected, leading to lower consumption growth, while lower electricity and fuel costs will benefit households. There is also substantial uncertainty over the outlook for non-mining business investment. While conditions are favourable for a pick-up in business spending, so investment could be stronger than expected, the pace of new investment will depend on how demand evolves.

There is always a degree of uncertainty around the forecasts, which can be estimated based on past forecast errors and presented using confidence intervals. The average annualised real GDP growth rate over the two years from 2013-14 to 2015-16 is expected to be 2¾ per cent, with the 70 per cent confidence interval ranging from 2 to 3¾ per cent. Nominal GDP growth forecasts carry with them additional uncertainty. The 70 per cent confidence interval for average annualised nominal GDP growth over the two years from 2013-14 to 2015-16 ranges from 1½ per cent to 4½ per cent. Attachment B of Part 3 provides further detail on the confidence intervals around the forecasts.

**Table 2.3: Domestic economy forecasts<sup>(a)</sup>**

	Outcomes(b)	Forecasts			
	2013-14	2014-15		2015-16	
		Budget	MYEFO	Budget	MYEFO
<b>Panel A - Demand and output(c)</b>					
Household consumption	2.2	3	2 1/2	3 1/4	3
Private investment					
Dwellings	5.1	7 1/2	8	5 1/2	5 1/2
Total business investment(d)	-5.0	-5 1/2	-4 1/2	-3 1/2	-3
Non-dwelling construction(d)	-2.0	-9 1/2	-10	-12 1/2	-12
Machinery and equipment(d)	-12.6	-2	3 1/2	7	8 1/2
Private final demand(d)	0.9	1 1/2	1 1/2	2	2
Public final demand(d)	1.5	1 1/2	1 1/2	1	1
Total final demand	1.0	1 1/2	1 1/2	1 3/4	1 3/4
Change in inventories(e)	-0.3	1/4	0	0	0
Gross national expenditure	0.7	1 3/4	1 1/2	1 3/4	1 3/4
Exports of goods and services	5.8	5 1/2	5 1/2	7	6 1/2
Imports of goods and services	-2.1	2	- 1/2	2 1/2	1/2
Net exports(e)	1.6	1	1 1/4	1 1/4	1 1/4
<b>Real gross domestic product</b>	2.5	2 1/2	2 1/2	3	3
Non-farm product	2.4	2 3/4	2 1/2	3	3
Farm product	5.1	-4	-6	1	2
Nominal gross domestic product	4.0	3	1 1/2	4 3/4	4 1/2
<b>Panel B - Other selected economic measures</b>					
External accounts					
Terms of trade	-3.7	-6 3/4	-13 1/2	-1 3/4	-3 3/4
Current account balance (per cent of GDP)	-3.0	-4	-4 1/2	-3 3/4	-4 3/4
Labour market					
Employment(f)	0.8	1 1/2	1	1 1/2	1 3/4
Unemployment rate (per cent)(g)	6.0	6 1/4	6 1/2	6 1/4	6 1/2
Participation rate (per cent)(g)	64.7	64 1/2	64 1/2	64 1/2	64 1/2
Prices and wages					
Consumer price index(h)	3.0	2 1/4	2 1/2	2 1/2	2 1/2
Gross non-farm product deflator	1.0	1/2	- 3/4	1 3/4	1 1/2
Wage price index(f)	2.6	3	2 1/2	3	3

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

(b) Calculated using original data unless otherwise indicated.

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

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

(e) Percentage point contribution to growth in GDP.

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

(g) Seasonally adjusted rate for the June quarter.

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

Note: The forecasts are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level — a trade weighted index of around 68 and a United States dollar exchange rate of around 84 US cents. Interest rates are assumed to move in line with market expectations. World oil prices (Malaysian Tapis) are assumed to remain around US\$76 per barrel. The farm sector forecasts are based on an assumed return to average seasonal conditions.

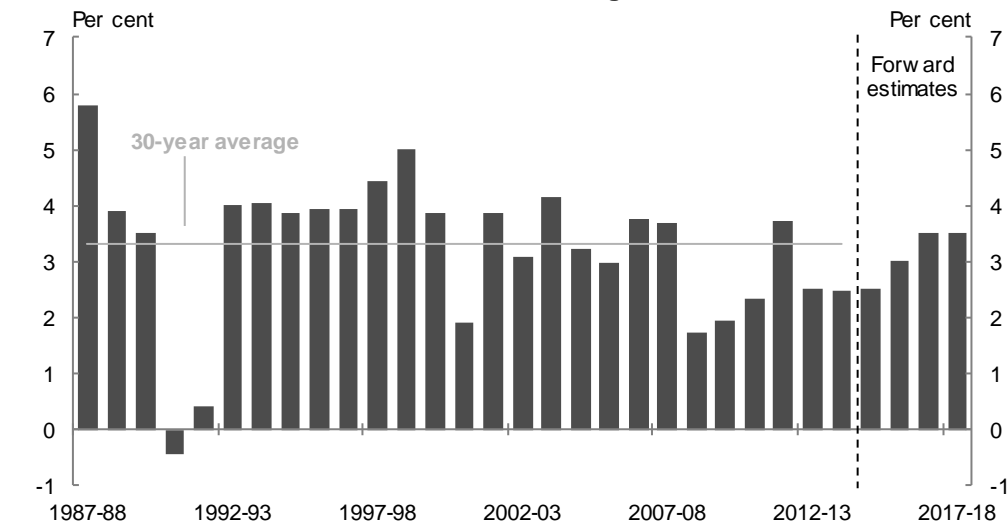
Source: ABS cat. no. 5206.0, 5302.0, 6202.0, 6345.0, 6401.0, unpublished ABS data and Treasury.

### Medium-term economic projections

The fiscal aggregates in the MYEFO are underpinned by a set of forward estimates, containing economic forecasts for the budget year and the subsequent financial year, and projections for the next two financial years. These projections are not forecasts, but rather are based on a set of medium-term assumptions.

The medium-term projection methodology outlined in the 2014-15 Budget implies that spare capacity in the economy is absorbed over the five years following the two-year forecast period. As this occurs, labour market variables, including employment and the participation rate, converge to their long-run trend levels. To absorb the forecast spare capacity in the economy, real GDP is projected to grow above trend for a period of five years from 2016-17. By then the spare capacity is absorbed and real GDP grows at trend thereafter.

Chart 2.4: Real GDP growth



Source: ABS cat. no. 5206.0 and Treasury.

Trend GDP is estimated based on analysis of underlying trends for population, productivity and participation. The unemployment rate is projected to converge back 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 Reserve Bank of Australia’s medium-term target band. The terms of trade is projected to continue to decline, falling to its level in 2005-06 by 2019-20.



## PART 3: FISCAL STRATEGY AND OUTLOOK

### OVERVIEW

In 2014, the Government has made significant progress in delivering on its fiscal strategy to repair the budget and return to a sustainable surplus, despite the economy and the Senate driving significant impacts on tax receipts and payments.

Notably, around 75 per cent of over 400 measures in the 2014-15 Budget have already been implemented. Despite expectations of the weakest nominal GDP growth in a financial year in over 50 years, deficits are still expected to decline each year of the forward estimates. And debt is now expected to reach \$499 billion by 2023-24 – a fall of nearly \$170 billion compared with the projection of \$667 billion in debt inherited a year ago.

However, since the Budget, the collapse in iron ore prices and lower than expected wage growth, have made the budget repair task more challenging, driving the write-down of \$31.6 billion in tax receipts over the forward estimates.

The impact of delays in passing legislation and negotiations with the Senate is also hampering budget repair, costing the Budget \$10.6 billion over the forward estimates, and keeping debt and interest payments higher for longer.

Setting aside the cost of Senate negotiations, all new policy decisions have been more than offset by responsible savings – demonstrating the Government's ongoing, strong commitment to fiscal discipline.

The underlying cash balance has deteriorated by \$10.6 billion in 2014-15 and by \$43.7 billion over the forward estimates. As a result, a deficit of \$40.4 billion is forecast in 2014-15, narrowing to \$11.5 billion in 2017-18. This highlights the size of the budget repair task and that there remains much work to do.

**Table 3.1: Budget aggregates**

	Estimates			
	2014-15		2015-16	
	Budget	MYEFO	Budget	MYEFO
<b>Underlying cash balance(\$b)(a)</b>	<b>-29.8</b>	<b>-40.4</b>	<b>-17.1</b>	<b>-31.2</b>
Per cent of GDP	-1.8	-2.5	-1.0	-1.9
<b>Fiscal balance(\$b)</b>	<b>-25.9</b>	<b>-39.8</b>	<b>-12.2</b>	<b>-27.2</b>
Per cent of GDP	-1.6	-2.5	-0.7	-1.6
	Projections			
	2016-17		2017-18	
	Budget	MYEFO	Budget	MYEFO
<b>Underlying cash balance(\$b)(a)</b>	<b>-10.6</b>	<b>-20.8</b>	<b>-2.8</b>	<b>-11.5</b>
Per cent of GDP	-0.6	-1.2	-0.2	-0.6
<b>Fiscal balance(\$b)</b>	<b>-6.6</b>	<b>-17.8</b>	<b>1.0</b>	<b>-5.0</b>
Per cent of GDP	-0.4	-1.0	0.1	-0.3

(a) Excludes expected net Future Fund earnings.

### CHANGE IN THE FISCAL POSITION SINCE THE BUDGET

There are two key drivers of the change in the fiscal position since the Budget: the impact of the economy on tax receipts and payments; and the impact of the negotiations and delays in the Senate.

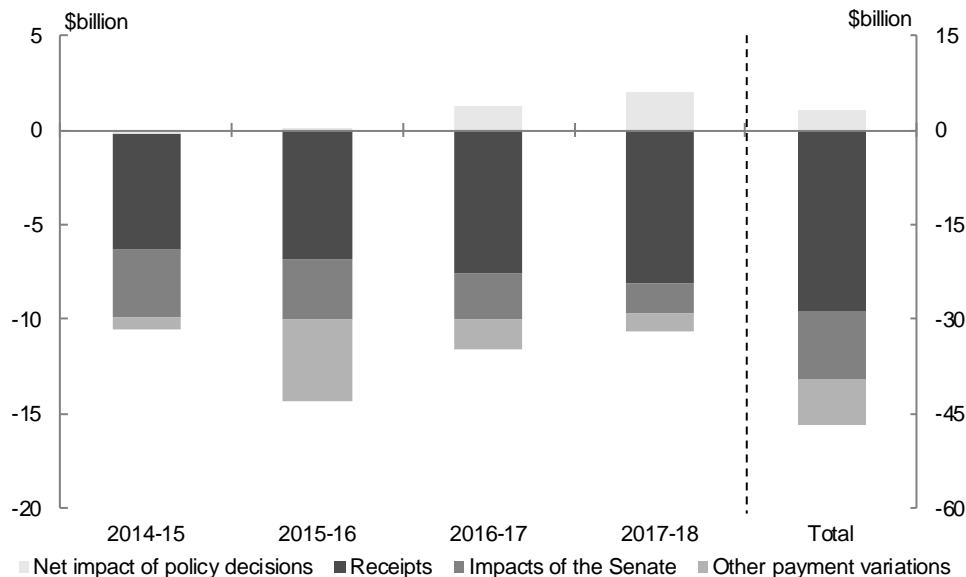
Changes in the economic outlook since the 2014-15 Budget, primarily relating to sharper than expected falls in iron ore prices and lower than forecast wage growth, have had a significant impact on the budget bottom line. Tax receipts have been revised down \$31.6 billion over the forward estimates (\$6.2 billion in 2014-15), and government payments have increased.

The \$10.6 billion impact on the Budget resulting from the Senate’s decisions is comprised of two elements: a \$3.4 billion cost from delaying the passage of legislation; and \$7.2 billion in costs associated with negotiating the passage of key policies.

Setting aside the Senate negotiations, the net impact of Government decisions since Budget has improved the budget position over the forward estimates by \$3.2 billion.

The Government remains committed to improving the long-term sustainability of the budget position. The path of fiscal consolidation and policy settings will be considered comprehensively as part of the normal annual Budget process.

**Chart 3.1: Changes to the Underlying Cash Balance since Budget**



### **Impact of the economy on tax receipts and payments**

The substantial fall in iron ore prices of more than 30 per cent since the Budget is weighing particularly on company profits and tax receipts, while weaker wage growth is lowering individuals' income tax receipts, driving an overall reduction of \$31.6 billion in tax receipts.

Of this reduction, company tax receipts have been revised down by \$2.3 billion in 2014-15 and \$14.4 billion over the forward estimates – around half of the total reduction in tax receipts since the Budget. In addition, the weaker outlook for wages growth is expected to lead to lower taxes on individuals of \$2.3 billion in 2014-15 and \$8.6 billion over the forward estimates. Economic effects such as this highlight the importance of improving the structural budget position over time.

Since the 2014-15 Budget, economic parameters have also resulted in increased payments over the forward estimates. In particular:

- payments related to Family Tax Benefits are expected to increase by \$3.2 billion over the forward estimates, largely reflecting the impact of lower than expected wage growth which is driving up average payment rates and recipient numbers;
- defence and other foreign spending is \$1.5 billion higher over the forward estimates reflecting the depreciation in the exchange rate; and
- increased income support payments (an increase of \$966 million over the forward estimates) reflecting updated benefit recipient numbers and average payments rates.

Payment levels for some government programs are also being driven higher as a result of other parameter variations. In particular:

- Child Care Rebate and Benefit payments, which are demand driven, are expected to increase by \$2.4 billion over the forward estimates, largely reflecting higher than expected utilisation of child care services, both in terms of the number of children in childcare and hours claimed, and higher than expected fees; and
- support for government and non-government schools has increased by \$878 million over the forward estimates as a result of higher than expected enrolments in 2013.

In MYEFO, the Government has allowed the variations arising from economic and other parameter variations to flow through to the budget bottom line, rather than take decisions to cut expenditure dramatically or increase taxes.

Were the Government to immediately react to offset these automatic variations in taxes and payments, largely arising from weaker national income growth, it would risk exacerbating the impact of these changes on the economy. The path of fiscal

### *Part 3: Fiscal Strategy and Outlook*

consolidation and policy settings will be considered comprehensively as part of the normal annual Budget process.

#### **Impact of the Senate**

In the 2014-15 Budget, the Government set out the savings required to reduce the spiralling growth in government payments inherited from the previous government.

The decisions announced in the 2014-15 Budget were estimated to improve the bottom line by \$36.0 billion over the four years to 2017-18. The impact of these savings decisions was designed to build over time, reducing payments growth and ensuring the sustainability of the budget position in the medium-term.

While considerable progress has been made in implementing the Budget, delays in passing legislation to allow Budget measures to commence has, to date, cost the budget \$3.4 billion. This primarily reflects the delay in passing legislation associated with the family payments reforms in the 2014-15 Budget, which improve the ongoing sustainability of the system and ensure that family payments are better targeted to those who need them the most.

Costs have also been incurred over the forward estimates as a result of completed and ongoing negotiations to pass legislation through the Senate. The cost of these negotiations to date totals \$7.2 billion over the forward estimates and includes changes required to repeal the Minerals Resource Rent Tax and associated spending, amendments to the higher education reforms, and restoring Temporary Protection Visas and introducing Safe Haven Enterprise Visas.

As part of negotiations in the Senate to pass legislation to abolish the Minerals Resource Rent Tax, the Government took decisions to temporarily maintain the Low Income Superannuation Contribution, Income Support Bonus and Schoolkids Bonus at a total cost of \$6.6 billion over the forward estimates. An income test will be applied to the Schoolkids Bonus from 1 January 2015. Notably, however the budget costs associated with the Minerals Resource Rent Tax repeal package are fully offset by the end of 2023 by the decision to delay the increase in the superannuation guarantee rate until 1 July 2021. The repeal of the Minerals Resource Rent Tax and other related measures will save the budget over \$10 billion over the forward estimates and around \$50 billion over the next decade.

The total impact of the Senate's decisions on the budget due to negotiations and legislative delays is \$10.6 billion over the forward estimates (\$13.1 billion in fiscal terms). These costs are detailed in Table 3.2 below. These delays come at a significant cost to the budget, but also result in debt and interest payments staying higher for longer.

Due to the legacy of the former Government, \$13.6 billion of taxpayers' money will be used to pay interest on government debt in 2014-15. This is more than the Government



will spend on carers, aged care or unemployment benefits in that year – underlining the importance of urgent budget repair. The projected improvement in the underlying cash balance, debt, and the reduction in interest payments is dependent on the Senate passing the Government’s responsible savings measures. If this does not occur, the budget and the economy will be substantially weakened.

While these delays are hampering progress towards budget repair in the short-term, the Government is committed to continuing to methodically work through negotiations with the Senate on Budget measures to ensure the long term sustainability of the budget position and build a stronger economy.

Around \$33.9 billion of measures that improve the budget position also remain subject to the passage of legislation. Over \$5 billion in measures that were policies of the former Government are yet to secure passage through the Parliament.

**Table 3.2: Impact of Senate on the Budget (underlying cash balance)**

	Estimates		Projections		Total
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	
<b>Impact of decision taken as part of Senate negotiations(a)</b>					
Repeal of the Minerals Resource Rent Tax and related measures	-1,684	-2,334	-1,670	-947	-6,634
Research and Development tax incentive – amending the start date of the targeting access measure	-350	-50	100	0	-300
Restoring Temporary Protection Visas and introducing Safe Haven Enterprise Visas	3	62	-239	-27	-201
Humanitarian Programme – additional places from 2017-18	0	0	0	-46	-46
Reintroduction of fuel excise indexation – change to the start date	-35	0	0	0	-35
Higher Education – reform amendments and Structural Adjustment Fund(b)	-3	0	-13	4	-12
<b>Total impact of decisions taken as part of Senate negotiations</b>	<b>-2,069</b>	<b>-2,321</b>	<b>-1,822</b>	<b>-1,015</b>	<b>-7,227</b>
<b>Impact of delays in passing legislation(c)</b>					
Social Services	-1,287	-547	-547	-526	-2,907
Education	-98	-229	-33	-38	-398
Health	-64	3	-3	-2	-67
Employment	-8	0	0	0	-8
<b>Total impact of delays in passing legislation</b>	<b>-1,456</b>	<b>-773</b>	<b>-584</b>	<b>-566</b>	<b>-3,379</b>
<b>Total impact of Senate delays/negotiations on Budget</b>	<b>-3,525</b>	<b>-3,095</b>	<b>-2,405</b>	<b>-1,581</b>	<b>-10,606</b>

(a) Impacts from decisions taken as part of Senate negotiations are reflected in the 2014-15 MYEFO as policy decisions.

(b) The fiscal balance impact of this measure is \$414.2 million in 2014-15 and \$3.3 billion over the four years to 2017-18.

(c) Impacts from delays in passing legislation are reflected in the 2014-15 MYEFO as estimates variations.

### Strong fiscal discipline

The Government's fiscal strategy outlined in the 2014-15 Budget committed the Government to maintain strong fiscal discipline; to live within our means, pay down debt and reduce the Government's share of the economy, so as to free up resources for private investment to drive jobs and economic growth.

Consistent with its fiscal strategy, the Government has more than offset all of its new spending decisions, other than those decisions taken as part of negotiations with the Senate. This results in an improvement to the budget of \$3.2 billion over the forward estimates from 2014-15 (including \$2.0 billion in 2017-18).

**Table 3.3: Impact of decisions in the 2014-15 MYEFO (underlying cash balance)**

	Estimates		Projections		Total
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	
<b>Total impact of decisions taken since the 2014-15 Budget</b>	<b>-2,314</b>	<b>-2,195</b>	<b>-501</b>	<b>950</b>	<b>-4,059</b>
<i>Less decisions taken as part of negotiations with the Senate</i>	<i>-2,069</i>	<i>-2,321</i>	<i>-1,822</i>	<i>-1,015</i>	<i>-7,227</i>
<b>Net budget impact of new policy decisions</b>	<b>-245</b>	<b>127</b>	<b>1,320</b>	<b>1,966</b>	<b>3,168</b>

Since the 2014-15 Budget, the Government has made new decisions to respond to changes in the international security environment and to further drive growth and support a strong economy.

The Government has responded to a rapidly changing security environment, investing around \$1.3 billion to keep Australians safe and secure. To counter the threat of home-grown terrorism, security and law enforcement agencies have been given \$631.4 million in extra resources to track, disrupt and prosecute Australians involved in violent extremism, both at home and overseas. Operations in Iraq are addressing the enduring threat of terrorism at a cost of \$306.4 million to 30 June 2015.

The Government has also invested \$1.8 billion in measures since the Budget to further support growth, jobs and new market opportunities, including through the finalisation of the Japan-Australia Economic Partnership Agreement, the reinstatement of Employee Share Scheme arrangements and the establishment of the Global Infrastructure Hub in Sydney.

The Government has offset the impact of these decisions by taking a small number of responsible new decisions.

The Government will return the level of Official Development Assistance (ODA) spending in real terms to the levels that applied when ODA was last funded from budget surpluses rather than debt and then grow ODA in line with the

Consumer Price Index. This will improve the budget position by \$3.7 billion over the four years to 2017-18.

The Government has also preserved the policy intent of the 2014-15 Budget measures to maintain eligibility thresholds for allowances and Family Tax Benefit payment rates, by extending the end date to 1 July 2018 and 1 July 2017 respectively, as legislation was not passed in time for the start date outlined in the Budget. This will provide a saving of \$852 million.

The Government will increase the period over which capital expenditure on in-house computer software is depreciated from four years to five years. This is estimated to increase revenue by \$420 million over the four years to 2017-18.

The Government has continued to take action to reduce both the size of government and the regulatory burden government imposes on the community (see Boxes A and B).

### **Box A: Smaller Government**

The Government continues to deliver a comprehensive package of Smaller Government reforms, designed to eliminate waste and duplication, improve the efficiency of the Commonwealth public service and enhance the delivery and focus of public services. These reforms are already contributing significantly to budget repair, while improving the responsiveness and effectiveness of government.

Key elements of the Government's ongoing Smaller Government reforms include:

- **Reducing the size of the Commonwealth public service.** In 2014-15, total staffing in the general government sector is expected to return to levels last recorded in 2007-08.
- **Public sector wage restraint.** Over the last decade, Commonwealth public servants received annual median wage increases totalling 42 per cent, well above CPI increases of 28 per cent over the same period. This included strong wage rises through the Global Financial Crisis, when private sector wages growth and employment were much lower. Given the position of the budget, the Government has indicated its intention to keep average annual wage rises across the public service to 1.5 per cent or less over the next three years. Wage rises will also have to be offset by productivity gains, to ensure that they are affordable, sustainable and in line with community expectations.
- **Streamlined and better targeted programme delivery.** The Government is eliminating wasteful fragmentation in service delivery and removing unnecessary bureaucratic demarcations, which undermine policy effectiveness. For example, in the 2014-15 Budget over 150 Indigenous programmes were streamlined into five broad program categories, to improve their focus and co-ordination and to reduce the red tape burden on service delivery organisations that partner with government. Similar reforms in the Social Services portfolio have streamlined 18 grants programs into seven, thereby reducing reporting burdens for providers. Additionally grants administration in the Department of Health has been consolidated into a single division, to promote the development of expertise and more efficient delivery across all stages of the grant life cycle.
- **Enhanced contestability of government service provision.** The Government recently completed the successful privatisation of Medibank Private. This sale removed the Commonwealth from the highly competitive private health insurance market, releasing \$5.7 billion in capital, now available for investment in productivity enhancing infrastructure through the government's asset recycling initiative.

**Box A: Smaller Government (continued)**

Complementing scoping studies into the potential sales of Defence Housing Australia, ASIC Registry Services, the Royal Australian Mint and Australian Hearing announced in the Budget, the 2014-15 MYEFO includes the commencement of a further scoping study exploring options for the operation or ownership of the Government's Canberra communications network.

In addition, the Government has established a Contestability Programme, to assess whether government functions should be open to competition and to encourage more entrepreneurial approaches to product or service delivery. To ensure services are delivered as efficiently and as effectively as possible, and by those who are best placed to provide them, alternative delivery approaches will continue to be explored.

- **Functional and efficiency reviews of major government bodies.** The Government will commence in-depth reviews of the functions and efficiency particularly of larger government agencies and departments. These reviews will determine whether the current resourcing and functions performed within an entity are aligned with the Government's policy priorities and that they are being undertaken as efficiently as possible. The Departments of Health and Education (other than higher education) will be the first bodies to be reviewed.
- **Streamlining of government bodies.** The 2014-15 MYEFO includes a further tranche of major rationalisation of government bodies, to ensure the public sector is as streamlined, effective and transparent as possible. Delivering a smaller and more rational government footprint is designed to clarify lines of accountability, to make the public sector more agile and better able to address changing pressures and Government priorities.

In the 2014-15 MYEFO the Government is reducing the total number of government bodies by a further 175. This third tranche of reductions in the number of Australian Government bodies builds on previous decisions announced in the 2013-14 MYEFO and the 2014-15 Budget, taking the total reduction in the number of government bodies since the election to 251.

This latest tranche includes the abolition of statutory bodies, advisory committees, councils and boards and merger of other government bodies.

Specifically, in the 2014-15 MYEFO the Government is:

- abolishing 138 government bodies;
- consolidating the functions of 15 government bodies into departments;
- transferring responsibility for two bodies outside the Commonwealth; and

**Box A: Smaller Government (continued)**

- merging 26 bodies (for a net reduction of 20 bodies) while five will consolidate their back office functions with shared service centres or supporting departments.

These measures will further reduce the overheads from an excessive number of stand-alone bodies, reducing inefficiencies and removing duplicated effort across the public sector.

Further details of these changes are available in the Finance Minister's Ministerial Paper and in the associated Ministerial Statement.

In addition, to ensure greater transparency around government bodies and greater discipline around their creation, the 2014-15 MYEFO includes two further initiatives, namely:

- the introduction of an Australian Government Governance Policy, to take effect from 15 December, to impose new constraints on the establishment and design of new government bodies; and
- the launch of an Australian Government Organisations Register, to create the first complete online listing of all government bodies.

Announcements in the 2014-15 MYEFO take total savings from the reduction in the number of government bodies to \$539.5 million so far.

**Box B: Reducing the regulatory burden**

Regulation has grown rapidly over recent decades, increasing costs for business and the community and leading to the sort of complexity and uncertainty that impede innovation and entrepreneurship.

The Government is committed to reducing regulatory burdens in order to improve Australia's productivity. It is doing this in three main ways: by reducing the stock of existing regulations, managing the flow of new regulations, and reviewing the performance of regulators so that they minimise the compliance costs arising from their work.

To reduce the stock of existing regulation, the Government established a red and green tape reduction target of \$1 billion per year and has set aside two parliamentary sitting days each year to repeal counterproductive, unnecessary or redundant legislation. During the 2014 Repeal Days, the Government announced more than \$2 billion in compliance cost savings for businesses and the community and introduced legislation to repeal more than 11,000 pieces of regulation.

To manage the flow of new regulation, the Government has reinvigorated the Regulatory Impact Assessment process and requires compliance costs to be calculated and offset for all new proposals.

Finally, to help shape regulator behaviour, the Government has established a new Regulator Performance Framework. The aim of this Framework is to ensure that regulators minimise the burden that arises as they discharge their responsibilities. Regulators will assess themselves against six key performance indicators each year. The Government has also issued Statements of Expectations to regulators, setting out the importance of administering regulation in a way that reduces compliance costs wherever possible.

## **FISCAL STRATEGY**

As outlined in the 2014-15 Budget, 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 three policy elements:

- investing in a stronger economy by redirecting Government spending to quality investment to boost productivity and workforce participation;
- maintaining strong fiscal discipline 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;
  - paying down debt by stabilising and then reducing Commonwealth Government Securities on issue over time; and
- strengthening the Government's balance sheet by improving net financial worth over time.

The Budget repair strategy is designed to deliver budget surpluses building to at least 1 per cent of GDP by 2023-24 consistent with the medium-term fiscal strategy.

This 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 surplus is achieved and so long as economic growth prospects are sound and unemployment remains low.



### **Delivering on the medium-term fiscal strategy**

The Government set out a comprehensive path towards achieving its medium-term fiscal objectives in the 2014-15 Budget and, while the changes in the economic outlook and the Senate have had an impact, considerable progress has been made to return to a sustainable trajectory over the medium-term. The budget position is now fundamentally stronger than it was under the unsustainable trajectory of the former Government.

Despite expectations of the weakest nominal GDP growth in a financial year in over 50 years, the average annual pace of consolidation in the 2014-15 MYEFO forward estimates remains at the 2014-15 Budget level of 0.6 per cent of GDP.

Consistent with the fiscal strategy, the payments-to-GDP ratio falls from 25.9 per cent of GDP in 2014-15 to 25.2 per cent of GDP in 2017-18. By 2024-25, the payments-to-GDP ratio is projected to reduce to 24.7 per cent of GDP. This is below the long term average of 24.9 per cent of GDP.

Continued effort to reduce the payments-to-GDP ratio through a disciplined approach to spending will be necessary to return the Budget to a credible path to surplus. A falling payments-to-GDP ratio will mean that the Government will be better placed to lower taxes and respond to changing economic conditions.

### **Budget surpluses over the course of the economic cycle**

The Government's fiscal strategy provides necessary flexibility for the budget position to vary in line with economic conditions. This allows the 'automatic stabilisers' – the tendency for both receipts and spending to vary in line with economic conditions – to contribute to stability in aggregate demand.

Responsible fiscal policy must also look beyond the forward estimates period – promoting fiscal sustainability over a longer time horizon.

The fiscal position inherited by the Government was unsustainable. The 2013-14 MYEFO showed that, without action, the budget would not return to surplus for at least a decade and debt would reach over \$667 billion, even without any allowance for future tax relief from bracket creep.

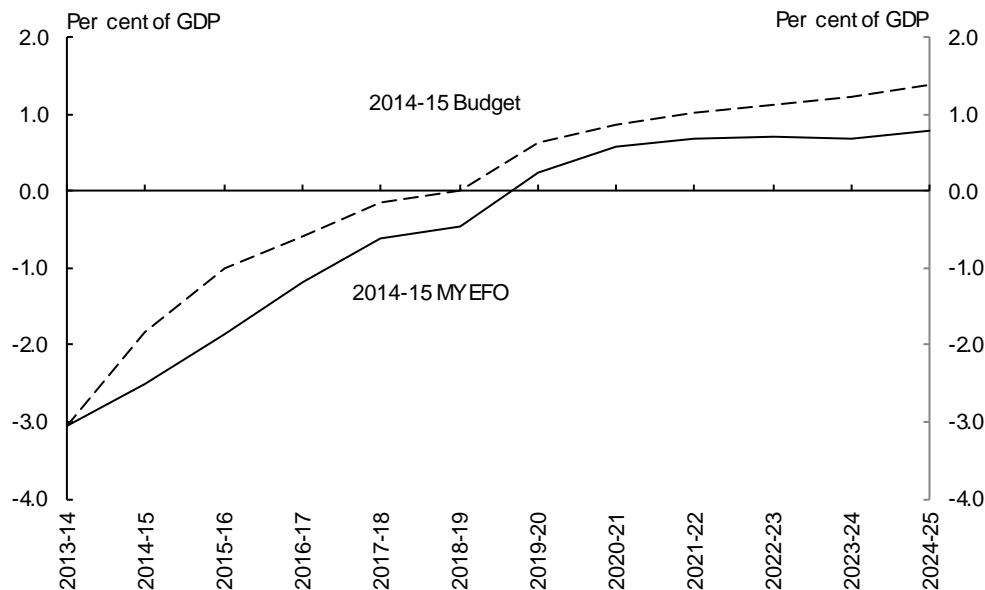
The 2014-15 Budget delivered medium-term structural budget reform by placing government spending on a more affordable trajectory while allowing for future tax relief once the tax-to-GDP ratio reaches 23.9 per cent in 2020-21.

Since the 2014-15 Budget, the budget deterioration in the forward estimates has also impacted on the medium-term outlook. The underlying cash balance is still projected to reach surplus in 2019-20, with the surplus reaching 0.8 per cent of GDP by 2024-25.

This remains a major improvement from the 2013-14 MYEFO projections of at least a decade without surplus.

The Government remains committed to its objective of building a stronger economy and achieving surpluses, which build to at least 1 per cent of GDP by 2023-24. While budget repair is underway, there is more work to do to deliver on this commitment.

**Chart 3.2: Underlying cash balance projected to 2024-25**



Note: The underlying cash balance excludes Future Fund earnings and payments. A tax-to-GDP cap of 23.9 per cent is applied on 2014-15 Budget and 2014-15 MYEFO projections.  
Source: Treasury projections.

Real payments growth over the medium-term (the period from 2018-19 to 2024-25) is projected to be 2.7 per cent per annum, unchanged since the 2.7 per cent per annum at Budget and well below the 3.7 per cent per annum projected under the previous Government’s policy settings, as outlined in the 2013-14 MYEFO.

The payments-to-GDP ratio is projected to decline from 25.9 per cent in 2014-15 to 24.7 per cent in 2024-25, below the long-term average of 24.9 per cent.

Tax receipts are projected to reach the tax cap of 23.9 per cent of GDP in 2020-21, the same year as projected at Budget.

Once the Budget returns to a surplus of 1 per cent of GDP, there will be more capacity to revisit the level of government support provided to groups such as age pensioners, while having regard to other factors such as the ageing population and a maturing superannuation system.

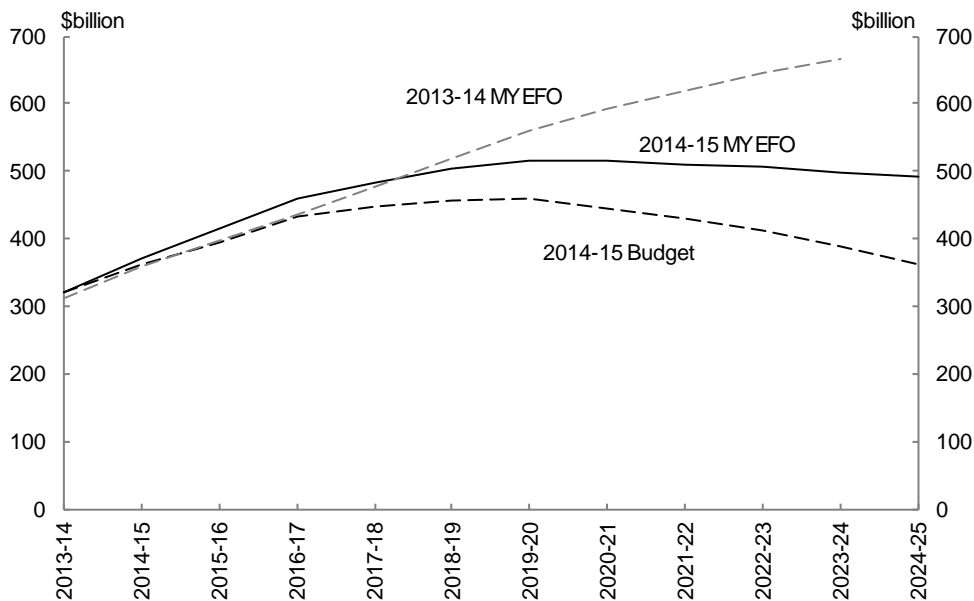
### Strengthening the Government’s balance sheet

The Government remains committed to paying down debt by stabilising and then reducing Commonwealth Government Securities on issue over time, returning the budget to a strong surplus of at least one per cent of GDP and strengthening the Government’s balance sheet by improving net financial worth over time.

Paying down debt is important as it strengthens Australia’s balance sheet which provides the Government with the flexibility to respond to unanticipated events during times of financial crisis or economic shock.

Commonwealth Government Securities (CGS) on issue are expected to reach \$499 billion in 2023-24, a fall of nearly \$170 billion compared to \$667 billion at the 2013-14 MYEFO. This improvement is achieved despite allowance being included for future tax relief for which allowance was not included in the 2013-14 MYEFO figures showing the fiscal position inherited from the previous Government. CGS on issue was projected to reach \$389 billion in 2023-24 at the time of the 2014-15 Budget. The increase in CGS on issue since then is a result of the deterioration in the underlying cash balance across the forward estimates and the medium-term.

**Chart 3.3: Face value of Commonwealth Government Securities projected to 2024-25**



Note: A tax-to-GDP cap of 23.9 per cent is applied on 2014-15 Budget and 2014-15 MYEFO projections. No tax cap has been applied on 2013-14 MYEFO projections.

Source: Australian Office of Financial Management and Treasury projections.

The primary indicator of the fiscal sustainability of the Government’s longer term financial position and ability to withstand adverse economic shocks is net financial worth. It provides a broader measure of the Government’s assets and liabilities as it

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includes both the full assets of the Future Fund and the superannuation liability that the Future Fund is intended to offset.

To promote balance sheet sustainability, the fiscal strategy includes a commitment to improving the Government's net financial worth over the medium-term. The Government's commitment to improving net financial worth puts the focus on sustainability, thereby encouraging policies which boost productivity and participation for the long-term benefit of the economy.

Table 3.4 provides a summary of Australian Government general government sector net financial worth, net worth, net debt and net interest payments.

**Table 3.4: Australian Government general government sector net worth, net financial worth, net debt and net interest payments**

	Estimates			
	2014-15		2015-16	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Financial assets	297.4	303.8	322.6	328.7
Non-financial assets	117.2	118.5	119.9	121.3
<b>Total assets</b>	<b>414.6</b>	<b>422.2</b>	<b>442.5</b>	<b>450.0</b>
<b>Total liabilities</b>	<b>626.6</b>	<b>651.7</b>	<b>665.0</b>	<b>703.5</b>
<b>Net worth</b>	<b>-212.0</b>	<b>-229.5</b>	<b>-222.5</b>	<b>-253.5</b>
<b>Net financial worth(a)</b>	<b>-329.2</b>	<b>-347.9</b>	<b>-342.4</b>	<b>-374.8</b>
Per cent of GDP	-20.2	-21.6	-20.0	-22.3
<b>Net debt(b)</b>	<b>226.4</b>	<b>244.8</b>	<b>246.4</b>	<b>279.6</b>
Per cent of GDP	13.9	15.2	14.4	16.7
<b>Net interest payments</b>	<b>10.5</b>	<b>10.8</b>	<b>11.5</b>	<b>11.3</b>
Per cent of GDP	0.6	0.7	0.7	0.7
	Projections			
	2016-17		2017-18	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Financial assets	361.1	365.7	380.8	387.3
Non-financial assets	122.0	123.4	125.3	126.9
<b>Total assets</b>	<b>483.2</b>	<b>489.0</b>	<b>506.1</b>	<b>514.3</b>
<b>Total liabilities</b>	<b>712.2</b>	<b>758.4</b>	<b>733.4</b>	<b>786.0</b>
<b>Net worth</b>	<b>-229.0</b>	<b>-269.3</b>	<b>-227.4</b>	<b>-271.8</b>
<b>Net financial worth(a)</b>	<b>-351.0</b>	<b>-392.7</b>	<b>-352.7</b>	<b>-398.7</b>
Per cent of GDP	-19.6	-22.2	-18.7	-21.5
<b>Net debt(b)</b>	<b>261.3</b>	<b>304.4</b>	<b>264.2</b>	<b>315.8</b>
Per cent of GDP	14.6	17.2	14.0	17.0
<b>Net interest payments</b>	<b>12.2</b>	<b>12.1</b>	<b>12.9</b>	<b>12.7</b>
Per cent of GDP	0.7	0.7	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 financial worth is estimated to be -\$347.9 billion (-21.6 per cent of GDP) in 2014-15 and is expected to peak in 2015-16 at -22.3 per cent of GDP before declining to -21.5 per cent of GDP in 2017-18.

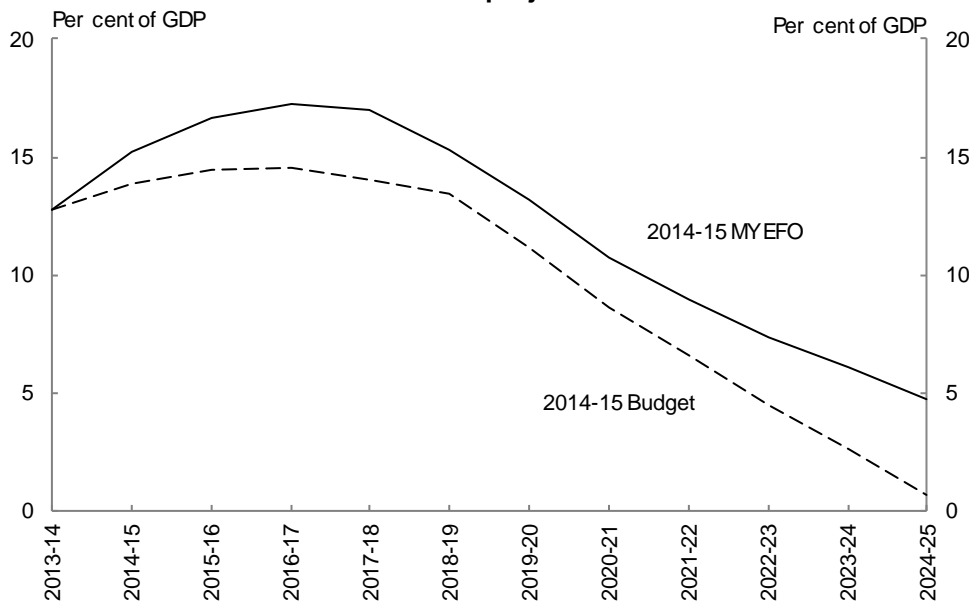
The deterioration in net financial worth since the 2014-15 Budget reflects an increase in the issuance of Government securities. The increase in CGS is driven by an increase in the financing requirement relative to Budget and the impact of lower average yields, which increases the market value of CGS on issue.

The impact of the increase in CGS on issue has been partially offset by an increase in financial assets. The increase in financial assets is driven by small increases in the value of advances paid, investments, loans and placements, and equity investments.

The factors driving the change in net financial worth have also affected net worth and net debt. Net worth is expected to be -\$229.5 billion in 2014-15, \$17.5 billion worse than estimated at the 2014-15 Budget. Net worth is expected to be -\$271.8 billion by the end of the forward estimates.

Net debt is estimated to be \$244.8 billion in 2014-15 (15.2 per cent of GDP) and \$315.8 billion by the end of the forward estimates. Net debt is expected to stabilise in the forward estimates and then improve over the medium-term as a share of GDP, although the improvement is smaller than at Budget. Over the next decade, the Government's action will see a substantial improvement in projected net debt from a peak in 2016-17 of 17.2 per cent of GDP to 4.7 per cent of GDP in 2024-25 (Chart 3.4).

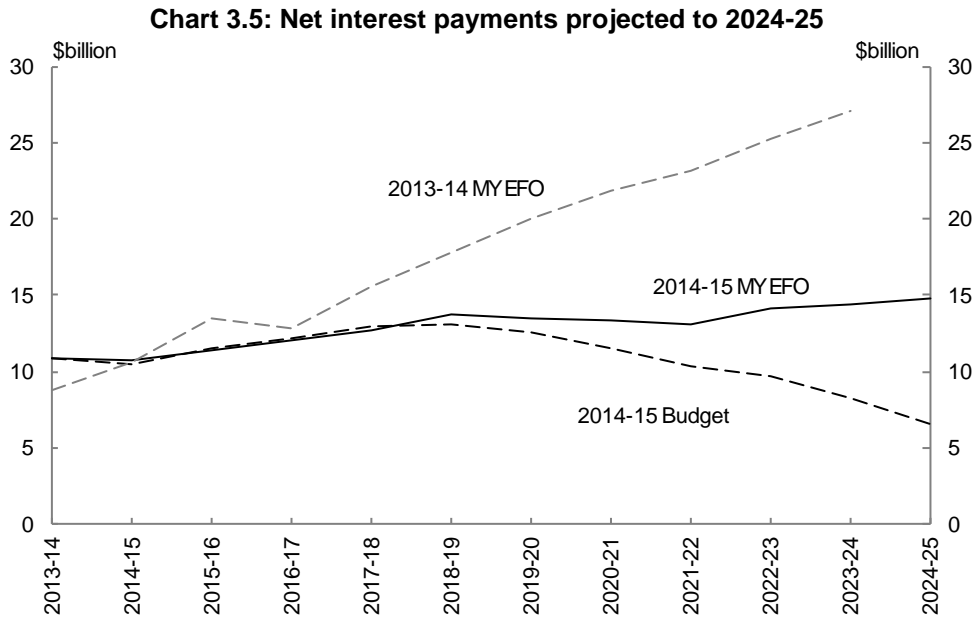
**Chart 3.4: Net debt projected to 2024-25**



Note: A tax-to-GDP cap of 23.9 per cent is applied on 2014-15 Budget and 2014-15 MYEFO projections.  
Source: Treasury projections.

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Net interest payments are projected to rise from \$10.8 billion in 2014-15 (0.7 per cent of GDP) to \$14 billion per annum in 2023-24, still well below the projection of \$27 billion per annum in the 2013-14 MYEFO, based on the policy settings of the previous Government (Chart 3.5).



Note: Net interest payments are total interest receipts minus total interest payments. A tax-to-GDP cap of 23.9 per cent is applied on 2014-15 Budget and 2014-15 MYEFO projections. No tax cap has been applied on 2013-14 MYEFO projections.

Source: Treasury projections.

## FISCAL OUTLOOK

### Budget aggregates

An underlying cash deficit of \$40.4 billion (2.5 per cent of GDP) is expected in 2014-15, improving to a deficit of \$11.5 billion (0.6 per cent of GDP) in 2017-18.

A headline cash deficit of \$43.9 billion (2.7 per cent of GDP) is expected in 2014-15, improving to a deficit of \$21.7 billion (1.2 per cent of GDP) in 2017-18.

In accrual terms, a fiscal deficit of \$39.8 billion (2.5 per cent of GDP) is expected in 2014-15, improving to a deficit of \$5.0 billion (0.3 per cent of GDP) in 2017-18.

Table 3.5 provides key budget aggregates for the Australian Government general government sector.

**Table 3.5: Australian Government general government sector budget aggregates**

	Estimates			
	2014-15		2015-16	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
<b>Receipts</b>	<b>385.8</b>	<b>379.5</b>	<b>410.4</b>	<b>403.4</b>
Per cent of GDP	23.6	23.6	24.0	24.0
<b>Payments(a)</b>	<b>412.5</b>	<b>416.5</b>	<b>424.2</b>	<b>431.1</b>
Per cent of GDP	25.3	25.9	24.8	25.7
Net Future Fund earnings	3.1	3.3	3.3	3.5
<b>Underlying cash balance(b)</b>	<b>-29.8</b>	<b>-40.4</b>	<b>-17.1</b>	<b>-31.2</b>
Per cent of GDP	-1.8	-2.5	-1.0	-1.9
<b>Revenue</b>	<b>391.3</b>	<b>385.9</b>	<b>419.6</b>	<b>411.7</b>
Per cent of GDP	24.0	24.0	24.5	24.5
<b>Expenses</b>	<b>414.8</b>	<b>422.9</b>	<b>431.1</b>	<b>436.5</b>
Per cent of GDP	25.4	26.3	25.2	26.0
Net operating balance	-23.5	-37.0	-11.5	-24.8
Net capital investment	2.4	2.8	0.7	2.4
<b>Fiscal balance</b>	<b>-25.9</b>	<b>-39.8</b>	<b>-12.2</b>	<b>-27.2</b>
Per cent of GDP	-1.6	-2.5	-0.7	-1.6
<i>Memorandum item:</i>				
Headline cash balance	<b>-33.5</b>	<b>-43.9</b>	<b>-26.6</b>	<b>-41.9</b>
	Projections			
	2016-17		2017-18	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
<b>Receipts</b>	<b>436.8</b>	<b>429.2</b>	<b>468.0</b>	<b>459.8</b>
Per cent of GDP	24.4	24.3	24.9	24.8
<b>Payments(a)</b>	<b>443.9</b>	<b>446.4</b>	<b>467.1</b>	<b>467.4</b>
Per cent of GDP	24.7	25.3	24.8	25.2
Net Future Fund earnings	3.5	3.7	3.8	3.9
<b>Underlying cash balance(b)</b>	<b>-10.6</b>	<b>-20.8</b>	<b>-2.8</b>	<b>-11.5</b>
Per cent of GDP	-0.6	-1.2	-0.2	-0.6
<b>Revenue</b>	<b>449.8</b>	<b>441.0</b>	<b>480.4</b>	<b>473.2</b>
Per cent of GDP	25.1	25.0	25.5	25.5
<b>Expenses</b>	<b>453.8</b>	<b>456.1</b>	<b>475.4</b>	<b>475.3</b>
Per cent of GDP	25.3	25.8	25.3	25.6
Net operating balance	-4.0	-15.1	4.9	-2.1
Net capital investment	2.6	2.7	4.0	2.9
<b>Fiscal balance</b>	<b>-6.6</b>	<b>-17.8</b>	<b>1.0</b>	<b>-5.0</b>
Per cent of GDP	-0.4	-1.0	0.1	-0.3
<i>Memorandum item:</i>				
Headline cash balance	<b>-22.7</b>	<b>-34.2</b>	<b>-11.4</b>	<b>-21.7</b>

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

(b) Excludes expected net Future Fund earnings.

## Underlying cash balance estimates

**Table 3.6: Summary of Australian Government general government sector cash flows**

	Estimates			
	2014-15		2015-16	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Cash receipts				
Operating cash receipts	383.5	377.3	407.7	400.7
Capital cash receipts(a)	2.2	2.2	2.7	2.7
Total cash receipts	385.8	379.5	410.4	403.4
Cash payments				
Operating cash payments	401.7	405.1	414.4	420.7
Capital cash payments(b)	10.8	11.4	9.8	10.3
Total cash payments	412.5	416.5	424.2	431.1
Finance leases and similar arrangements(c)	0.0	0.0	0.0	0.0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-26.7</b>	<b>-37.0</b>	<b>-13.8</b>	<b>-27.7</b>
Per cent of GDP	-1.6	-2.3	-0.8	-1.7
less Net Future Fund earnings	3.1	3.3	3.3	3.5
<b>Underlying cash balance(d)</b>	<b>-29.8</b>	<b>-40.4</b>	<b>-17.1</b>	<b>-31.2</b>
Per cent of GDP	-1.8	-2.5	-1.0	-1.9
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes	-6.8	-6.8	-12.8	-14.2
plus Net Future Fund earnings	3.1	3.3	3.3	3.5
<b>Headline cash balance</b>	<b>-33.5</b>	<b>-43.9</b>	<b>-26.6</b>	<b>-41.9</b>
	Projections			
	2016-17		2017-18	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Cash receipts				
Operating cash receipts	436.6	429.0	467.8	459.6
Capital cash receipts(a)	0.2	0.2	0.2	0.2
Total cash receipts	436.8	429.2	468.0	459.8
Cash payments				
Operating cash payments	434.5	436.6	456.1	455.8
Capital cash payments(b)	9.4	9.8	11.0	11.6
Total cash payments	443.9	446.4	467.1	467.4
Finance leases and similar arrangements(c)	0.0	0.0	0.0	0.0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-7.1</b>	<b>-17.2</b>	<b>0.9</b>	<b>-7.6</b>
Per cent of GDP	-0.4	-1.0	0.0	-0.4
less Net Future Fund earnings	3.5	3.7	3.8	3.9
<b>Underlying cash balance(d)</b>	<b>-10.6</b>	<b>-20.8</b>	<b>-2.8</b>	<b>-11.5</b>
Per cent of GDP	-0.6	-1.2	-0.2	-0.6
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes	-15.6	-17.1	-12.4	-14.1
plus Net Future Fund earnings	3.5	3.7	3.8	3.9
<b>Headline cash balance</b>	<b>-22.7</b>	<b>-34.2</b>	<b>-11.4</b>	<b>-21.7</b>

- (a) Equivalent to cash receipts from the sale of non-financial assets in the cash flow statement.  
(b) Equivalent to cash payments for purchases of non-financial assets in the cash flow statement.  
(c) 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.  
(d) Excludes expected net Future Fund earnings.



The 2014-15 underlying cash deficit is expected to be \$10.6 billion larger than forecast in the 2014-15 Budget, but \$8.1 billion lower than the deficit of \$48.5 billion reported for 2013-14.

Since the 2014-15 Budget, total policy decisions have had a negative impact on the underlying cash position of \$2.3 billion in 2014-15 and \$4.1 billion over the forward estimates. Setting aside the impact of Senate negotiations, policy decisions have improved the underlying cash balance by \$3.2 billion over the forward estimates.

Since the 2014-15 Budget, total parameter and other variations have had a negative impact on the underlying cash position of \$8.3 billion in 2014-15 and \$39.6 billion over the forward estimates.

**Table 3.7: Reconciliation of Australian Government general government sector underlying cash balance estimates**

	Estimates		Projections		Total
	2014-15	2015-16	2016-17	2017-18	
	\$m	\$m	\$m	\$m	\$m
<b>2014-15 Budget underlying cash balances(a)</b>	<b>-29,773</b>	<b>-17,084</b>	<b>-10,562</b>	<b>-2,825</b>	<b>-60,244</b>
Per cent of GDP	-1.8	-1.0	-0.6	-0.2	
<b>Changes from 2014-15 Budget to 2014-15 MYEFO</b>					
Effect of policy decisions(b)(c)					
<i>Receipts</i>	-486	-350	-105	-140	-1,082
<i>Payments</i>	1,827	1,844	396	-1,090	2,977
Total policy decisions impact on underlying cash balance	-2,314	-2,195	-501	950	-4,059
Effect of parameter and other variations(c)					
<i>Receipts</i>	-5,809	-6,714	-7,515	-8,040	-28,078
<i>Payments</i>	2,215	4,985	2,111	1,392	10,703
<i>less Net Future Fund earnings</i>	252	261	154	174	841
Total parameter and other variations impact on underlying cash balance	-8,275	-11,960	-9,781	-9,606	-39,622
<b>2014-15 MYEFO underlying cash balance(a)</b>	<b>-40,362</b>	<b>-31,239</b>	<b>-20,844</b>	<b>-11,480</b>	<b>-103,925</b>
Per cent of GDP	-2.5	-1.9	-1.2	-0.6	

(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 \$6.3 billion lower in 2014-15 than estimated at the 2014-15 Budget. Tax receipts are \$6.8 billion lower and non-tax receipts are \$482 million higher.

Since the 2014-15 Budget, total receipts have been revised down by \$1.1 billion over the forward estimates as a result of new policy decisions, and revised down by \$28.1 billion over the forward estimates due to parameter and other variations.

**Table 3.8: Australian Government general government sector cash receipts — 2014-15**

	Estimates		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	169,400	166,700	-2,700	-1.6
Gross other individuals	37,100	37,300	200	0.5
less: Refunds	27,700	27,500	-200	-0.7
Total individuals and other withholding tax	178,800	176,500	-2,300	-1.3
Fringe benefits tax	4,360	4,350	-10	-0.2
Company tax	71,600	68,960	-2,640	-3.7
Superannuation fund taxes	7,680	7,040	-640	-8.3
Minerals resource rent tax(a)	0	60	60	-
Petroleum resource rent tax	1,950	1,890	-60	-3.1
<b>Income taxation receipts</b>	<b>264,390</b>	<b>258,800</b>	<b>-5,590</b>	<b>-2.1</b>
Goods and services tax	53,978	53,982	4	0.0
Wine equalisation tax	780	800	20	2.6
Luxury car tax	360	400	40	11.1
Excise and customs duty				
Petrol	5,950	5,950	0	0.0
Diesel	9,250	8,930	-320	-3.5
Other fuel products	3,710	3,260	-450	-12.1
Tobacco	8,710	8,310	-400	-4.6
Beer	2,400	2,410	10	0.4
Spirits	1,930	1,970	40	2.1
Other alcoholic beverages(b)	980	950	-30	-3.1
Other customs duty				
Textiles, clothing and footwear	600	590	-10	-1.7
Passenger motor vehicles	820	800	-20	-2.4
Other imports	1,650	1,570	-80	-4.8
less: Refunds and drawbacks	360	420	60	16.7
Total excise and customs duty	35,640	34,320	-1,320	-3.7
Carbon pricing mechanism	1,695	1,800	105	6.2
Agricultural levies	469	454	-15	-3.2
Other taxes	3,059	3,038	-21	-0.7
<b>Indirect taxation receipts</b>	<b>95,982</b>	<b>94,794</b>	<b>-1,187</b>	<b>-1.2</b>
<b>Taxation receipts</b>	<b>360,372</b>	<b>353,594</b>	<b>-6,777</b>	<b>-1.9</b>

**Table 3.8: Australian Government general government sector cash receipts — 2014-15 (continued)**

	Estimates		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Sales of goods and services	8,910	9,114	204	2.3
Interest received	3,657	3,469	-188	-5.1
Dividends	4,257	3,831	-426	-10.0
Other non-taxation receipts	8,583	9,475	892	10.4
<b>Non-taxation receipts</b>	<b>25,407</b>	<b>25,889</b>	<b>482</b>	<b>1.9</b>
<b>Total receipts</b>	<b>385,778</b>	<b>379,483</b>	<b>-6,295</b>	<b>-1.6</b>
<i>Memorandum:</i>				
<i>Total excise</i>	26,370	25,260	-1,110	-4.2
<i>Total customs duty</i>	9,270	9,060	-210	-2.3
<i>Capital gains tax(c)</i>	9,000	8,900	-100	-1.1
<i>Medicare and DisabilityCare Australia levy</i>	14,160	14,130	-30	-0.2

- (a) Net receipts from the MRRT are expected to be around \$40 million in 2014-15 which represents the net receipts impact across different revenue heads. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The Government has announced the MRRT will not apply beyond 30 September 2014.
- (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 3.9: Australian Government general government sector cash receipts — 2015-16**

	Estimates		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	181,500	178,800	-2,700	-1.5
Gross other individuals	40,700	41,100	400	1.0
less: Refunds	28,600	28,100	-500	-1.7
Total individuals and other withholding tax	193,600	191,800	-1,800	-0.9
Fringe benefits tax	4,930	4,890	-40	-0.8
Company tax	75,400	70,800	-4,600	-6.1
Superannuation fund taxes	10,380	9,630	-750	-7.2
Minerals resource rent tax	0	0	0	-
Petroleum resource rent tax	1,900	1,700	-200	-10.5
<b>Income taxation receipts</b>	<b>286,210</b>	<b>278,820</b>	<b>-7,390</b>	<b>-2.6</b>
Goods and services tax	57,290	57,468	178	0.3
Wine equalisation tax	810	830	20	2.5
Luxury car tax	310	360	50	16.1
Excise and customs duty				
Petrol	6,150	6,150	0	0.0
Diesel	9,610	9,340	-270	-2.8
Other fuel products	3,510	3,150	-360	-10.3
Tobacco	9,640	9,560	-80	-0.8
Beer	2,470	2,470	0	0.0
Spirits	1,980	2,030	50	2.5
Other alcoholic beverages(a)	1,010	990	-20	-2.0
Other customs duty				
Textiles, clothing and footwear	430	310	-120	-27.9
Passenger motor vehicles	610	520	-90	-14.8
Other imports	1,680	1,070	-610	-36.3
less: Refunds and drawbacks	360	420	60	16.7
Total excise and customs duty	36,730	35,170	-1,560	-4.2
Carbon pricing mechanism	0	0	0	-
Agricultural levies	474	478	4	0.8
Other taxes	3,462	3,477	15	0.4
<b>Indirect taxation receipts</b>	<b>99,076</b>	<b>97,784</b>	<b>-1,293</b>	<b>-1.3</b>
<b>Taxation receipts</b>	<b>385,286</b>	<b>376,604</b>	<b>-8,683</b>	<b>-2.3</b>

**Table 3.9: Australian Government general government sector cash receipts — 2015-16 (continued)**

	Estimates		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Sales of goods and services	9,121	9,202	81	0.9
Interest received	3,893	4,022	129	3.3
Dividends	2,461	3,407	946	38.4
Other non-taxation receipts	9,665	10,128	463	4.8
<b>Non-taxation receipts</b>	<b>25,141</b>	<b>26,759</b>	<b>1,618</b>	<b>6.4</b>
<b>Total receipts</b>	<b>410,427</b>	<b>403,362</b>	<b>-7,065</b>	<b>-1.7</b>
<i>Memorandum:</i>				
<i>Total excise</i>	27,300	26,860	-440	-1.6
<i>Total customs duty</i>	9,430	8,310	-1,120	-11.9
<i>Capital gains tax(b)</i>	12,000	11,300	-700	-5.8
<i>Medicare and DisabilityCare Australia levy</i>	15,160	15,040	-120	-0.8

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

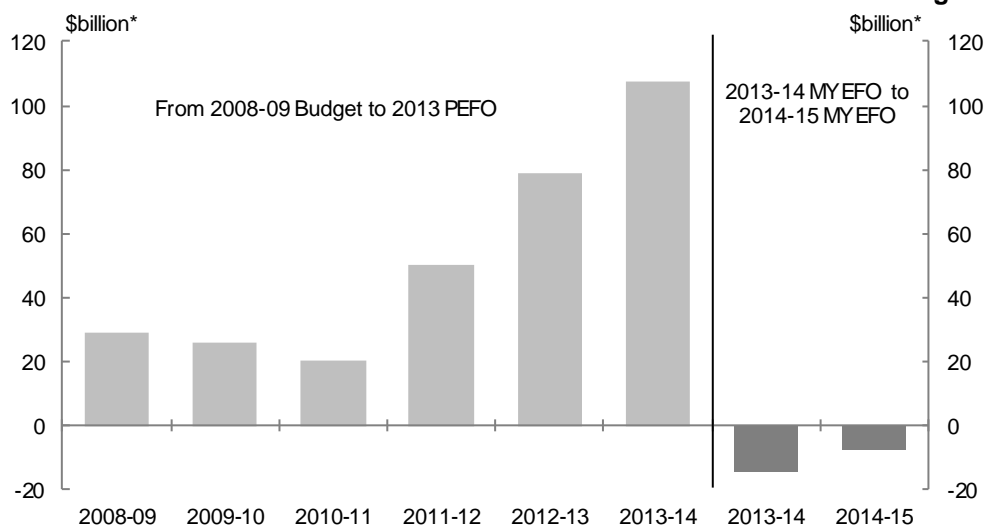
(b) Capital gains tax is part of gross other individuals, company tax and superannuation fund taxes.

### Policy decisions

Policy decisions since the 2014-15 Budget have reduced total receipts by \$486 million in 2014-15 and reduced total receipts by \$1.1 billion over the forward estimates period, driven by the reduction in revenue associated with the Japan-Australia Economic Partnership Agreement signed on 8 July 2014.

The Government is committed to simplifying the tax system and lowering the tax burden on individuals and business. Revenue decisions taken by this Government, up to and including the 2014-15 MYEFO, have reduced revenue by \$7.4 billion in accrual terms compared with decisions taken by the former Government.

**Chart 3.6: Cumulative effect of revenue measures since the 2008-09 Budget**



\*Cumulative value of revenue measures taken each budget year.

### Parameter and other variations

Parameter and other variations have reduced total receipts since the 2014-15 Budget by \$5.8 billion in 2014-15 and \$28.1 billion over the forward estimates period.

Parameter and other variations have reduced tax receipts since the 2014-15 Budget by \$6.2 billion in 2014-15 and \$31.6 billion over the forward estimates period.

The 2014-15 Budget made provisions for a number of measures that were still subject to finalisation at the time. The provision for the Japan-Australia Economic Partnership Agreement has now been removed as this measure is included in the 2014-15 MYEFO.

The 2014-15 MYEFO includes a new provision for the China-Australia Free Trade Agreement. As is standard practice, a measure will be published once the agreement has been formally signed.

The key economic parameters that influence tax receipts and tax revenue are shown in Table 3.10. The table shows effects on the Australian Government's main tax bases of the changed circumstances and outlook since the 2014-15 Budget.

**Table 3.10: Key economic parameters<sup>(a)</sup>**

	Outcome	Estimates		Projections	
	2013-14 %	2014-15 %	2015-16 %	2016-17 %	2017-18 %
<b>Revenue parameters at 2014-15 MYEFO</b>					
Nominal gross domestic product	4.0	1 1/2	4 1/2	5 1/4	5 1/4
<i>Change since 2014-15 Budget</i>	0.1	-1 1/2	- 1/4	1/4	1/4
Compensation of employees(b)	2.9	3 1/2	4 1/4	4 3/4	5 1/4
<i>Change since 2014-15 Budget</i>	-0.4	- 3/4	0	- 1/2	0
Corporate gross operating surplus(c)	5.9	-3 1/4	4 1/4	6	5 1/2
<i>Change since 2014-15 Budget</i>	0.7	-3 3/4	- 3/4	2	1 1/4
Unincorporated business income	1.4	3 1/2	2 3/4	3	3 1/2
<i>Change since 2014-15 Budget</i>	0.1	2 1/4	0	-2	-1 1/2
Property income(d)	2.9	5 1/2	9 1/4	5 1/4	5 1/4
<i>Change since 2014-15 Budget</i>	-7.6	-3 1/4	-3	1/4	1/4
Consumption subject to GST	4.0	4	5 3/4	5 1/4	5 1/2
<i>Change since 2014-15 Budget</i>	-0.5	- 3/4	1/2	- 1/4	- 1/4

(a) Current prices, per cent change on previous year. Changes since the 2014-15 Budget 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 National Accounts measure of company profits, gross of depreciation.

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

Tax receipts have been affected by the weaker outlook for nominal GDP. In particular, the downward revisions to forecasts of commodity prices have resulted in downward revisions to mining profits which have been partly offset by an improved outlook for the non-mining economy.

Excluding policy decisions, company tax has been revised down by \$2.3 billion (3.2 per cent) in 2014-15, \$4.6 billion (6.0 per cent) in 2015-16 and \$14.4 billion over the forward estimates. Of this write-down, the impact of the sharper-than-anticipated fall in commodity prices, particularly the iron ore price, is around \$18 billion, partly offset by the improved outlook for the non-mining economy which has increased expected company tax by around \$4 billion over the four years to 2017-18. In addition, the lower forecast for oil prices is consistent with petroleum resource rent tax being revised down by \$760 million over the four years to 2017-18.

Further, revisions to employment and wage growth have resulted in taxes from individuals being revised down by \$2.3 billion (1.3 per cent) in 2014-15 and \$8.6 billion over the four years to 2017-18.

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Excise and excise equivalent customs duty has been revised down by \$1.1 billion in 2014-15 and \$3.3 billion over the forward estimates, mostly as a result of lower expected fuel excise collections.

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

#### **Payment estimates**

Since the 2014-15 Budget, estimated cash payments for 2014-15 have increased by \$4.0 billion, reflecting increased payments due to new policy decisions of \$1.8 billion, and increased payments due to parameter and other variations of \$2.2 billion.

#### **Policy decisions**

The net impact of policy decisions since the 2014-15 Budget is expected to increase payments by \$1.8 billion in 2014-15, \$1.8 billion in 2015-16, \$0.4 billion in 2016-17 and decrease payments by \$1.1 billion in 2017-18. These decisions include:

- a range of measures associated with securing the passage of legislation to repeal the Minerals Resource Rent Tax, which is expected to increase cash payments by \$1.7 billion in 2014-15 (\$6.6 billion over four years). Measures include continuing the Income Support Bonus and the Schoolkids Bonus until 31 December 2016 and delaying the repeal date of the Low Income Super Contributions scheme from 1 July 2013 to 1 July 2017;
- commencing Operation Okra, which is expected to increase cash payments by \$261 million in 2014-15 (\$298 million over four years). Operation Okra is the Australian Defence Force's contribution to the international effort to disrupt and degrade the Islamic State in Iraq and the Levant threat in Iraq;
- additional funding to agencies involved in counter-terrorism activity by providing resources and legislative powers to combat the terrorism threat, which is expected to increase cash payments by \$142 million in 2014-15 (\$650 million over four years); and
- enhanced security at the Australian Parliament House, which is expected to increase cash payments by \$131 million in 2014-15 (\$199 million over four years).



The impact of these policy decisions is largely offset over the four years to 2017-18 by a number of decisions that have reduced cash payments, including:

- returning the level of Official Development Assistance (ODA) spending in real terms to the levels that applied when ODA was last funded from budget surpluses rather than debt, and then growing ODA in line with the Consumer Price Index. This measure is expected to reduce cash payments by \$3.7 billion over four years;
- preserving the policy intent of the 2014-15 Budget measure to maintain eligibility thresholds for allowances and Family Tax Benefit payment rates, by extending the end date to 1 July 2018 and 1 July 2017 respectively, as legislation was not passed in time for the start date outlined in the Budget. This measure is expected to reduce cash payments by \$852 million over four years; and
- accommodating the legacy caseload of Illegal Maritime Arrivals (IMAs) in Australia in the community rather than in detention centres, where possible, while an individual's protection status is being resolved. This measure is expected to reduce cash payments by \$384 million in 2014-15 (\$412 million over four years).

#### **Parameter and other variations**

Parameter and other variations since the 2014-15 Budget have increased payments by \$2.2 billion in 2014-15 and \$10.7 billion over the four years to 2017-18.

Major increases in cash payments in 2014-15 and over the four years to 2017-18 as a result of parameter and other variations since the 2014-15 Budget include:

- payments related to Family Tax Benefit, which are expected to increase by \$404 million in 2014-15 (\$3.2 billion over four years), largely reflecting the impact of lower than expected wage growth driving up average payment rates and recipient numbers;
- child care rebate and benefit payments, which are expected to increase by \$219 million in 2014-15 (\$2.4 billion over four years), largely reflecting higher than expected utilisation of demand driven child care services, both in terms of number of children in childcare and hours claimed, and higher than expected fees;
- payments related to Illegal Maritime Arrival (IMA) management costs, which are expected to increase by \$376 million in 2014-15 (although a reduction in payments of \$209 million is expected over the three years to 2017-18), largely reflecting the impact of slower than forecast processing of refugee claims in offshore facilities and updated estimates of the distribution of IMAs across the detention network;
- payments relating to the provision of Goods and Services Tax (GST) to the States and Territories, which are expected to increase by \$370 million in 2014-15, reflecting expenses accrued in 2013-14 and paid in the 2014-15 financial year;

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- payments for government and non-government schools, which are expected to increase by \$313 million in 2014-15 (\$878 million over four years), largely reflecting higher than expected enrolment data and consequential changes in the Commonwealth share of base funding;
- Private Health Insurance rebates, which are expected to increase by \$129 million in 2014-15 (\$606 million over four years), reflecting higher than expected growth in the number of people with subsidised health cover and a greater proportion of policy holders over 65 who attract a higher rebate;
- payments to hospitals in respect of veterans' services, which are expected to increase by \$85 million in 2014-15 (\$253 million over four years), reflecting higher than expected costs for hospital services provided to veterans and the timing of cash payments; and
- payments for employment services, which are expected to increase by \$74 million in 2014-15, largely reflecting higher than expected payments from the Employment Pathway Fund and outcome payments to employment service providers.

Major reductions in cash payments in 2014-15 and over the four years to 2017-18 as a result of parameter and other variations since the 2014-15 Budget, include:

- payments related to Natural Disaster Relief and Recovery Arrangements, which are expected to decrease by \$1.8 billion in 2014-15 and increase by \$1.2 billion in 2015-16, largely reflecting updated advice from Queensland that delays the timing of payments and includes an overall reduction of around \$600 million in Commonwealth payments. Updated estimates also include counter-disaster measures associated with the January 2014 bushfires in Victoria and higher than expected reconstruction costs relating to natural disasters in New South Wales;
- payments under the Low Income Superannuation Contribution (LISC) scheme, which are expected to decrease by \$162 million in 2014-15 (\$629 million over four years), reflecting lower than expected LISC scheme recipients;
- payments under the Job Seeker Income Support programme, which are expected to decrease by \$131 million in 2014-15 (\$517 million over four years), reflecting lower than expected customer numbers and average payment rates;
- payments under the Residential and Flexible Care programme, which are expected to decrease by \$79 million in 2014-15 (\$184 million over four years), reflecting lower than expected operational residential aged care places for approved care recipients;
- payments under the Commonwealth Grants Scheme, which are expected to decrease by \$78 million in 2014-15 (\$495 million over four years), reflecting a moderation in the rate of enrolments after a period of rapid growth following the introduction of the demand driven system in 2012;

- payments to permit holders for the redemption of free carbon permits under the Carbon Price Mechanism buy-back facility, which are expected to decrease by \$75 million in 2014-15, reflecting lower than expected utilisation of the buy-back facility;
- payments to public hospitals, which are expected to decrease by \$941 million over four years to 2017-18 (although an increase in payments of \$224 million is expected in 2014-15), reflecting lower than expected National Efficient Price projections partly ameliorated by higher activity estimates; and
- royalty payments relating to general revenue assistance, which are expected to decrease by \$161 million over four years (although an increase in payments of \$10 million is expected in 2014-15), reflecting reduced pricing assumptions for commodities.

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 D.

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 2014-15 Budget, the fiscal balance is expected to be \$14.0 billion lower for 2014-15, and \$46.2 billion lower over the forward estimates period.

Table 3.11 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 3.11: Reconciliation of Australian Government general government sector fiscal balance estimates**

	Estimates		Projections		Total
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	
<b>2014-15 Budget fiscal balance</b>	<b>-25,855</b>	<b>-12,214</b>	<b>-6,596</b>	<b>984</b>	<b>-43,681</b>
Per cent of GDP	-1.6	-0.7	-0.4	0.1	
<b>Changes from 2014-15 Budget to 2014-15 MYEFO</b>					
Effect of policy decisions(a)(b)					
Revenue	-458	-545	-312	-447	-1,762
Expenses	2,802	2,288	253	-1,418	3,925
Net capital investment	135	81	53	24	294
Total policy decisions impact on fiscal balance	-3,395	-2,914	-618	946	-5,981
Effect of parameter and other variations(b)					
Revenue	-5,014	-7,385	-8,492	-6,772	-27,663
Expenses	5,251	3,078	2,038	1,281	11,647
Net capital investment	290	1,633	35	-1,087	871
Total parameter and other variations impact on fiscal balance	-10,555	-12,095	-10,565	-6,966	-40,181
<b>2014-15 MYEFO fiscal balance</b>	<b>-39,806</b>	<b>-27,223</b>	<b>-17,778</b>	<b>-5,035</b>	<b>-89,842</b>
Per cent of GDP	-2.5	-1.6	-1.0	-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 \$5.5 billion in 2014-15 since the 2014-15 Budget.

While changes in tax revenue are generally driven by the same factors as tax receipts, 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 2014-15 and 2015-16, compared with estimates from the 2014-15 Budget, are provided in Tables 3.12 and 3.13 respectively.

**Table 3.12: Reconciliation of the 2014-15 general government sector (accrual) revenue**

	Estimates		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	171,170	168,430	-2,740	-1.6
Gross other individuals	40,120	40,470	350	0.9
less: Refunds	27,700	27,500	-200	-0.7
Total individuals and other withholding tax	183,590	181,400	-2,190	-1.2
Fringe benefits tax	4,440	4,480	40	0.9
Company tax	73,230	70,930	-2,300	-3.1
Superannuation fund taxes	7,870	7,130	-740	-9.4
Minerals resource rent tax(a)	0	60	60	-
Petroleum resource rent tax	2,060	1,770	-290	-14.1
<b>Income taxation revenue</b>	<b>271,190</b>	<b>265,770</b>	<b>-5,420</b>	<b>-2.0</b>
Goods and services tax	56,970	56,820	-150	-0.3
Wine equalisation tax	790	810	20	2.5
Luxury car tax	360	400	40	11.1
Excise and customs duty				
Petrol	5,970	5,970	0	0.0
Diesel	9,280	8,960	-320	-3.4
Other fuel products	3,730	3,280	-450	-12.1
Tobacco	8,730	8,320	-410	-4.7
Beer	2,410	2,430	20	0.8
Spirits	1,930	1,970	40	2.1
Other alcoholic beverages(b)	980	950	-30	-3.1
Other customs duty				
Textiles, clothing and footwear	600	590	-10	-1.7
Passenger motor vehicles	820	800	-20	-2.4
Other imports	1,650	1,570	-80	-4.8
less: Refunds and drawbacks	360	420	60	16.7
Total excise and customs duty	35,740	34,420	-1,320	-3.7
Carbon pricing mechanism	0	0	0	-
Agricultural levies	469	454	-15	-3.2
Other taxes	3,295	3,285	-10	-0.3
<b>Indirect taxation revenue</b>	<b>97,624</b>	<b>96,190</b>	<b>-1,435</b>	<b>-1.5</b>
<b>Taxation revenue</b>	<b>368,814</b>	<b>361,959</b>	<b>-6,855</b>	<b>-1.9</b>

**Table 3.12: Reconciliation of the 2014-15 general government sector (accrual) revenue (continued)**

	Estimates		Change on Budget	
	Budget	MYEFO	\$m	%
	\$m	\$m		
Sales of goods and services	8,928	9,190	262	2.9
Interest	4,229	3,987	-242	-5.7
Dividends	2,570	3,396	826	32.1
Other non-taxation revenue	6,807	7,344	537	7.9
<b>Non-taxation revenue</b>	<b>22,534</b>	<b>23,917</b>	<b>1,383</b>	<b>6.1</b>
<b>Total revenue</b>	<b>391,348</b>	<b>385,876</b>	<b>-5,472</b>	<b>-1.4</b>
<i>Memorandum:</i>				
<i>Total excise</i>	26,470	25,360	-1,110	-4.2
<i>Total customs duty</i>	9,270	9,060	-210	-2.3
<i>Capital gains tax(c)</i>	9,000	8,900	-100	-1.1
<i>Medicare and DisabilityCare Australia levy</i>	14,160	14,130	-30	-0.2

(a) Net revenue from the MRRT is expected to be around \$40 million in 2014-15 which represents the net revenue impact across different revenue heads. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The Government has announced the MRRT will not apply beyond 30 September 2014.

(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: Reconciliation of the 2015-16 general government sector (accrual) revenue**

	Estimates		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	183,390	180,660	-2,730	-1.5
Gross other individuals	43,980	44,550	570	1.3
less: Refunds	28,600	28,100	-500	-1.7
Total individuals and other withholding tax	198,770	197,110	-1,660	-0.8
Fringe benefits tax	5,010	5,030	20	0.4
Company tax	77,170	72,500	-4,670	-6.1
Superannuation fund taxes	10,610	9,760	-850	-8.0
Minerals resource rent tax	0	0	0	-
Petroleum resource rent tax	1,910	1,700	-210	-11.0
<b>Income taxation revenue</b>	<b>293,470</b>	<b>286,100</b>	<b>-7,370</b>	<b>-2.5</b>
Goods and services tax	60,370	60,390	20	0.0
Wine equalisation tax	820	840	20	2.4
Luxury car tax	310	360	50	16.1
Excise and customs duty				
Petrol	6,170	6,200	30	0.5
Diesel	9,640	9,370	-270	-2.8
Other fuel products	3,530	3,170	-360	-10.2
Tobacco	9,660	9,580	-80	-0.8
Beer	2,480	2,480	0	0.0
Spirits	1,980	2,030	50	2.5
Other alcoholic beverages(a)	1,010	990	-20	-2.0
Other customs duty				
Textiles, clothing and footwear	430	310	-120	-27.9
Passenger motor vehicles	610	520	-90	-14.8
Other imports	1,680	1,070	-610	-36.3
less: Refunds and drawbacks	360	420	60	16.7
Total excise and customs duty	36,830	35,300	-1,530	-4.2
Carbon pricing mechanism	0	0	0	-
Agricultural levies	474	478	4	0.8
Other taxes	3,781	3,781	0	0.0
<b>Indirect taxation revenue</b>	<b>102,585</b>	<b>101,149</b>	<b>-1,436</b>	<b>-1.4</b>
<b>Taxation revenue</b>	<b>396,055</b>	<b>387,249</b>	<b>-8,806</b>	<b>-2.2</b>

**Table 3.13: Reconciliation of the 2015-16 general government sector (accrual) revenue (continued)**

	Estimates		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Sales of goods and services	9,170	9,258	88	1.0
Interest	4,731	4,672	-59	-1.3
Dividends	2,520	3,170	650	25.8
Other non-taxation revenue	7,135	7,333	198	2.8
<b>Non-taxation revenue</b>	<b>23,557</b>	<b>24,433</b>	<b>876</b>	<b>3.7</b>
<b>Total revenue</b>	<b>419,612</b>	<b>411,682</b>	<b>-7,930</b>	<b>-1.9</b>
<i>Memorandum:</i>				
<i>Total excise</i>	27,400	26,990	-410	-1.5
<i>Total customs duty</i>	9,430	8,310	-1,120	-11.9
<i>Capital gains tax(b)</i>	12,000	11,300	-700	-5.8
<i>Medicare and DisabilityCare Australia levy</i>	15,160	15,040	-120	-0.8

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

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

### 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:

- an increase in the accrued superannuation expenses for 2014-15 of \$2.2 billion. For budget reporting purposes, a discount rate applied by actuaries in preparing long term cost reports is used (6 per cent). At MYEFO a discount rate based on the long term government bonds at the commencement of the financial year is applied (4.1 per cent) in accordance with accounting standards. This movement has no impact on cash payments;
- cash payments of \$1.8 billion under Natural Disaster Relief and Recovery Arrangements, where expenses are recognised in the financial year in which the disaster occurs, not when cash is paid; and
- the provision of Goods and Services Tax (GST) to the States and Territories, reflecting higher than estimated GST entitlements of \$370 million for the 2013-14 financial year. This amount was accrued in 2013-14 and will be paid in 2014-15.

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 Australian Government general government sector expense estimates**

	Estimates		Projections		Total
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	
<b>2014-15 Budget expenses</b>	<b>414,845</b>	<b>431,118</b>	<b>453,806</b>	<b>475,447</b>	<b>1,775,216</b>
<b>Changes from 2014-15 Budget to 2014-15 MYEFO</b>					
Effect of policy decisions(a)	2,802	2,288	253	-1,418	3,925
Effect of economic parameter variations					
Total economic parameter variations	449	657	64	-189	982
<i>Unemployment benefits</i>	280	270	184	232	966
<i>Prices and wages</i>	158	174	-86	-243	2
<i>Interest and exchange rates</i>	11	33	16	3	63
<i>GST payments to the States</i>	0	180	-50	-180	-50
Public debt interest	25	-118	-212	-436	-742
Program specific parameter variations	4,802	3,106	2,621	3,133	13,662
Other variations	-25	-567	-435	-1,227	-2,254
Total variations	8,053	5,366	2,291	-137	15,572
<b>2014-15 MYEFO expenses</b>	<b>422,898</b>	<b>436,484</b>	<b>456,097</b>	<b>475,310</b>	<b>1,790,788</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 Australian Government general government sector net capital investment estimates**

	Estimates		Projections		Total
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	
<b>2014-15 Budget net capital investment</b>	<b>2,359</b>	<b>708</b>	<b>2,630</b>	<b>3,962</b>	<b>9,658</b>
<b>Changes from 2014-15 Budget to 2014-15 MYEFO</b>					
Effect of policy decisions(a)	135	81	53	24	294
Effect of parameter and other variations	290	1,633	35	-1,087	871
<b>Total variations</b>	<b>425</b>	<b>1,714</b>	<b>88</b>	<b>-1,063</b>	<b>1,165</b>
<b>2014-15 MYEFO net capital investment</b>	<b>2,784</b>	<b>2,422</b>	<b>2,718</b>	<b>2,899</b>	<b>10,823</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 Australian Government general government sector underlying and headline cash balance estimates**

	Estimates		Projections		Total
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	
<b>2014-15 MYEFO underlying cash balance(a)</b>	<b>-40,362</b>	<b>-31,239</b>	<b>-20,844</b>	<b>-11,480</b>	<b>-103,925</b>
<b>plus Net cash flows from investments in financial assets for policy purposes</b>					
Student loans	-6,822	-7,978	-9,615	-10,907	-35,322
NBN investment	-5,200	-6,420	-6,865	-2,597	-21,082
Sale of Medibank Private	5,679	0	0	0	5,679
Residential mortgage backed securities	1,599	1,431	885	572	4,487
WestConnex	0	-226	-854	-831	-1,912
Trade support loans	-144	-460	-511	-563	-1,677
Asbestos removal in the ACT – Mr Fluffy loose fill asbestos remediation(b)	-750	-250	125	125	-750
Net other	-1,182	-313	-218	100	-1,614
<b>Total net cash flows from investments in financial assets for policy purposes</b>	<b>-6,821</b>	<b>-14,217</b>	<b>-17,053</b>	<b>-14,101</b>	<b>-52,191</b>
plus Net Future Fund earnings	3,319	3,523	3,653	3,924	14,419
<b>2014-15 MYEFO headline cash balance</b>	<b>-43,863</b>	<b>-41,933</b>	<b>-34,244</b>	<b>-21,657</b>	<b>-141,697</b>

(a) Excludes expected net Future Fund earnings.

(b) The final terms of the loan are currently being settled and repayment and interest arrangements are subject to change.

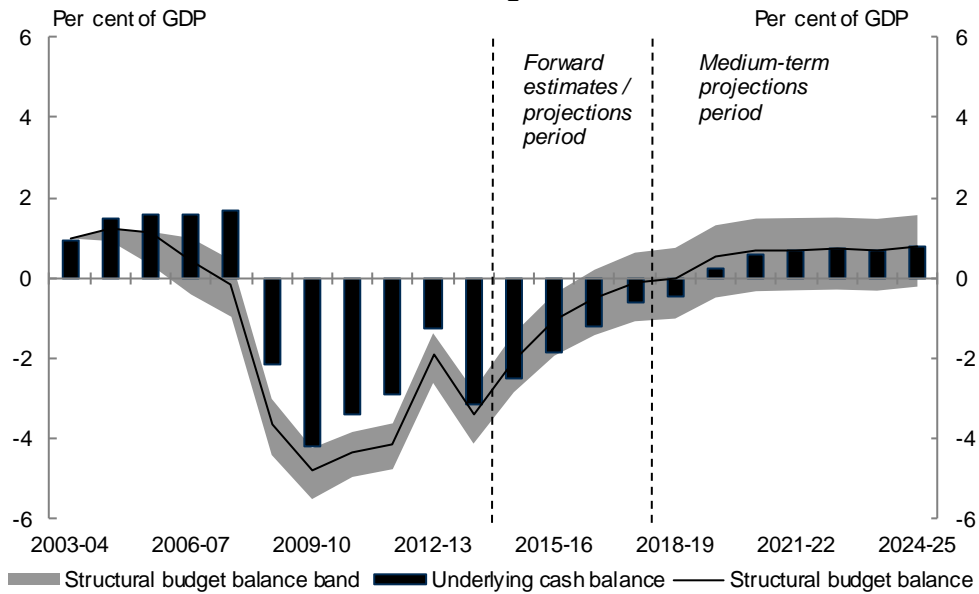
The headline cash balance for 2014-15 is estimated to be a deficit of \$43.9 billion (2.7 per cent of GDP), compared with a deficit of \$33.5 billion at Budget.

The deterioration in the headline cash balance has been primarily driven by the downgrades to commodity prices, lower than expected wage growth, negotiations with the Senate and parameter and other variations that have affected the underlying cash balance. Further adding to the deterioration in the headline cash balance is increased demand for student loans.

### Structural budget balance estimates

The outlook for the structural budget balance is largely unchanged from the 2014-15 Budget, consistent with economic parameter revisions being the primary driver of the deterioration in the underlying cash balance over the forward estimates period. The structural position of the budget is forecast to improve to a surplus by 2019-20, consistent with the underlying cash balance. Following a prolonged period of significant structural deficits, the projected improvement in the structural budget balance reflects the Government's commitment to restore the budget to a structurally sustainable position and the savings measures that build over time to achieve this.

**Chart 3.7: Structural budget balance estimates**



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

Note: The grey range spans structural budget estimates using the average terms of trade between 1986-87 and 2010-11 (lower bound), which is the OECD's assumption for Australia's structural level of the terms of trade, and using the forecast average from 2003-04 to 2016-17 (upper bound). The central estimate is based on the structural level of the terms of trade in the Government's medium-term economic projections. The methodology for producing the structural budget balance estimates was detailed in Treasury Working Paper 2013-01.

Structural budget balance measures are sensitive to the assumptions and parameters underpinning the estimates, including identifying the structural level of the terms of trade and the relationship between tax receipts and economic activity. Due to the sensitivity of estimates to assumptions, it is best to consider a range of structural budget balance estimates based on plausible assumptions for the underlying parameters as one element of a broader assessment of fiscal sustainability.



## Attachment A

### SENSITIVITY OF BUDGET ESTIMATES TO ECONOMIC DEVELOPMENTS

The estimates contained in the 2014-15 MYEFO are based on forecasts of the economic outlook. Changes to the economic assumptions underlying the estimates will impact on receipts and payments, and hence the size of the underlying cash balance. Even small movements in economic parameters can result in large changes to the budget aggregates.

This section examines the effects on receipts and payments of altering some of the key economic assumptions. Tables 3.18 and 3.20 illustrate the sensitivity of key components of receipts and payments to possible variations in the economic outlook. The two scenarios considered are:

- Scenario 1: a 1 per cent reduction in nominal GDP owing to a fall in the terms of trade.
- Scenario 2: a 1 per cent increase in real GDP driven by an increase in labour productivity and labour force participation, with each contributing equally.

The economic scenarios provide a rule of thumb indication of the impact on receipts, payments and the underlying cash balance of changes in the economic outlook. They 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. In particular, the analysis assumes no change in the exchange rate, interest rates or policy over the forecast period. The impact of the two scenarios on the economic parameters would be different if the full feedback response on economic variables and likely policy actions were taken into account. The analysis does not aim to provide an alternative picture of the economic forecasts under these scenarios, but instead gives an indication of the sensitivity associated with different components of receipts and payments to changes in the economy. As such, the changes in the economic variables and their impact on the fiscal outlook are merely illustrative.

The impacts shown in the tables below are broadly symmetrical. That is, impacts of around the same magnitude, but in the opposite direction, would apply if the terms of trade were to increase or if real GDP were to decrease.

#### Scenario 1

The first scenario involves a permanent fall in world prices of non-rural commodity exports in 2014-15 consistent with a fall in the terms of trade of around 4 per cent, which causes a 1 per cent fall in nominal GDP by 2015-16. The sensitivity analysis evaluates the flow-on effects on the economy, the labour market and prices. The impacts in Table 3.17 are stylised and refer to per cent deviations from the baseline levels of the economic parameters.

**Table 3.17: Illustrative impact of a permanent non-rural commodity price fall consistent with a 1 per cent fall in nominal GDP by 2015-16 (per cent deviation from the baseline level)**

	2014-15 per cent	2015-16 per cent
Real GDP	0	- 1/4
Non-farm GDP deflator	- 3/4	- 3/4
Employment	- 1/4	- 1/2
Wages	0	- 1/4
CPI	0	- 1/4
Company profits	-3	-3
Consumption	- 1/4	- 1/2

Assuming no change in exchange rates or interest rates, the fall in export prices leads directly to a lower non-farm GDP deflator (from the export component of GDP) and lower domestic incomes. Lower domestic incomes cause both consumption and investment to fall, resulting in lower real GDP, employment and wages. The fall in aggregate demand puts downward pressure on domestic prices.

In reality, a fall in the terms of trade would be expected to lead to a fall in the exchange rate, although the magnitude is particularly uncertain in the short term. In the event of a fall in the exchange rate, the impacts on the external sector would dampen the real GDP effects, and there would be some offsetting upward pressure on domestic prices.

Given these assumptions, the overall impact of the fall in the terms of trade is a decrease in the underlying cash balance of around \$2.7 billion in 2014-15 and around \$5.6 billion in 2015-16 (see Table 3.18).

**Table 3.18: Illustrative sensitivity of the budget balance to a 1 per cent decrease in nominal GDP due to a fall in the terms of trade**

	2014-15 \$b	2015-16 \$b
<b>Receipts</b>		
Individuals' and other withholding taxes	-0.6	-1.7
Superannuation fund taxes	0.0	-0.2
Company tax	-1.8	-3.2
Goods and services tax	-0.1	-0.3
Excise and customs duty	0.0	-0.1
Other taxes	-0.1	-0.1
<b>Total receipts</b>	<b>-2.6</b>	<b>-5.6</b>
<b>Payments</b>		
Income support	-0.2	-0.2
Other payments	0.0	0.1
Goods and services tax	0.1	0.3
<b>Total payments</b>	<b>-0.1</b>	<b>0.2</b>
Public debt interest	0.0	-0.2
<b>Underlying cash balance impact(a)</b>	<b>-2.7</b>	<b>-5.6</b>

(a) Estimated impacts fall within the 70 per cent confidence intervals for years 2014-15 and 2015-16, as shown in Attachment B Charts 3.10 to 3.12.

On the receipts side, a fall in the terms of trade results in a fall in nominal GDP which reduces tax collections. The largest impact is on company tax receipts as the fall in export income decreases company profits. Owing to lags in the tax system, the effect on company tax is larger in 2015-16. Lower company profits are assumed to flow through to lower Australian equity prices, therefore reducing capital gains tax from individuals, companies and superannuation funds.

The weaker economy results in lower aggregate demand, which flows through to lower employment and wages, reducing individuals' income tax receipts. The decrease in disposable incomes leads to lower consumption, which in turn results in a decrease in GST receipts (decreasing GST payments to the states by the same amount) and other indirect taxes.

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

The overall estimated expenditure on income support payments (including pensions and allowances) increases in both years because of a higher number of unemployment benefit recipients. The increase in spending on unemployment benefits in 2015-16 is partly offset by reduced expenditure on pensions, allowances and other payments linked to inflation reflecting lower growth in prices.

The reduction in the underlying cash balance results in a higher borrowing requirement and a higher public debt interest cost.

As noted previously, under a floating exchange rate, the fall in the exchange rate would dampen the effects of the fall in the terms of trade on real GDP, meaning the impact on the fiscal position could be substantially more subdued. Also, to the extent that the fall in the terms of trade is temporary rather than permanent, the impact on the economic and fiscal position would be more subdued.

## **Scenario 2**

The second scenario involves a permanent 0.5 per cent increase in both the participation rate and labour productivity, resulting in a 1 per cent increase in real GDP from 2014-15. Once again, the sensitivity analysis evaluates the flow-on effects on the economy, the labour market and prices. The impacts in Table 3.19 are stylised and refer to per cent deviations from the baseline levels of the parameters.

The 1 per cent increase in real GDP increases nominal GDP by slightly less but the magnitude of the effects on receipts, payments and the underlying cash balance differ from the first scenario because different parts of the economy are affected in different ways.

**Table 3.19: Illustrative impact of an ongoing equal increase in both labour productivity and participation consistent with a 1 per cent increase in real GDP from 2014-15 (per cent deviation from the baseline level)**

	2014-15 per cent	2015-16 per cent
Nominal GDP	3/4	3/4
Non-farm GDP deflator	- 1/4	- 1/4
Employment	1/2	1/2
Wages	1/4	1/4
CPI	- 1/4	- 1/4
Company profits	1 3/4	1 3/4
Consumption	1	1

The increases in labour force participation and labour productivity have the same impact on output, but different impacts on the labour market. Higher productivity leads to higher real GDP and higher real wages, while an increase in the participation rate increases employment and real GDP. Imports are higher in this scenario, reflecting higher domestic incomes.

Since the supply side of the economy expands, inflation falls relative to the baseline. The lower domestic prices make exports more attractive to foreigners, with the resulting increase in exports offsetting higher imports, leaving the trade balance unchanged. The exchange rate is assumed to be unchanged.

The overall impact of the increase in labour productivity and participation is an increase in the underlying cash balance of around \$3.5 billion in 2014-15 and around \$4.4 billion in 2015-16 (see Table 3.20).

**Table 3.20: Illustrative sensitivity of the budget balance to a 1 per cent increase in real GDP due to an equal increase in both productivity and participation**

	2014-15 \$b	2015-16 \$b
<b>Receipts</b>		
Individuals' and other withholding taxes	1.8	1.5
Superannuation fund taxes	0.1	0.2
Company tax	1.2	1.7
Goods and services tax	0.5	0.5
Excise and customs duty	0.3	0.4
Other taxes	0.0	0.0
<b>Total receipts</b>	<b>3.9</b>	<b>4.3</b>
<b>Payments</b>		
Income support	0.0	0.3
Other payments	0.0	0.1
Goods and services tax	-0.5	-0.5
<b>Total payments</b>	<b>-0.5</b>	<b>-0.1</b>
Public debt interest	0.1	0.2
<b>Underlying cash balance impact(a)</b>	<b>3.5</b>	<b>4.4</b>

(a) Estimated impacts fall within the 70 per cent confidence intervals for years 2014-15 and 2015-16, as shown in Attachment B Charts 3.10 to 3.12.



On the receipts side, individuals' income tax collections increase because of the rise in the number of wage earners and, additionally, higher real wages. The stronger labour market also increases tax collections from superannuation funds because contributions (including compulsory contributions) are higher. The increase in personal incomes leads to higher consumption which results in an increase in GST receipts (with the corresponding receipts passed on in higher GST payments to the states). In addition, the stronger economy results in higher levels of corporate profitability, increasing company taxes.

On the payments side, overall estimated expenditure on income support payments (including pensions, unemployment benefits and other allowances) is lower, reflecting lower growth in benefit rates through indexation due to lower inflation (as measured by the Consumer Price Index).<sup>1</sup> This effect is partly offset by growth in the number of unemployment benefit recipients (as higher labour force participation increases both employment and the number unemployed).

On balance, the rise in estimated tax collections is only partly offset by increased payments. This improves the underlying cash position, which results in a lower borrowing requirement and lower public debt interest cost.

If increases in productivity and participation are temporary rather than permanent, the impact on the economic and fiscal position would be more subdued.

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<sup>1</sup> Under existing indexation arrangements, the growth in wages (average weekly earnings) has historically been the key driver of the growth in benefit rates for pensions and similar payments. However, with recent subdued wages growth, the key driver is now indexation of benefit rates to growth in the CPI.

## **SENSITIVITY OF THE BALANCE SHEET TO ECONOMIC AND FISCAL RISKS**

Consistent with the medium-term fiscal strategy, this MYEFO places emphasis on the strength of the Government's balance sheet. This section supplements the analysis of Australia's fiscal sustainability in Part 3, and discusses the resilience of our balance sheet to adverse economic and fiscal shocks. The baseline case and the downside scenario are analysed:

- Baseline case: discussion of how current economic and fiscal risks may impact the balance sheet.
- Downside scenario: discussion of how significant but remote economic and fiscal downside risks may impact the balance sheet.

A strong balance sheet provides the Government with the flexibility to respond to adverse fiscal and economic risks, and is an indicator of fiscal sustainability. Fiscal risks refer to developments or specific events that are unpredictable in both timing and magnitude, which result in a significant increase in Government payments. This includes events such as emergency defence or foreign aid requirements and natural disasters. These payments generally result in an erosion of existing budget surpluses and/or higher government borrowings. Economic risks refer to economic shocks, such as a financial crisis, that result in a fall in GDP, employment, wages and therefore tax receipts, and increased payments, for example for unemployment benefits. These effects generally result in lower receipts and higher payments, eroding surpluses or widening deficits and resulting in higher levels of net debt.

This analysis focuses on the impact of large risks eventuating and the impact to the balance sheet and fiscal sustainability in broad terms.

### **Baseline case**

The estimates contained in MYEFO are based on forecasts of the economic and fiscal outlook. Risks that have a probable chance of materialising are already taken into account in the financial statements. Australia holds AAA credit ratings from all three rating agencies, and the balance sheet is strong given current economic conditions.

There are a number of existing contingent liabilities and assets that are not included in the Financial Statements on the basis that they are currently assessed as unlikely to occur, but under certain and potentially extreme circumstances they could crystallise in the future. These contingencies include loan guarantees, warranties, indemnities, uncalled capital and letters of comfort, and are outlined in *Appendix C: Statement of Risks*.

### **Downside scenario**

If fiscal or economic risks come to fruition, the strength of the balance sheet is called upon as it will need to respond to the initial shock to the economy or the budget. In a

large economic shock, the Government will likely be pressed to intervene in a riskier environment by drawing down assets, issuing more debt and/or providing guarantees to give certainty to the market. This poses a challenge to the Government and tests the ability and strength of the balance sheet to support economic activity and so ameliorate the impact of the shock on businesses and households.

#### A higher level of payments necessitating higher borrowings

When economic conditions deteriorate the budget position can decline significantly as receipts fall and payments increase. This can lead to an erosion of existing budget surpluses and/or an increase in borrowings to fund these additional payments. The section below discusses how a number of fiscal and economic risks increase payments if they materialise.

A deterioration in economic conditions and economic activity is usually signalled by a fall in demand for labour and for goods and services. Eventually excess supply in product and labour markets will generate falls in wages and domestic prices, and the quantity of labour employed and goods and services exchanged. The decline in wages and employment will lead to a fall in personal income tax receipts. Weak labour market conditions would also lead to lower household consumption and falls in GST receipts. The fall in nominal GDP (driven by falls in domestic prices and the level of goods and services exchanged) reduces revenue raised from company tax. At the same time a higher unemployment rate would lead to increased expenditure on income and other Government support payments. To fund this deterioration in the Government's fiscal position, assets would need to be run down or borrowings would need to increase through the issuance of more Commonwealth Government Securities (CGS).

During an economic downturn, increases in payments could be funded by an increase in CGS issuance thereby increasing the liability. This would lead to higher interest payments until the Government begins to repay its debt.

A weakened economic environment also increases the likelihood of contingent liabilities on the balance sheet (for example, guarantees) crystallising or defaults on government loans, resulting in higher liabilities and an increase in payments.

Appendix C provides further detail on contingent liabilities, contingent assets and other fiscal risks. Information on contingent assets and liabilities is also provided in the Australian Government's annual consolidated financial statements and in the annual financial reports of departments and non-budget entities.

Some of the Government's large guarantees are those introduced during the Global Financial Crisis. As described below, even a large deterioration in conditions would be unlikely to trigger some of these guarantees.

The Guarantee Scheme for Large Deposits and Wholesale Funding is applicable to certain liabilities covered by the guarantee. As at 5 December 2014, total liabilities

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covered by the Guarantee Scheme were estimated at \$2.5 billion. Government expenditure would only arise in the unlikely event that an institution 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 institution.

The Financial Claims Scheme provides depositors of authorised deposit taking institutions (ADIs) and policyholders of general insurers with timely access to their funds in the event of a financial institution failure. In relation to ADIs, payments are capped at \$250,000 per account holder per ADI, and a mechanism exists to make payments to eligible beneficiaries with a claim against a failed insurer. ADI deposits eligible for coverage under the scheme were \$732.4 billion at 30 June 2014, increasing only slightly from an estimated \$722.8 billion at 31 December 2013, reflecting overall deposit growth in the financial system. Initial amounts available to meet payments and administer the scheme are \$20.1 billion per institution. In the unlikely event of a failure, any payments made under the Financial Claims Scheme would be recovered through a liquidation of the failed institution. Any shortfalls would be recovered through a levy on the industry.

The IMF has analysed and tested the financial strength of Australian banks in its Financial Stability Assessment Programme Report 2012. The report found that Australia's financial system is sound, resilient, and well-managed, and that the major banks are conservatively run and profitable. The IMF concluded that if necessary, given Australia's modest public debt, there is space for both monetary and fiscal policy to respond to a significant shock.<sup>2</sup>

The guarantee of State and Territory Borrowings, also introduced in response to the considerable financial market turbulence in the Global Financial Crisis, only applies to outstanding securities for New South Wales and Queensland covered by the guarantee before it closed on 31 December 2010. As at 31 October 2014, the face value of guaranteed securities was \$13.3 billion. While the risk of default of either government is remote, if a significant economic event were to cause a default by either or both governments, the Commonwealth is likely to be able to recover its guarantee payments through a claim on the relevant state or territory at a future date.

In addition to payments resulting from shocks to the economy, natural disasters are highly unpredictable and are outside the Government's control. They can pose devastating consequences on the Australian community and result in large unexpected increases in payments for disaster aid and recovery funding. While the Government's current balance sheet strength is able to provide capacity for further borrowings without putting at risk existing spending programmes and Australia's debt sustainability, if a natural disaster occurs in conjunction with a significant economic

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<sup>2</sup> IMF's Australia: Financial Stability Assessment Programme Report, February 2012.

downturn, the burden on the Government's finances would put further pressure on the budget.

#### **A fall in the strength of the balance sheet**

In addition to an increase in borrowings, certain balance sheet items are required to be recorded at market value and the market valuation of these items make them susceptible to significant economic downturns as prices fluctuate. As a result market movements may have temporary impacts on the strength of the balance sheet.

The Higher Education Loan Program (HELP) is the largest asset on the balance sheet, in terms of individual programs, and represents the net present value of expected loan repayments and therefore future sources of funds. The HELP asset was \$25.1 billion at 30 June 2014 and is projected to grow to \$30.6 billion in 2014-15 and \$52.0 billion by the end of the forward estimates. This growth is largely a result of improved access to student loans and students paying a greater share of the cost of their education. A slow-down in wages growth as a result of a deterioration of economic conditions may lead to slower loan repayments meaning the government cannot repay its debt as quickly.

The investments of the Future Fund are also susceptible to market changes. The Future Fund's investments are estimated to be around \$104.5 billion at 30 September 2014. However, if the Future Fund were to experience negative returns on its investments due to an external financial market shock, its value could fall substantially.

As at 5 December 2014, market value of CGS on issue was \$388 billion. Movements in interest rates impact upon the market value of the Government's CGS liability. For example, lower interest rates that may be used to stimulate the economy will contribute to a higher market value of the liability.

## **CONFIDENCE INTERVALS AROUND THE ECONOMIC AND FISCAL FORECASTS**

Estimates of economic and fiscal variables over the forward estimates period are subject to inherent uncertainties, which generally tend to increase as the forecast horizon lengthens. Confidence intervals quantifying estimates of uncertainty around the key 2014-15 MYEFO forecasts have been constructed using a set of historical forecasting errors based on forecasts made since 1998 (where errors are defined by the difference between the forecasts and actual outcomes). These confidence intervals highlight that there is a range of plausible alternative outcomes around any given point estimate and provide a guide to the degree of uncertainty around these forecasts, typically spanning a wide range of outcomes.<sup>1</sup> As part of continuing to improve its forecasting processes, Treasury is implementing the recommendations of the 2012 *Review of Treasury Macroeconomic and Revenue Forecasting*.

### **Measures of uncertainty around economic forecasts**

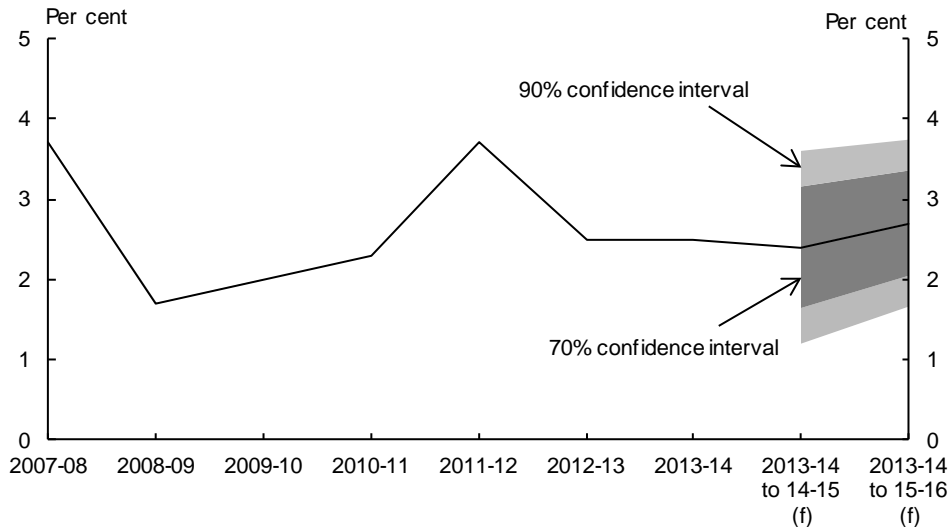
For real and nominal GDP forecasts, confidence intervals could be presented around forecasts of annual growth rates, average annualised growth rates or cumulative growth rates. While all three measures have merit, a key role of GDP forecasts is as an input for producing revenue and expenses forecasts. For this purpose, the average annualised GDP growth rate or cumulative GDP growth rate are the more relevant summary statistics, since the level of GDP depends on cumulative growth over time. The average annualised growth rate is reported as it captures the effects of cumulative growth, while still giving a sense of what the annual growth rate would be.

Chart 3.8 suggests that real GDP growth in 2014-15 is expected to be 2½ per cent, with the 70 per cent confidence interval ranging from 1¾ to 3¼ 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.

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<sup>1</sup> The 2012 *Review of Treasury Macroeconomic and Revenue Forecasting* found that the official macroeconomic and tax revenue forecasting performance is comparable with or better than that of other forecasters, suggesting that the uncertainty around the forecasts is similar to or smaller than those of other forecasters.

**Chart 3.8: Confidence intervals around real GDP growth rate forecasts**

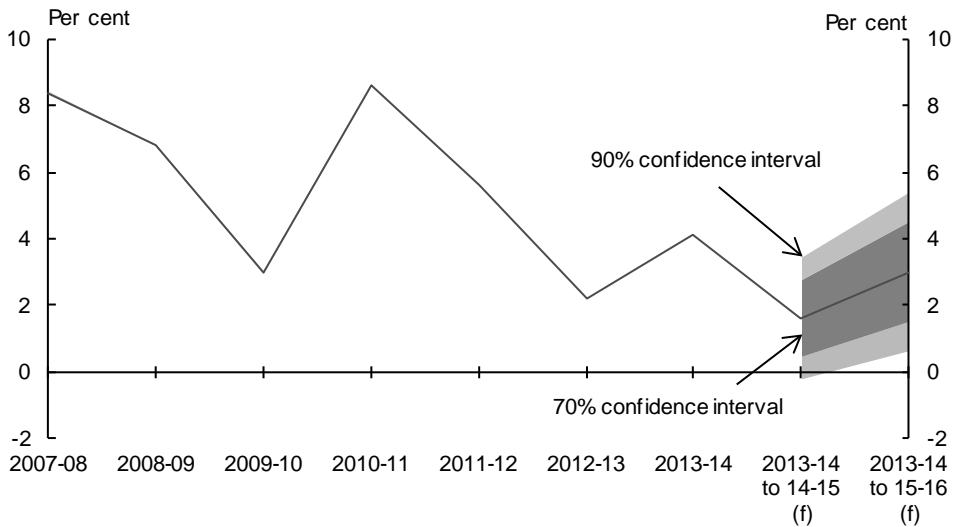


Note: The central line shows the outcomes and the 2014-15 MYEFO forecasts. Annual growth rates are reported for the outcomes. Average annualised growth rates from 2013-14 are reported for 2014-15 onwards. (f) are forecasts. Confidence intervals are based on the root mean square errors (RMSEs) of December forecasts from 1998 onwards, with outcomes based on September quarter 2014 National Accounts data.

Source: ABS cat. no. 5206.0 and Treasury.

The uncertainty around nominal GDP is larger, reflecting uncertainty about the outlook for real GDP and uncertainty about the outlook for prices or the GDP deflator. Chart 3.9 suggests that nominal GDP growth in 2014-15 is expected to be 1½ per cent, with the 70 per cent confidence interval ranging from ½ to 2¾ per cent.

**Chart 3.9: Confidence intervals around nominal GDP growth rate forecasts**



Note: See note to Chart 3.7.

Source: ABS cat. no. 5206.0 and Treasury.

### Measures of uncertainty around fiscal forecasts

The following charts illustrate measures of uncertainty around the key 2014-15 MYEFO fiscal forecasts. These charts show confidence intervals around the forecasts for receipts (excluding GST and including Future Fund earnings), payments (excluding GST) and the underlying cash balance (which excludes Future Fund earnings). These confidence intervals have been calculated by comparing the historical forecasts of the relevant fiscal variable with the outcome, expressed as a proportion of the GDP outcome in the relevant year.<sup>2</sup>

Impacts of future policy decisions are beyond the scope of fiscal forecasts. To account for this, confidence intervals constructed around the fiscal variables exclude historical variations caused by policy decisions. These intervals take into account errors caused by parameter and other variations in isolation, but include the public debt interest impact of policy decisions.<sup>3</sup>

It should be noted that excluding historical variations due to policy decisions does not exclude cases that are classified in budget documentation as parameter and other variations, but have more in common with decisions of government. For example, specific decisions to re-profile spending due to changes in timing of projects are captured for reporting purposes as parameter and other variations. Similarly, new and often substantial spending decisions to provide assistance for the impacts of natural disasters are covered under the *Natural Disaster Relief and Recovery Arrangements* and are captured for budget reporting purposes as parameter and other variations. The treatment of these spending decisions contributes to the size of the confidence intervals around payments. Further uncertainty from this source can be expected over the forecast period as provisions for impacts of future natural disasters are not included in estimates beyond the budget year.

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

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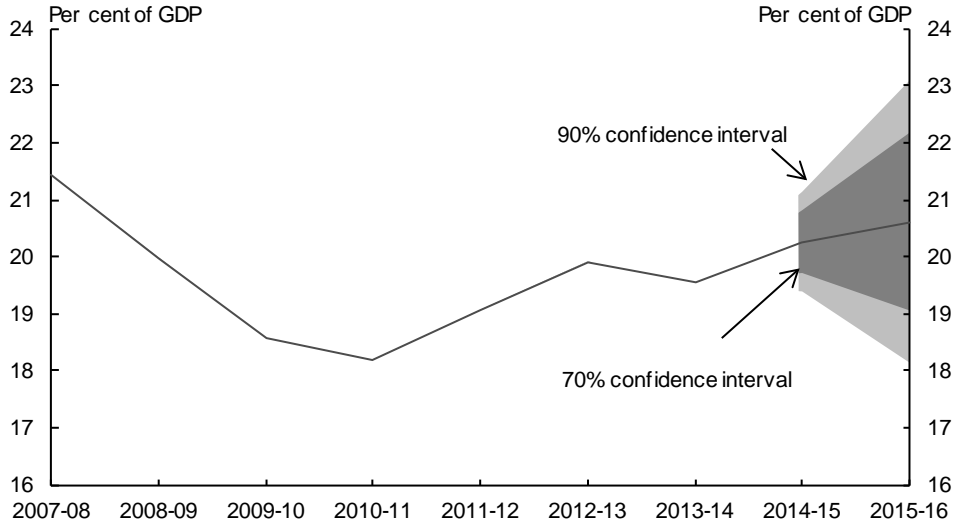
2 The confidence intervals around the fiscal forecasts are based on GDP outcomes, rather than GDP forecasts, as discussed in Treasury Working Paper 2013-04: *Estimates of uncertainty around budget forecasts* which found that forecast errors for GDP and receipts (in particular) are highly correlated.

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.



**Receipts**

**Chart 3.10: Confidence intervals around receipt forecasts**

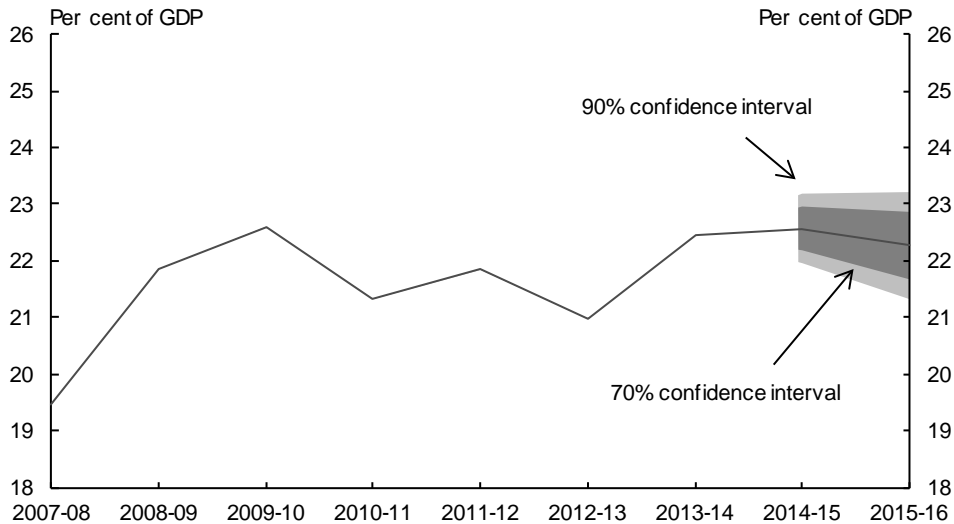


Note: The central line shows the outcomes and 2014-15 MYEFO point estimate forecasts. Confidence intervals use RMSEs for Budget forecasts from the 1998-99 Budget onwards.  
Source: Budget papers and Treasury.

Chart 3.10 suggests that there is notable uncertainty around receipt forecasts and that this uncertainty increases over the estimates period. It suggests that in 2014-15, the width of the 70 per cent confidence interval for the 2014-15 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).

**Payments**

**Chart 3.11: Confidence intervals around payment forecasts**

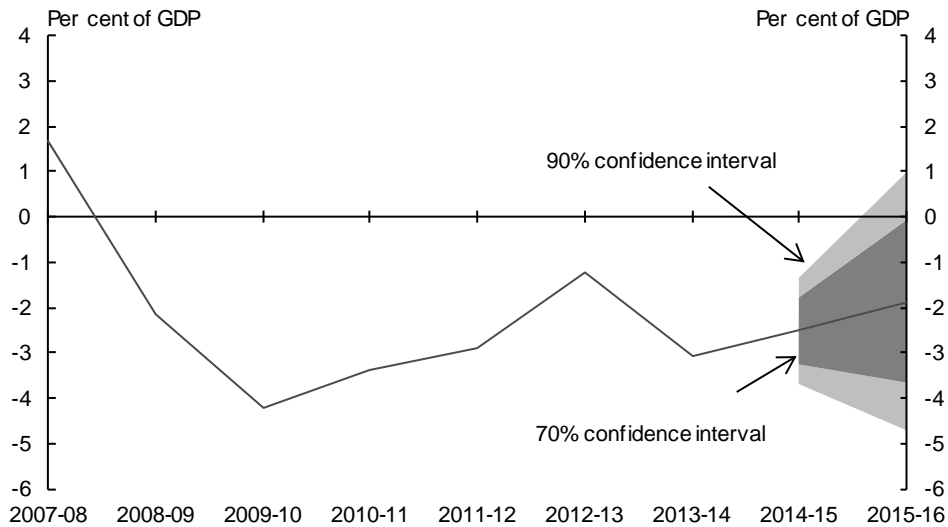


Note: See note to Chart 3.9.  
Source: Budget papers and Treasury.

Chart 3.11 suggests that there is moderate uncertainty around payment forecasts and that this uncertainty exhibits apparent but contained growth over the estimates period. It suggests that in 2014-15, the width of the 70 per cent confidence interval for the 2014-15 MYEFO payments forecast is approximately 0.8 per cent of GDP (\$10 billion) and the 90 per cent confidence interval is approximately 1.2 per cent of GDP (\$20 billion).

### Underlying cash balance

**Chart 3.12: Confidence intervals around the underlying cash balance forecasts**



Note: See note to Chart 3.9.

Source: Budget papers and Treasury.

Chart 3.12 suggests that there is notable uncertainty around the underlying cash balance forecasts and that this uncertainty exhibits pronounced growth over the estimates period. It suggests that in 2014-15, the width of the 70 per cent confidence interval for the 2014-15 MYEFO underlying cash balance forecast is approximately 1.5 per cent of GDP (\$25 billion) and the 90 per cent confidence interval is approximately 2.4 per cent of GDP (\$40 billion).

Further details on the methodology used to construct confidence intervals around the economic and fiscal forecasts can be found in Treasury Working Paper 2013-04: *Estimates of uncertainty around budget forecasts* available online at: [www.treasury.gov.au/PublicationsAndMedia/Publications/2013/Estimates-of-uncertainty-around-budget-forecasts](http://www.treasury.gov.au/PublicationsAndMedia/Publications/2013/Estimates-of-uncertainty-around-budget-forecasts).

## Attachment C

### TAX EXPENDITURES

This attachment provides an overview of the cost of Australian Government tax expenditures, as required by the *Charter of Budget Honesty Act 1998*.

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 or deferrals of tax liability.

Benchmarks represent the standard taxation treatment that applies to similar taxpayers or types of activity. Benchmarks may also incorporate structural elements of the tax system; for example, the progressive income tax rate scale for individual taxpayers.

Determining benchmarks involves judgment and consequently, the choice of benchmark may be contentious. Benchmarks may also vary over time. The choice of benchmark should not be interpreted as indicating a view on how an activity or class of taxpayer ought to be taxed.

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. Estimates do not indicate the Budget impact if a tax expenditure were to be abolished.

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 TES should not be compared because, for example, benchmarks may have changed.

The information in Table 3.21 is derived from the 2013 Tax Expenditures Statement (TES) and, consistent with longstanding practice, does not include the impact of decisions taken since the 2013-14 MYEFO. Further information on tax expenditures is available in the 2013 TES. Updated tax expenditure estimates will be published in the 2014 TES, to be released in January 2015. This will include estimates for any new or modified tax expenditures since the 2013 TES.

**Table 3.21: Large measured tax expenditures for 2014-15 to 2017-18**

Tax expenditure	Estimate \$m				
	2014-15	2015-16	2016-17	2017-18	
<b>Large positive tax expenditures</b>					
C6	Superannuation — concessional taxation of superannuation entity earnings	18,450	21,700	24,100	26,950
C5	Superannuation — concessional taxation of employer contributions	17,800	19,150	20,700	22,300
E6	Capital gains tax main residence exemption — discount component	17,500	17,500	17,500	18,000
E5	Capital gains tax main residence exemption	14,000	14,000	14,500	14,500
H29	GST — Food; uncooked, not prepared, not for consumption on premises of sale and some beverages	6,500	6,800	7,100	7,400
E16	Capital gains tax discount for individuals and trusts	5,410	6,970	7,640	8,310
H16	GST — Education	4,050	4,400	4,850	5,300
H19	GST — Health; medical and health services	3,600	3,900	4,150	4,450
H2	GST — Financial Supplies; input taxed treatment	3,450	3,650	3,850	4,050
A42	Exemption of Family Tax Benefit, Parts A and B	2,180	2,240	2,290	2,350
B16	Exemption from interest withholding tax on certain securities	1,820	1,820	1,820	1,820
C3	Concessional taxation of non-superannuation termination benefits	1,800	1,750	1,750	1,750
B88	Statutory effective life caps	1,795	1,780	1,705	1,605
A19	Exemption from the Medicare levy for residents with a taxable income below a threshold	1,790	1,960	2,040	2,120
A20	Exemption of the private health insurance rebate, including expense equivalent	1,510	1,600	1,650	1,690
<b>Large negative tax expenditures</b>					
F25	Customs duty	-2,870	-2,750	-2,900	-3,050
F12	Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco	-2,120	-2,465	-2,885	-3,055

**Attachment D**

**SUPPLEMENTARY EXPENSES TABLE AND THE CONTINGENCY RESERVE**

**Expenses**

Table 3.22 shows estimates of Australian Government general government expenses by function and sub-function for 2014-15 and the forward years.

Table 3.22: Estimates of Australian Government general government sector expenses by function and sub-function

	Estimates						Projections					
	2014-15			2015-16			2016-17			2017-18		
	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>General public services</b>												
Legislative and executive affairs	1,191	1,191	0	1,015	1,009	-1	1,222	1,217	0	1,045	1,037	-1
Financial and fiscal affairs	8,513	8,328	-2	8,585	8,427	-2	8,797	8,582	-2	8,799	8,556	-3
Foreign affairs and economic aid	6,299	6,311	0	6,125	5,177	-15	6,704	5,409	-19	6,733	5,442	-19
General research	2,651	2,875	8	2,554	2,730	7	2,343	2,487	6	2,387	2,533	6
General services	821	864	5	757	765	1	773	779	1	797	802	1
Government superannuation benefits	3,709	6,179	67	3,715	3,717	0	3,516	3,522	0	3,290	3,288	0
<b>Defence</b>	24,197	24,994	3	25,249	25,486	1	25,719	26,010	1	27,632	27,489	-1
<b>Public order and safety</b>	4,389	4,539	3	4,098	4,394	7	4,054	4,421	9	4,051	4,394	8
<b>Education</b>	29,553	31,200	6	30,206	31,768	5	31,843	32,974	4	32,788	33,982	4
<b>Health</b>	66,892	67,052	0	68,203	68,797	1	71,797	71,456	0	74,856	74,204	-1
<b>Social security and welfare</b>	145,773	149,913	3	149,269	153,361	3	158,370	160,878	2	169,585	171,635	1
<b>Housing and community amenities</b>	4,835	4,984	3	4,902	4,922	0	5,026	5,016	0	5,105	5,119	0
<b>Recreation and culture</b>	3,512	3,601	3	3,360	3,360	0	3,385	3,346	-1	3,343	3,296	-1
<b>Fuel and energy</b>	7,058	7,125	1	7,172	7,211	1	7,439	7,455	0	7,836	7,875	0
<b>Agriculture, fisheries and forestry</b>	2,752	2,828	3	2,868	2,975	4	2,642	2,828	7	2,565	2,693	5
<b>Mining, manufacturing and construction</b>	2,740	2,781	1	2,580	2,613	1	2,595	2,670	3	2,504	2,597	4
<b>Transport and communication</b>	7,286	7,292	0	9,697	9,715	0	10,949	10,958	0	7,469	7,454	0
<b>Other economic affairs</b>	186	184	-1	177	176	-1	171	170	-1	168	167	-1
Tourism and area promotion	3,904	3,968	2	4,224	3,953	-6	4,361	4,150	-5	4,433	4,143	-7
Labour and employment affairs	4,172	4,192	0	3,663	3,447	-6	2,862	2,987	4	2,621	2,769	6
Immigration	2,408	2,200	-9	2,302	2,145	-7	2,253	2,117	-6	2,263	2,137	-6
Other economic affairs nec												

**Table 3.22: Estimates of Australian Government general government sector expenses by function and sub-function (continued)**

	Estimates						Projections					
	2014-15			2015-16			2016-17			2017-18		
	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	14,708	14,733	0	16,134	16,016	-1	17,157	16,944	-1	17,876	17,440	-2
Nominal superannuation interest	9,275	8,989	-3	9,630	9,630	0	9,979	9,979	0	10,333	10,333	0
General purpose												
inter-government transactions	57,148	57,157	0	60,452	60,580	0	63,884	63,775	0	67,295	67,059	0
Natural disaster relief	98	83	-15	18	50	178	0	2	2	0	0	0
Contingency reserve	773	-665	-186	4,161	4,057	-2	5,963	5,963	0	9,675	8,867	-8
<b>Total expenses</b>	<b>414,845</b>	<b>422,898</b>	<b>2</b>	<b>431,118</b>	<b>436,484</b>	<b>1</b>	<b>453,806</b>	<b>456,097</b>	<b>1</b>	<b>475,447</b>	<b>475,310</b>	<b>0</b>

## **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 agencies for appropriation closer to the time when the associated events eventuate.

The Contingency Reserve contains a provision for underspends in the current financial year reflecting the tendency for budgeted expenses for some agencies or functions not to be met, and 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. Since the 2014-15 Budget, the allowance has been drawn down to:

- $\frac{1}{4}$  of a per cent of total general government sector expenses (excluding GST payments to the States) in the first forward year (2015-16);
- $\frac{3}{4}$  of a per cent of expenses in the second forward year (2016-17);
- 1  $\frac{1}{2}$  per cent of expenses in the third forward year (2017-18); and
- The drawdown of the allowance reduced expenses by \$921 million in 2015-16, \$965 million in 2016-17 and \$2.0 billion in 2017-18.

The drawdown of the conservative bias allowance during the MYEFO estimates update is consistent with long standing practice and does not represent a saving or offset to Government spending measures.

In general, the Contingency Reserve can include:

- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately, and programmes that are yet to be negotiated with State and Territory governments, for instance provisioning for estimates for national partnerships beyond expiry;
- the effect on the budget and forward estimates of economic parameter revisions received late in the process which were unable to be allocated to individual agencies or functions;



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

The Contingency Reserve and revenue estimates in MYEFO continue to include provisioning for the Paid Parental Leave scheme, the Paid Parental Leave Levy and a company tax rate reduction.

## 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.

The Commonwealth provides substantial funding to the States through both general revenue assistance and specific purpose payments.

More detailed information on the Intergovernmental Agreement and Australia's federal financial relations is provided in Budget Paper No. 3, *Federal Financial Relations 2014-15*, and at [www.federalfinancialrelations.gov.au](http://www.federalfinancialrelations.gov.au).

### Overview of payments to the States

Payments to the States in 2014-15 are estimated to be \$102.1 billion, or 24.1 per cent of total Commonwealth expenditure for the year. This amount comprises payments for specific purposes of \$47.2 billion and general revenue assistance of \$54.9 billion.

Table 3.23 shows payments for specific purposes and general revenue assistance to the States.

**Table 3.23: Commonwealth payments to the States, 2014-15 to 2017-18**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
<b>2014-15</b>									
Payments for specific purposes	14,019	11,505	9,735	5,477	3,229	1,071	774	1,062	47,225
General revenue assistance	16,824	11,853	11,704	2,298	4,955	1,914	1,135	3,189	54,868
<b>Total payments to the States</b>	<b>30,843</b>	<b>23,359</b>	<b>21,439</b>	<b>7,775</b>	<b>8,183</b>	<b>2,985</b>	<b>1,909</b>	<b>4,251</b>	<b>102,094</b>
<b>2015-16</b>									
Payments for specific purposes	15,151	11,387	10,567	5,424	3,660	1,139	773	1,094	50,488
General revenue assistance	17,685	12,638	12,644	2,407	5,261	2,104	1,205	3,421	58,291
<b>Total payments to the States</b>	<b>32,836</b>	<b>24,025</b>	<b>23,210</b>	<b>7,830</b>	<b>8,921</b>	<b>3,243</b>	<b>1,978</b>	<b>4,515</b>	<b>108,779</b>
<b>2016-17</b>									
Payments for specific purposes	16,593	11,824	11,346	6,025	3,461	1,093	821	1,059	53,522
General revenue assistance	18,282	13,263	13,842	2,480	5,684	2,151	1,251	3,605	61,487
<b>Total payments to the States</b>	<b>34,875</b>	<b>25,087</b>	<b>25,188</b>	<b>8,505</b>	<b>9,144</b>	<b>3,244</b>	<b>2,072</b>	<b>4,663</b>	<b>115,008</b>
<b>2017-18</b>									
Payments for specific purposes	15,984	11,345	10,961	5,866	3,422	1,082	825	977	51,476
General revenue assistance	19,281	14,168	14,514	2,747	5,890	2,200	1,302	3,691	64,673
<b>Total payments to the States</b>	<b>35,266</b>	<b>25,513</b>	<b>25,476</b>	<b>8,612</b>	<b>9,312</b>	<b>3,282</b>	<b>2,127</b>	<b>4,668</b>	<b>116,148</b>

(a) Total column may not equal sum of the state totals. There is no basis on which to estimate state allocations for a small number of payments, which are not reflected in state totals.

### **Payments for specific purposes**

The Commonwealth provides payments to the States for specific purposes in areas that may be administered by the States. Payments to the States for specific purposes will total \$47.2 billion in 2014-15, which is estimated to represent 11.2 per cent of total Commonwealth expenditure in 2014-15.

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;
- National Health Reform (NHR) funding, which commenced from 1 July 2012;
- Students First funding, which commenced from 1 January 2014; and
- National Partnership payments.

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

**Table 3.24: Total payments for specific purposes by category, 2014-15 to 2017-18**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
<b>2014-15</b>									
National Specific Purpose Payments	1,320	1,028	833	459	295	90	68	43	4,136
National Health Reform funding(b)	4,876	3,829	3,036	1,760	1,073	320	289	157	15,343
Students First funding	4,519	3,658	3,070	1,501	1,079	349	249	260	14,688
National Partnership payments(c)	3,303	2,990	2,796	1,757	781	311	167	602	13,058
<b>Total payments for specific purposes</b>	<b>14,019</b>	<b>11,505</b>	<b>9,735</b>	<b>5,477</b>	<b>3,229</b>	<b>1,071</b>	<b>774</b>	<b>1,062</b>	<b>47,225</b>
<b>2015-16</b>									
National Specific Purpose Payments	1,347	1,054	853	476	300	91	70	44	4,235
National Health Reform funding(b)	5,246	4,071	3,277	1,928	1,142	336	313	179	16,492
Students First funding	4,805	3,925	3,413	1,649	1,142	371	264	283	15,853
National Partnership payments(c)	3,752	2,337	3,023	1,371	1,076	341	126	588	13,908
<b>Total payments for specific purposes</b>	<b>15,151</b>	<b>11,387</b>	<b>10,567</b>	<b>5,424</b>	<b>3,660</b>	<b>1,139</b>	<b>773</b>	<b>1,094</b>	<b>50,488</b>
<b>2016-17</b>									
National Specific Purpose Payments	1,376	1,081	875	494	305	92	71	46	4,339
National Health Reform funding(b)	5,586	4,289	3,502	2,091	1,201	350	336	199	17,555
Students First funding	5,229	4,221	3,778	1,792	1,211	399	279	311	17,220
National Partnership payments(c)	4,402	2,233	3,191	1,648	743	252	135	504	14,407
<b>Total payments for specific purposes</b>	<b>16,593</b>	<b>11,824</b>	<b>11,346</b>	<b>6,025</b>	<b>3,461</b>	<b>1,093</b>	<b>821</b>	<b>1,059</b>	<b>53,522</b>
<b>2017-18</b>									
National Specific Purpose Payments	1,409	1,111	899	513	311	93	73	47	4,455
Public hospitals funding (d)	5,788	4,565	3,695	2,109	1,276	380	301	193	18,307
Students First funding	5,526	4,463	4,032	2,021	1,281	411	289	307	18,331
National Partnership payments(c)	3,262	1,207	2,336	1,222	554	198	161	431	10,383
<b>Total payments for specific purposes</b>	<b>15,984</b>	<b>11,345</b>	<b>10,961</b>	<b>5,866</b>	<b>3,422</b>	<b>1,082</b>	<b>825</b>	<b>977</b>	<b>51,476</b>

(a) As state allocations for a number of programmes have yet to be determined, these payments are not included in state totals. As such, total payments may not equal the sum of state totals.

(b) The efficient growth funding component of National Health Reform funding is indicative only. The distribution of efficient growth funding will be determined by the actual efficient growth in activity in each of the States.

(c) Includes financial assistance grants for local government.

(d) State allocations of public hospitals funding are shown on the basis of state population shares of total funding and are not adjusted for cross-border activity.

The majority of payments for specific purposes relate to National SPPs, NHR funding and Students First funding, and total \$34.2 billion in 2014-15, an estimated increase of \$3.2 billion on the \$31.0 billion the States received in 2013-14.

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 environment. Table 3.25 shows total payments for specific purposes by sector.

**Table 3.25: Payments for specific purposes by sector, 2014-15 to 2017-18**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
<b>2014-15</b>									
Health	5,211	4,163	3,254	1,903	1,135	370	302	274	16,612
Education	4,771	3,820	3,211	1,569	1,127	364	263	335	15,475
Skills and workforce development	581	459	371	202	133	40	30	19	1,835
Community services	458	794	345	455	107	48	29	95	2,332
Affordable housing	513	349	453	325	129	34	23	146	1,973
Infrastructure	1,538	1,073	1,403	712	296	105	61	135	5,658
Environment	160	254	56	6	130	29	7	18	661
Contingent payments	4	4	75	..	..	..	..	..	83
Other(b)	783	589	567	305	171	81	59	40	2,595
<b>Total payments for specific purposes</b>	<b>14,019</b>	<b>11,505</b>	<b>9,735</b>	<b>5,477</b>	<b>3,229</b>	<b>1,071</b>	<b>774</b>	<b>1,062</b>	<b>47,225</b>
<b>2015-16</b>									
Health	5,519	4,320	3,405	2,011	1,180	419	322	319	17,494
Education	4,938	4,025	3,498	1,692	1,171	380	270	343	16,330
Skills and workforce development	585	457	371	203	131	40	30	19	1,836
Community services	506	410	326	235	115	36	27	95	1,754
Affordable housing	438	333	405	273	113	31	22	133	1,747
Infrastructure	2,198	962	1,934	697	653	133	37	136	8,028
Environment	182	289	72	4	128	22	5	9	712
Contingent payments	1	..	50	..	..	-	..	..	51
Other(b)	782	590	506	308	170	79	59	40	2,535
<b>Total payments for specific purposes</b>	<b>15,151</b>	<b>11,387</b>	<b>10,567</b>	<b>5,424</b>	<b>3,660</b>	<b>1,139</b>	<b>773</b>	<b>1,094</b>	<b>50,488</b>
<b>2016-17</b>									
Health	5,793	4,437	3,630	2,167	1,242	363	345	237	18,214
Education	5,243	4,241	3,800	1,800	1,220	402	280	358	17,356
Skills and workforce development	637	498	405	223	142	43	33	21	2,001
Community services	560	466	382	215	129	40	40	95	1,930
Affordable housing	443	339	400	251	109	31	22	211	1,807
Infrastructure	2,967	1,050	2,164	1,055	360	124	12	92	9,108
Environment	169	203	58	4	89	12	29	5	568
Contingent payments	-	-	2	-	-	-	-	-	2
Other(b)	781	591	505	311	170	78	59	40	2,536
<b>Total payments for specific purposes</b>	<b>16,593</b>	<b>11,824</b>	<b>11,346</b>	<b>6,025</b>	<b>3,461</b>	<b>1,093</b>	<b>821</b>	<b>1,059</b>	<b>53,522</b>
<b>2017-18</b>									
Health	5,992	4,721	3,829	2,186	1,322	394	312	222	18,978
Education	5,537	4,475	4,050	2,029	1,289	413	290	354	18,440
Skills and workforce development	478	377	305	174	105	31	25	16	1,512
Community services	685	497	403	233	136	42	73	89	2,161
Affordable housing	454	345	416	264	111	31	23	224	1,869
Infrastructure	1,978	251	1,405	653	257	78	10	30	5,668
Environment	50	64	32	-	26	10	30	1	213
Contingent payments	-	-	-	-	-	-	-	-	-
Other(b)	811	615	522	326	176	81	62	42	2,635
<b>Total payments for specific purposes</b>	<b>15,984</b>	<b>11,345</b>	<b>10,961</b>	<b>5,866</b>	<b>3,422</b>	<b>1,082</b>	<b>825</b>	<b>977</b>	<b>51,476</b>

(a) As state allocations for a number of programmes have yet to be determined, these payments are not included in state totals. As such, total payments may not equal the sum of state totals.

(b) Includes financial assistance grants for local government.

Part 3: Fiscal strategy and outlook

Total payments for specific purposes by sector and category (National SPPs, NHR funding, Students First funding and National Partnership payments) are shown in Table 3.26.

**Table 3.26: Payments for specific purposes by sector and category, 2014-15 to 2017-18**

\$million	2014-15	2015-16	2016-17	2017-18
<i>Health</i>				
National Health Reform funding	15,343	16,492	17,555	-
Public hospitals funding	-	-	-	18,307
National Partnerships	1,270	1,002	659	672
<i>Education</i>				
Students First funding	14,688	15,853	17,220	18,331
National Partnerships	787	477	136	109
<i>Skills and workforce development</i>				
National Skills and Workforce Development SPP	1,435	1,459	1,484	1,512
National Partnerships	400	377	516	-
<i>Community services</i>				
National Disability SPP(a)	1,395	1,449	1,506	1,570
National Partnerships	937	305	424	591
<i>Affordable housing</i>				
National Affordable Housing SPP	1,306	1,327	1,349	1,374
National Partnerships	667	420	458	495
<i>Infrastructure</i>				
National Partnerships	5,658	8,028	9,108	5,668
<i>Environment</i>				
National Partnerships	661	712	568	213
<i>Contingent payments</i>				
National Partnerships	83	51	2	-
<i>Other</i>				
National Partnerships(b)	2,595	2,535	2,536	2,635
<b>Total payments for specific purposes</b>	<b>47,225</b>	<b>50,488</b>	<b>53,522</b>	<b>51,476</b>

(a) Does not include National Disability SPP adjustments to achieve budget neutrality as this is still subject to negotiation.

(b) Includes financial assistance grants for local government.

Detailed tables of payments for specific purposes are provided in Annex A (available online). This Annex provides accrual estimates of Commonwealth payments to the States.

The Commonwealth provides funding under the Natural Disaster Relief and Recovery Arrangements (NDRRA) to assist the States with relief and recovery assistance following eligible 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 disaster reconstruction work or submitted an eligible claim under the NDRRA.

The estimated NDRRA cash payments are shown in Table 3.27 below (see Table A.8 in Annex A (available online) for accrual estimates).

**Table 3.27: Estimated NDRRA cash payments, 2014-15 to 2017-18**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2014-15	109,551	156,625	950,000	788	3,167	99	-	-	1,220,230
2015-16	3,189	2,409	1,828,000	1,373	-	-	-	642	1,835,613
2016-17	-	-	82,000	-	-	-	-	-	82,000
2017-18	-	-	-	-	-	-	-	-	-

## GST and 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 2014-15, the States will receive \$54.9 billion in general revenue assistance from the Commonwealth, comprising \$53.7 billion in GST entitlements and \$1.2 billion in other general revenue assistance. This is a 4.7 per cent increase in general revenue assistance, on the \$52.4 billion the States received in 2013-14. Total general revenue assistance to the States is estimated to represent 13.0 per cent of total Commonwealth expenditure in 2014-15.

GST entitlements have been revised down since the 2014-15 Budget by \$50 million over the four years to 2017-18.

Table 3.28 summarises GST and general revenue assistance payments to the States. Detailed tables of GST and general revenue assistance, including state shares of each payment, are provided in Annex A (available online).

**Table 3.28: GST and general revenue assistance, 2014-15 to 2017-18**

\$million	2014-15	2015-16	2016-17	2017-18
GST entitlements	53,710.0	57,200.0	60,390.0	63,630.0
Other payments				
<i>ACT municipal services</i>	38.0	38.6	39.2	40.0
<i>Reduced royalties</i>	49.8	51.5	53.7	48.9
<i>Royalties</i>	995.7	926.3	928.6	878.7
<i>Snowy Hydro Ltd tax compensation</i>	75.0	75.0	75.0	75.0
Total other	1,158.5	1,091.3	1,096.6	1,042.5
Total GST and other payments	54,868.5	58,291.3	61,486.6	64,672.5

## GST

GST revenue variations since the 2014-15 Budget

Table 3.29 provides a reconciliation of the GST revenue estimates since the 2014-15 Budget. The reconciliation accounts for policy decisions and parameter and other variations.

**Table 3.29: Reconciliation of GST entitlement estimates since the 2014-15 Budget**

\$million	2014-15	2015-16	2016-17	2017-18
GST entitlement at 2014-15 Budget	53,710	57,020	60,440	63,810
<i>Changes between 2014-15 Budget and MYEFO</i>				
Effect of policy decisions	-7	-1	-1	-1
Effect of parameter and other variations	7	181	-49	-179
Total variations	0	180	-50	-180
GST entitlement at 2014-15 MYEFO	53,710	57,200	60,390	63,630



Specific policy decisions taken since the 2014-15 Budget that affect GST revenue are shown in Table 3.30. These decisions decrease the amount of GST revenue by \$10 million over four years.

Detailed information on policy decisions since the 2014-15 Budget are included in Appendix A.

**Table 3.30: Policy decisions since the 2014-15 Budget that affect GST revenue**

\$million	2014-15	2015-16	2016-17	2017-18
Indirect Tax Concession Scheme – diplomatic and consular concessions	-5.0	-1.0	-1.0	-1.0
Reintroduction of fuel excise indexation – change to start date	-2.0	0.0	0.0	0.0
Total GST revenue policy decisions	-7.0	-1.0	-1.0	-1.0

#### Reconciling GST revenue and GST entitlements to the States

Under the Intergovernmental Agreement, the States are entitled to receive payments from the Commonwealth equivalent to the revenue received from the GST.

However, GST revenue for a financial year varies from the amount of GST paid to the States for that year because of:

- GST revenues which are recognised on a Commonwealth whole-of-government basis, but not remitted to the Australian Taxation Office (ATO) by 30 June of each financial year, as the revenues will not be remitted until the following financial year;
- penalties, other than general interest charge (GIC) penalties, which are not included in the definition in the *Federal Financial Relations Act 2009* of GST to be paid to the States;
- the GST component of sales by Commonwealth agencies which has been collected by those agencies but which, as at 30 June in each year, has not been remitted to the ATO, because it is not due to be paid until the next Business Activity Statement is lodged; and
- a balancing adjustment to account for any variation in the previous financial year between the Treasurer’s final outcome determination, and GST payment advances made during that financial year.

The reconciliation of GST revenue and GST entitlements to the States is provided in Table 3.31.

**Table 3.31: Reconciling GST revenue and GST entitlements to the States**

\$million	Outcome	Estimates			
	2013-14	2014-15	2015-16	2016-17	2017-18
GST revenue	55,517	56,820	60,390	63,510	66,950
less change in GST receivables	4,123	2,838	2,922	2,848	3,027
GST receipts	51,394	53,982	57,468	60,662	63,923
less non-GIC penalties collected	276	260	270	270	290
less net GST collected by Commonwealth agencies but not yet remitted to the ATO	28	12	-2	2	3
GST entitlements to the States	51,090	53,710	57,200	60,390	63,630

Table 3.32 below provides information on the balancing adjustment relating to 2013-14 which has been paid in 2014-15.

**Table 3.32: Balancing adjustment relating to 2013-14**

\$million	Total
GST entitlements to the States in 2013-14	51,090.2
less advances of GST made throughout 2013-14	50,720.0
<i>equals</i> following year balancing adjustment	370.2

#### Distribution of GST entitlement pool among the States

As agreed by all parties in the Intergovernmental Agreement, GST payments are distributed among the States in accordance with the principle of horizontal fiscal equalisation, having regard to the recommendations of the Commonwealth Grants Commission. The calculations for the distribution of the GST pool in 2014-15 are shown in Table 3.33.

**Table 3.33: Distribution of the GST entitlement pool, 2014-15<sup>(a)</sup>**

	Estimated 31 December 2014 population (1)	GST relativities (2)	Adjusted population (1) x (2) (3)	Share of adjusted population % (4)	2014-15 GST entitlement \$million (5)
NSW	7,572,549	0.97500	7,383,235	31.2	16,774.1
VIC	5,897,334	0.88282	5,206,284	22.0	11,828.2
QLD	4,775,457	1.07876	5,151,572	21.9	11,703.9
WA	2,630,068	0.37627	989,616	4.2	2,248.3
SA	1,693,119	1.28803	2,180,788	9.2	4,954.6
TAS	515,385	1.63485	842,577	3.6	1,914.3
ACT	390,762	1.23600	482,982	2.0	1,097.3
NT	247,997	5.66061	1,403,814	5.9	3,189.3
Total	23,722,671	na	23,640,869	100.0	53,710.0

(a) Total may not equal sum of State totals due to rounding.

The calculations for the distribution of the 2013-14 balancing adjustment are shown in Table 3.34. This adjustment has been paid to each State in 2014-15 following the upwards revision to the States' 2013-14 GST entitlements of \$370.2 million.

**Table 3.34: Distribution of the GST balancing adjustment, 2013-14<sup>(a)</sup>**

	31 December 2013 population (1)	GST relativities (2)	Adjusted population (1) x (2) (3)	Share of adjusted population % (4)	2013-14 GST entitlement \$million (5)	2013-14 GST advances \$million (6)	Balancing adjustment \$million (5) - (6) (7)
NSW	7,465,497	0.96576	7,209,878	31.0	15,849.5	15,727.2	122.3
VIC	5,790,990	0.90398	5,234,939	22.5	11,508.0	11,426.1	81.9
QLD	4,690,910	1.05624	4,954,727	21.3	10,892.0	10,822.7	69.3
WA	2,550,874	0.44581	1,137,205	4.9	2,499.9	2,484.8	15.1
SA	1,677,250	1.26167	2,116,136	9.1	4,651.9	4,618.2	33.7
TAS	513,955	1.61454	829,801	3.6	1,824.2	1,809.5	14.7
ACT	384,147	1.22083	468,978	2.0	1,031.0	1,023.9	7.1
NT	242,573	5.31414	1,289,067	5.5	2,833.8	2,807.6	26.1
Total	23,316,196	na	23,240,731	100.0	51,090.2	50,720.0	370.2

(a) Total may not equal sum of State totals due to rounding.

Table 3.35 shows the distribution of the GST entitlement over the current financial year and forward estimates.

**Table 3.35: Distribution of the GST entitlement over financial year and forward estimates**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2014-15	16,774.1	11,828.2	11,703.9	2,248.3	4,954.6	1,914.3	1,097.3	3,189.3	53,710.0
2015-16	17,635.1	12,612.9	12,643.7	2,355.1	5,261.1	2,104.0	1,166.8	3,421.2	57,200.0
2016-17	18,232.4	13,237.9	13,842.1	2,426.6	5,683.8	2,151.1	1,211.3	3,604.7	60,390.0
2017-18	19,231.2	14,143.1	14,514.4	2,698.1	5,890.2	2,200.3	1,261.9	3,690.9	63,630.0

#### GST administration costs

States compensate the Commonwealth for the costs incurred by the ATO in administering the GST, including costs incurred by the Australian Customs and Border Protection Service, as shown in Table 3.36.

**Table 3.36: GST administration budget, 2013-14 to 2017-18**

\$million	Actual	Estimates			
	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office budget	698.6	688.5	680.3	526.0	512.0
less prior year adjustment	-11.0	8.2			
<b>equals State government payments</b>	<b>709.6</b>	<b>680.3</b>	<b>680.3</b>	<b>526.0</b>	<b>512.0</b>
less Australian Taxation Office outcome(a)	690.4				
<b>equals Commonwealth budget impact</b>	<b>19.1</b>				
plus prior year adjustment	-11.0				
<b>equals following year adjustment</b>	<b>8.2</b>				

(a) Estimated outcome for 2013-14 pending confirmation by the Australian National Audit Office.

The preliminary outcome for 2013-14 GST administration expenses of \$690.4 million differs from the amount paid by the States and the prior year adjustment by \$8.2 million. Once the audit of the outcome for GST administration expenses in 2013-14 is completed, the final adjustment will be incorporated into the States' administration costs for 2014-15.

## DEBT STATEMENT

The Debt Statement provides information on current and projected debt on issue and details of climate spending and the extent to which this spending has contributed to debt.

### 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 Commonwealth Government Securities (CGS) to investors.

Even when CGS issuance is not required to finance the government's activities, successive governments have continued to issue CGS for policy purposes, such as to maintain a liquid CGS market. A well-functioning CGS market supports the Treasury Bond futures markets (used by financial institutions to manage interest rate risk), supports the corporate bond market by providing a risk-free benchmark, and provides a low-risk investment vehicle.

The Australian Office of Financial Management (AOFM) is the agency 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 TIBs, 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.

### **Estimates and projections of CGS on issue**

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. Changes in the market price of CGS have an impact on the value of net debt.

Table 3.37 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. As required by the *Charter of Budget Honesty Act 1998*, Table 3.37 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.

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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.

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.

**Table 3.37: Estimates and projections of CGS on issue subject to the Treasurer's Direction(a)**

	2014-15	2015-16	2016-17	2017-18
	\$b	\$b	\$b	\$b
Face value - end of year	367	413	459	481
Per cent of GDP	22.8	24.6	26.0	25.9
Face value - within-year peak(b)	373	433	480	508
Per cent of GDP(b)	23.2	25.8	27.2	27.4
Month of peak(b)	Apr-15	May-16	Feb-17	Jan-18
Market value - end of year(c)	405	452	499	523
Per cent of GDP	25.2	26.9	28.3	28.2

(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, 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.

(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 shows the equivalent 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 2014-15, the end-of-year face value of CGS on issue subject to the Treasurer's Direction is expected to be \$367 billion, compared to around \$359 billion at the 2014-15 Budget. Over the forward estimates, the end-of year face value of CGS on issue subject to the Treasurer's Direction is expected to peak at \$481 billion in 2017-18, around \$36 billion higher than the \$445 billion estimated at the 2014-15 Budget.

In 2014-15, the face value of CGS on issue is expected to reach a within-year peak of around \$373 billion. Over the forward estimates, the face value of CGS on issue is projected to rise to a within-year peak of around \$508 billion in 2017-18.

### Changes in CGS on issue since the 2014-15 Budget

Table 3.38 shows the change in the projected end-of-year face value of CGS on issue, between the 2014-15 Budget and the 2014-15 MYEFO.

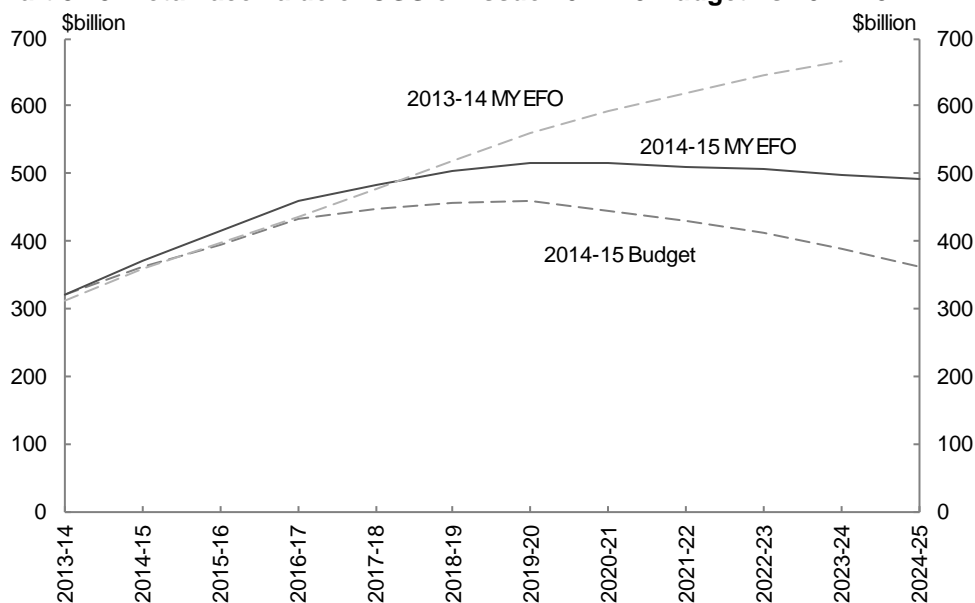
**Table 3.38: Projected CGS on issue subject to the Treasurer's Direction — reconciliation from the 2014-15 Budget to the 2014-15 MYEFO**

	2014-15 \$b	2015-16 \$b	2016-17 \$b	2017-18 \$b
<b>Total face value of CGS on issue subject to the Treasurer's Direction as at 2014-15 Budget</b>	359	392	430	445
<b>Factors affecting the change in face value of CGS on issue from 2014-15 Budget to 2014-15 MYEFO (a)</b>				
Cumulative receipts decisions	0.5	0.8	0.9	1.1
Cumulative receipts variations	5.8	12.5	20.0	28.1
Cumulative payment decisions	1.8	3.7	4.1	3.0
Cumulative payment variations	2.2	7.2	9.3	10.7
Cumulative change in net investments in financial assets(b)	0.7	2.3	2.7	4.3
Other financing	-2.2	-5.7	-8.3	-10.2
Other contributors	-0.3	-0.2	-0.5	-0.2
<b>Total face value of CGS on issue subject to the Treasurer's Direction as at 2014-15 MYEFO</b>	367	413	459	481

(a) Cumulative impact of decisions and variations from 2014-15 to 2017-18. 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.

**Chart 3.13: Total face value of CGS on issue 2014-15 Budget vs 2014-15 MYEFO**

Note: A tax-to-GDP cap of 23.9 per cent is applied on 2014-15 Budget and 2014-15 MYEFO projections. No tax cap has been applied to 2013-14 MYEFO projections.

Source: Australian Office of Financial Management and Treasury projections.

Commonwealth Government Securities (CGS) on issue are expected to reach \$499 billion in 2023-24, a fall of nearly \$170 billion compared to \$667 billion at the 2013-14 MYEFO. This improvement is achieved despite allowance being included for future tax relief for which allowance was not included in the 2013-14 MYEFO figures

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showing the fiscal position inherited from the previous Government. CGS on issue was projected to reach \$389 billion in 2023-24 at the time of the 2014-15 Budget. The increase in CGS on issue since then is a result of the deterioration in the underlying cash balance across the forward estimates and the medium term.

### Changes in net debt since the 2014-15 Budget

Australian Government general government sector 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.

**Table 3.39: Liabilities and assets included in net debt from 2014-15 to 2017-18**

	2014-15 \$m	2015-16 \$m	Projections	
			2016-17 \$m	2017-18 \$m
<b>Liabilities included in net debt</b>				
Deposits held	211	211	211	211
Government securities	409,609	456,734	504,139	527,633
Loans	13,693	13,004	12,957	12,927
Other borrowing	1,553	1,424	1,340	1,280
<b>Total liabilities included in net debt</b>	<b>425,066</b>	<b>471,373</b>	<b>518,647</b>	<b>542,050</b>
<b>Assets included in net debt</b>				
Cash and deposits	3,825	4,163	3,799	4,404
Advances paid	46,208	52,854	61,928	70,785
Investments, loans and placements	130,197	134,782	148,537	151,097
<b>Total assets included in net debt</b>	<b>180,230</b>	<b>191,799</b>	<b>214,264</b>	<b>226,286</b>
<b>Net debt</b>	<b>244,836</b>	<b>279,574</b>	<b>304,383</b>	<b>315,764</b>

Net debt in 2014-15 is estimated to increase by \$18.4 billion since the 2014-15 Budget to \$245 billion. From 2014-15 to 2016-17, net debt is higher compared to the 2014-15 Budget.

This is primarily driven by higher levels of Commonwealth Government Securities, owing to changes in the financing requirement and a decrease in average yields compared to those at the 2014-15 Budget. Decreases in average yields result in increases in the market value of Commonwealth Government Securities on issue. This is partially offset by small increases in cash and deposits and advances paid.



**Table 3.40: Net debt — reconciliation from the 2014-15 Budget to the 2014-15 MYEFO**

	2014-15 \$b	2015-16 \$b	2016-17 \$b	2017-18 \$b
<b>Net debt as at 2014-15 Budget (\$b)</b>	226.4	246.4	261.3	264.2
Changes in financing requirement	8.4	24.9	36.5	48.9
Impact of lower yields on CGS	13.4	10.4	7.2	3.5
Asset and other liability movements	-3.4	-2.1	-0.5	-0.9
<i>Cash and deposits</i>	-1.3	-1.4	-1.0	-1.3
<i>Advances paid</i>	-1.1	-0.4	-0.6	-0.8
<i>Investments, loans and placements</i>	-1.4	-0.8	0.7	0.8
<i>Other movements</i>	0.5	0.5	0.4	0.4
<i>Total movements in Net Debt from 2014-15 Budget to 2014-15 MYEFO(\$b)</i>	18.4	33.2	43.1	51.6
<b>Net debt as at 2014-15 MYEFO (\$b)</b>	244.8	279.6	304.4	315.8

### Breakdown of CGS currently on issue

Table 3.41 provides a breakdown of the CGS on issue by type of security as at 5 December 2014

**Table 3.41: Breakdown of current Commonwealth Government Securities on issue**

	On issue as at 5 December 2014	
	Face value \$m	Market value \$m
Treasury Bonds (a)	315,234	344,991
Treasury Indexed Bonds (a)	22,916	30,576
Treasury Notes (a)	7,500	7,460
<b>Total CGS subject to Treasurer's Direction(a)(b)</b>	<b>345,650</b>	<b>383,028</b>
Other stock and securities	2,535	4,825
<b>Total CGS on issue</b>	<b>348,185</b>	<b>387,852</b>

(a) The Treasurer's Direction applies only to the face value of CGS on issue. This table shows the equivalent 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 3.42 lists Treasury Bonds currently on issue, as well as the annual interest rate (the coupon) and the timing of coupon payments. As at 5 December 2014, there were 20 Treasury Bond lines on issue, with a weighted average term to maturity of

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around 6.3 years and the longest maturity extending to April 2037. This was extended from April 2033 with the issuance of the April 2037 bond line since the 2014-15 Budget.

**Table 3.42: Treasury Bonds on issue**

Coupon Per cent	Maturity	On issue as at 5 December 2014 \$m	Timing of interest payments(a)			
6.25	15-Apr-15	14,797	Twice yearly	15 Apr	15 Oct	
4.75	21-Oct-15	13,899	Twice yearly	21 Oct	21 Apr	
4.75	15-Jun-16	21,900	Twice yearly	15 Jun	15 Dec	
6.00	15-Feb-17	21,096	Twice yearly	15 Feb	15 Aug	
4.25	21-Jul-17	18,900	Twice yearly	21 Jul	21 Jan	
5.50	21-Jan-18	20,500	Twice yearly	21 Jan	21 Jul	
3.25	21-Oct-18	11,400	Twice yearly	21 Oct	21 Apr	
5.25	15-Mar-19	20,847	Twice yearly	15 Mar	15 Sep	
2.75	21-Oct-19	7,600	Twice yearly	21 Oct	21 Apr	
4.50	15-Apr-20	20,397	Twice yearly	15 Apr	15 Oct	
5.75	15-May-21	21,599	Twice yearly	15 May	15 Nov	
5.75	15-Jul-22	17,500	Twice yearly	15 Jul	15 Jan	
5.50	21-Apr-23	21,300	Twice yearly	21 Apr	21 Oct	
2.75	21-Apr-24	18,700	Twice yearly	21 Apr	21 Oct	
3.25	21-Apr-25	13,800	Twice yearly	21 Apr	21 Oct	
4.25	21-Apr-26	13,500	Twice yearly	21 Apr	21 Oct	
4.75	21-Apr-27	13,000	Twice yearly	21 Apr	21 Oct	
3.25	21-Apr-29	9,000	Twice yearly	21 Apr	21 Oct	
4.50	21-Apr-33	8,500	Twice yearly	21 Apr	21 Oct	
3.75	21-Apr-37	7,000	Twice yearly	21 Apr	21 Oct	

(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 3.43 lists Treasury Indexed Bonds currently on issue, as well as the annual interest rate (the coupon) and the timing of coupon payments. As at 5 December 2014, there were 7 TIB lines on issue, with a weighted average term to maturity of around nine years and the longest maturity extending to August 2035.

**Table 3.43: Treasury Indexed Bonds (TIBs) on issue**

Coupon Per cent	Maturity	On issue as at 5 December 2014 \$m		Timing of interest payments(a)			
4.00	20-Aug-15	1,152	Quarterly	20 Aug	20 Nov	20 Feb	20 May
1.00	21-Nov-18	3,539	Quarterly	21 Nov	21 Feb	21 May	21 Aug
4.00	20-Aug-20	4,964	Quarterly	20 Aug	20 Nov	20 Feb	20 May
1.25	21-Feb-22	4,290	Quarterly	21 Feb	21 May	21 Aug	21 Nov
3.00	20-Sep-25	5,543	Quarterly	20 Sep	20 Dec	20 Mar	20 June
2.50	20-Sep-30	3,293	Quarterly	20 Sep	20 Dec	20 Mar	20 June
2.00	21-Aug-35	2,650	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

The face value of Treasury Notes on issue as at 5 December 2014 was \$7.5 billion. Table 3.44 lists the Treasury Notes currently on issue. 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 3.44: Treasury Notes on issue**

Maturity	On issue as at 5 December 2014 (\$m)	Timing of interest payment	
23-Jan-15	3,000	At maturity	23 Jan
27-Feb-15	4,000	At maturity	27 Feb
24-Apr-15	500	At maturity	24 Apr

Source: Australian Office of Financial Management.

### Non-resident holdings of CGS on issue

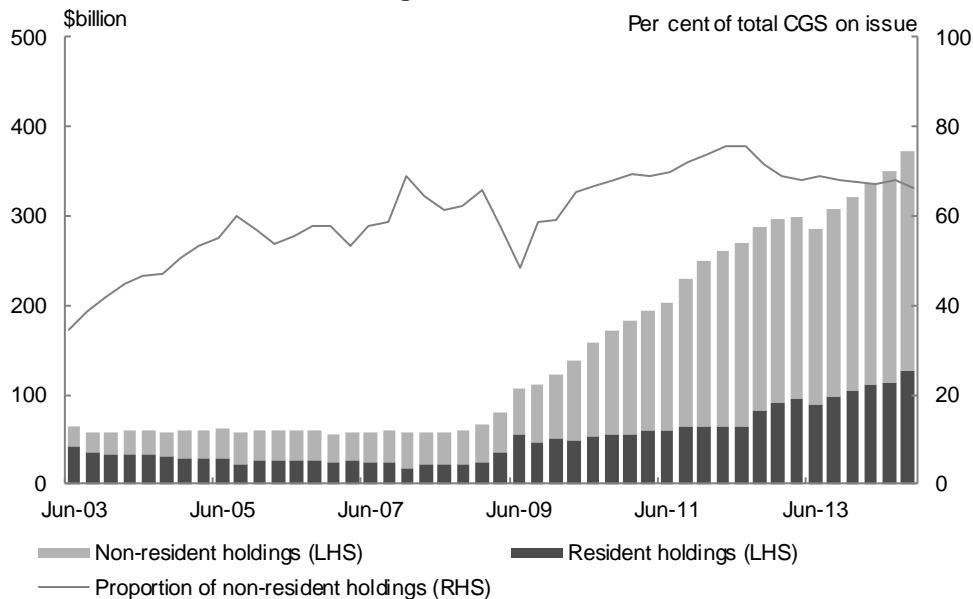
The sale of CGS is not restricted to Australian residents. As at the September quarter 2014, 66.1 per cent of total CGS on issue were held by non-residents of Australia (Chart 3.14).

The proportion of CGS held by non-residents has risen significantly since 2009 and remains around historically high levels. This is likely to have been driven by the build-up of foreign currency reserves in some countries, and an increasing tendency for these reserves to be invested outside of the major currencies (such as the yen, the US dollar and the euro).

The historically high proportion of non-resident holdings of CGS is also likely to have been driven by a rise in investor confidence in the Australian sovereign debt market, owing to the relative strength of Australia's public finances and the Australian economy more broadly.

Against a backdrop of relatively low government bond yields globally, this confidence in the Australian sovereign debt market has likely contributed to longer-term CGS yields falling to historically low levels in recent years.

**Chart 3.14: Non-resident holdings of Commonwealth Government Securities**



Note: Data refer 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.

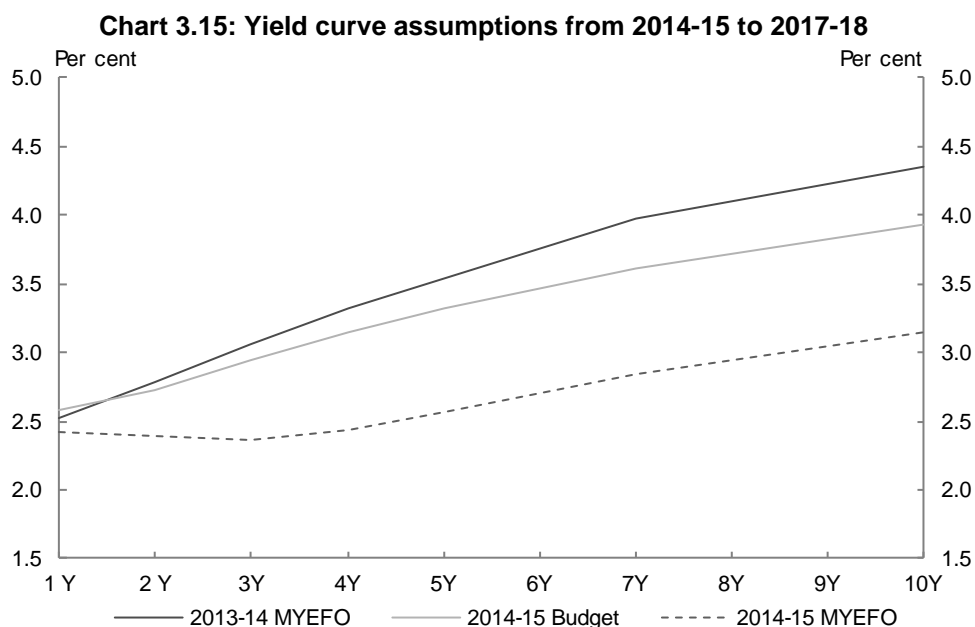
- **Interest payments** are recognised in the period when they are paid during the life of the security.
- **Interest expense** is recognised in the period in which an expense is incurred during the life of the security, rather when they are actually paid.

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 2014-15 MYEFO result in a weighted average cost of borrowing of around 2.9 per cent for future issuance of Treasury Bonds in the forward estimates period, compared with around 3.7 per cent at the 2014-15 Budget. Chart 3.15

shows the yield curve assumptions underpinning the 2013-14 MYEFO, 2014-15 Budget and 2014-15 MYEFO.



Source: Australian Office of Financial Management.

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 2014-15 are estimated to be \$14.2 billion, of which \$13.6 billion relates to CGS on issue (Table 3.45).

**Table 3.45: Interest payments and interest expense**

	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
Interest payments on CGS(a)	13,567	14,702	15,358	16,020
Per cent of GDP	0.8	0.9	0.9	0.9
Total interest payments(a)	14,221	15,354	16,007	16,676
Per cent of GDP	0.9	0.9	0.9	0.9
Interest expense on CGS(b)	14,720	16,015	16,943	17,439
Per cent of GDP	0.9	1.0	1.0	0.9
Total interest expense(b)	16,387	17,871	19,239	19,925
Per cent of GDP	1.0	1.1	1.1	1.1

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

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

The Government's interest expenses at the 2014-15 MYEFO are estimated to be \$16.4 billion in 2014-15, of which \$14.7 billion relates to CGS on issue. In the

2014-15 Budget, interest expenses in 2014-15 were estimated to be \$15.6 billion, of which \$14.7 billion related to CGS on issue. Table 3.46 shows the Government's estimated interest expense, interest income and net interest expense over the forward estimates.

**Table 3.46: Interest expense, interest income and net interest expense**

	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
Interest expense	16,387	17,871	19,239	19,925
Per cent of GDP	1.0	1.1	1.1	1.1
Interest income	3,987	4,672	5,031	5,322
Per cent of GDP	0.2	0.3	0.3	0.3
Net interest expense	12,400	13,199	14,208	14,603
Per cent of GDP	0.8	0.8	0.8	0.8

(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 3.47.

**Table 3.47: Climate spending from 2013-14 to 2017-18**

	2014-15	2015-16	2016-17	2017-18
	\$b	\$b	\$b	\$b
Climate spending(a)	0.95	0.80	0.65	0.60

(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.

Over the forward estimates, the key components of climate spending are:

- the Emissions Reduction Fund, which will provide incentives to support abatement activities across the economy; and
- funding for the Department of Industry to support Australian Renewable Energy Agency legacy functions.

Estimates of climate spending have been updated to reflect the delay in the passage of legislation to abolish the Clean Energy Finance Corporation, and Australia's contribution of \$200 million to the UN Green Climate Fund.

### Impact of climate spending on debt

Receipts and debt are not specifically allocated to particular spending programmes. In this context, there are multiple approaches that could be taken to consider the extent to which climate spending has contributed to debt.

One approach is to assume 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. Table 3.48 shows the impact of climate spending on debt using this approach.

**Table 3.48: Impact on debt — climate spending as a proportion of total spending**

	2014-15	2015-16	2016-17	2017-18
Climate spending (\$b) (a)	0.95	0.80	0.65	0.60
Total spending (\$b) (b)	421.1	442.6	463.3	481.2
Climate spending (per cent of total spending)	0.2	0.2	0.1	0.1
Change in face value of CGS from previous year (\$b) (c)	50	46	46	23
Contribution to change in face value of CGS from climate spending (\$b)	0.11	0.08	0.06	0.03

(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 2014-15 BUDGET

## Revenue Measures

**Table 1: Revenue measures since the 2014-15 Budget<sup>(a)</sup>**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
	<b>AGRICULTURE</b>					
	<i>Department of Agriculture</i>					
106	Changes to agricultural production levies	-	0.1	0.1	0.1	0.1
130	Drought Recovery Concessional Loans Scheme — establishment(b)	-	1.1	3.3	3.4	3.4
	<b>Portfolio total</b>	-	<b>1.2</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>
	<b>ATTORNEY-GENERAL'S</b>					
	<i>Australian Transaction Reports and Analysis Centre</i>					
135	National Security — additional counter-terrorism funding(b)	-	0.7	5.0	6.2	6.5
	<b>Portfolio total</b>	-	<b>0.7</b>	<b>5.0</b>	<b>6.2</b>	<b>6.5</b>
	<b>CROSS PORTFOLIO</b>					
	<i>Various Agencies</i>					
130	Drought Recovery Concessional Loans Scheme — establishment(b)	-	-	-	-	-
	<b>Portfolio total</b>	-	-	-	-	-
	<b>EDUCATION</b>					
	<i>Department of Education</i>					
151	Higher Education Reforms — amendments(b)	-	12.5	-116.5	-159.3	-217.7
	<b>Portfolio total</b>	-	<b>12.5</b>	<b>-116.5</b>	<b>-159.3</b>	<b>-217.7</b>
	<b>FOREIGN AFFAIRS AND TRADE</b>					
	<i>Department of Foreign Affairs and Trade</i>					
109	Passports issued overseas — surcharge	-	-	6.8	7.2	7.4
	<b>Portfolio total</b>	-	-	<b>6.8</b>	<b>7.2</b>	<b>7.4</b>
	<b>HEALTH</b>					
	<i>Department of Health</i>					
169	Pharmaceutical Benefits Scheme — new and amended listings(b)	-	nfp	nfp	nfp	nfp
	<b>Portfolio total</b>	-	-	-	-	-
	<b>IMMIGRATION AND BORDER PROTECTION</b>					
	<i>Australian Customs and Border Protection Service</i>					
110	Japan-Australia Economic Partnership Agreement	-	-110.0	-445.0	-495.0	-540.0
115	Reintroduction of fuel excise indexation — change to the start date	-	-2.0	-	-	-
115	— rounding of excise rates	-	..	..	..	..

Appendix A: Policy decisions taken since the 2014-15 Budget

**Table 1: Revenue measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
	<b>IMMIGRATION AND BORDER PROTECTION (continued)</b>					
	<i>Department of Immigration and Border Protection</i>					
110	Partner Visas — increased application charge	-	48.6	102.8	108.3	113.9
	<b>Portfolio total</b>	-	<b>-63.4</b>	<b>-342.2</b>	<b>-386.7</b>	<b>-426.1</b>
	<b>INDUSTRY</b>					
	<i>Department of Industry</i>					
178	Anti-dumping and countervailing system — strengthening(b)	-	0.1	0.2	0.2	0.2
	<i>National Vocational Education and Training Regulator (Australian Skills Quality Authority)</i>					
180	Australian Skills Quality Authority — revised regulatory model(b)	-	-14.5	-14.9	-12.5	-13.2
	<b>Portfolio total</b>	-	<b>-14.4</b>	<b>-14.7</b>	<b>-12.3</b>	<b>-13.1</b>
	<b>INFRASTRUCTURE AND REGIONAL DEVELOPMENT</b>					
	<i>Department of Infrastructure and Regional Development</i>					
187	Concessional Loan to the Australian Capital Territory Government — Mr Fluffy loose-fill asbestos remediation(b)	-	15.3	41.4	41.6	36.5
	<i>National Capital Authority</i>					
188	Paid parking on national land in the suburbs of Parkes, Barton, Russell and Acton (ACT) — revised implementation arrangements(b)	-	-2.9	4.3	5.7	4.7
	<b>Portfolio total</b>	-	<b>12.5</b>	<b>45.7</b>	<b>47.3</b>	<b>41.2</b>
	<b>TREASURY</b>					
	<i>Australian Securities and Investments Commission</i>					
210	Enhanced Public Register of Financial Advisers — establishment(c)	-	2.6	1.2	1.2	1.3
	<i>Australian Taxation Office</i>					
111	Common Reporting Standard for the Automatic Exchange of Financial Account Information	-	-	-	-	*
111	Depreciation of in-house computer software — extension of statutory effective life	-	-	-	140.0	280.0
112	Indirect Tax Concession Scheme — diplomatic and consular concessions	..	-5.0	-1.0	-1.0	-1.0
112	Industry Innovation and Competitiveness Agenda — Employee Share Schemes	-	-	-52.0	-56.0	-88.0
113	International Tax — Investment Manager Regime — element 3	-	-	*	*	*
113	New tax system for managed investment trusts — minor adjustments	-	*	*	*	*
146	Operation Accordion — extension(b)	-	-3.9	-4.0	-	-

Appendix A: Policy decisions taken since the 2014-15 Budget

**Table 1: Revenue measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14	2014-15	2015-16	2016-17	2017-18
		\$m	\$m	\$m	\$m	\$m
	<b>TREASURY (continued)</b>					
146	Operation Okra(b)	-	-4.8	-4.1	-	-
147	Operation Slipper — Heron Remotely Piloted Aircraft — further extension(b)	-	-0.3	-0.1	-	-
	Personal income tax					
114	– exemption of pay and allowances for Operation Manitou personnel	-	-1.3	-1.3	-	-
114	– exemption of pay and allowances for Operation Palate II personnel	-	..	..	..	-
	Reintroduction of fuel excise indexation					
115	– change to the start date	-	-65.0	-	-	-
115	– rounding of excise rates	-	-10.0	5.0	-	10.0
107	Repeal of the Minerals Resource Rent Tax and related measures	-	*	-	-	-
116	Research and Development tax incentive — amending the start date of the targeting access measure	-	-350.0	-50.0	100.0	-
116	Superannuation — Superannuation Guarantee Charge	-	-	-	-26.3	-27.7
117	Targeted anti-avoidance provision to address certain 'conduit' arrangements	-	-	-	-	-
117	Tax laws — miscellaneous amendments	-	-	..	..	..
117	US Force Posture Initiatives in Australia — Taxation arrangements for United States contractors	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>-437.7</b>	<b>-106.3</b>	<b>157.9</b>	<b>174.6</b>
	<b>Decisions taken but not yet announced</b>	-	<b>30.7</b>	<b>-26.2</b>	<b>24.6</b>	<b>-23.8</b>
	<b>Total impact of revenue measures(d)</b>	-	<b>-457.9</b>	<b>-545.1</b>	<b>-311.7</b>	<b>-447.5</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) These measures can also be found in the capital measures summary table.

(d) Measures may not add due to rounding.

## AGRICULTURE

### Changes to agricultural production levies

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Agriculture	-	0.1	0.1	0.1	0.1
<i>Related expense (\$m)</i>					
<i>Department of Agriculture</i>	-	0.1	0.1	0.1	0.1

The Government has adjusted the rate of the following agricultural production levies and export charges to meet changes in the funding needs of the agricultural industry organisations they support:

- Queen Bees' levy and export charge: reduce the operative rate of the levy and export charge on queen bees to nil, commencing on 1 August 2014.
- Forest growers' levy: increase the overall rate of the levy on privately owned plantation logs from \$0.050 to \$0.055 per cubic metre of logs, commencing on 1 July 2014.

All revenue raised by the levy or export charge is provided directly to fund industry research and development, marketing programmes, and/or industry biosecurity initiatives. Existing capped co-investment arrangements will not change.

## CROSS PORTFOLIO

### Repeal of the Minerals Resource Rent Tax and related measures

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	*	-	-	-
<i>Related expense (\$m)</i>					
<i>Department of Social Services</i>	-	1,420.8	1,414.3	168.1	-
<i>Australian Taxation Office</i>	960.6	937.9	935.5	922.2	25.8
<i>Department of Human Services</i>	-	6.8	3.5	3.2	1.4
<i>Department of Veterans' Affairs</i>	-	0.2	0.2	0.1	-
<i>Total — Expense</i>	960.6	2,365.7	2,353.6	1,093.7	27.1
<i>Related capital (\$m)</i>					
<i>Australian Taxation Office</i>	-	-	1.5	-	-

The Government has delivered on its commitment to repeal the Minerals Resource Rent Tax (MRRT) and other related measures.

The repeal of the MRRT and other related measures will improve the Budget by more than \$10.0 billion over the forward estimates period and around \$50.0 billion over the next decade.

As a result of Parliamentary negotiations and delays in securing passage of legislation, the following further changes were agreed:

- The MRRT repeal date was delayed to 1 October 2014, providing a small but unquantifiable gain to revenue over the forward estimates period.
- The Schoolkids Bonus will be extended until 31 December 2016. An income limit will be applied to payment of the Schoolkids Bonus, meaning that only families with an annual Adjusted Taxable Income of \$100,000 or less will continue to be eligible from 1 January 2015. Pension recipients who are permanently blind and eligible veterans' families will be exempt from the income limit.
- The Income Support Bonus will be extended until 31 December 2016.
- The Low Income Superannuation Contribution will be extended for contributions made until 2016-17.

The cost to the Budget of extending the Schoolkids Bonus, the Income Support Bonus and the Low Income Super Contribution is \$6.8 billion over the forward estimates period. These changes are offset over the medium term, with the decision to delay the increase in the superannuation guarantee until 1 July 2021.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The impact on the Budget of this measure is due to the Government's negotiations with the Senate. The Government is committed to putting the Budget on a sustainable trajectory.

Further information can be found in the joint media releases by the Treasurer and the Minister for Finance and Acting Assistant Treasurer on 2 September 2014 and 9 September 2014.

## FOREIGN AFFAIRS AND TRADE

### Passports issued overseas — surcharge

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Foreign Affairs and Trade	-	-	6.8	7.2	7.4

The Government will achieve increased revenue of \$21.4 million over three years from 2015-16 by introducing a surcharge on passport applications lodged overseas. The surcharge will be \$100 for adult passports and \$50 for child passports, indexed annually with the Consumer Price Index.

The increased revenue from this measure will be directed by the Government to repair the Budget and fund policy priorities.

## IMMIGRATION AND BORDER PROTECTION

### Japan-Australia Economic Partnership Agreement

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Customs and Border Protection Service	-	-110.0	-445.0	-495.0	-540.0

On 8 July 2014 the governments of Australia and Japan signed the Japan-Australia Economic Partnership Agreement. Under the Agreement, both parties agreed to eliminate tariffs on a wide range of goods and provide additional access for investment and services. Australia and Japan are aiming to complete their domestic treaty processes to allow the Agreement to enter into force in early 2015. More than 97 per cent of Australia's exports to Japan will receive preferential access or enter duty-free when the Agreement is fully implemented. This measure is estimated to reduce revenue from tariffs by \$1,590.0 million over the forward estimates period.

Further information can be found in the media release of 8 July 2014 issued by the Minister for Trade and Investment.

### Partner Visas — increased application charge

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Immigration and Border Protection	-	48.6	102.8	108.3	113.9

The Government will increase, by 50 per cent, the visa application charge (VAC) for Partner Visas (subclass 100, 300, 309, 820 and 801) within the Permanent Family Migration stream from 1 January 2015.

The measure is expected to raise \$373.6 million in revenue over four years.

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



## TREASURY

### Common Reporting Standard for the Automatic Exchange of Financial Account Information

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	-	-	-	*

The Government will implement the OECD Common Reporting Standard for the automatic exchange of financial account information from 1 January 2017, with the first exchange of information in 2018. This measure is estimated to deliver a small but unquantifiable revenue gain over the forward estimates period.

The Standard will require banks and other financial institutions to collect and report to the Australian Taxation Office (ATO) financial account information on non-residents. The ATO will exchange this information with the foreign tax authorities of the non-residents. In parallel, the ATO will receive financial account information on Australian residents from other countries' tax authorities. This will help ensure that Australian residents with financial accounts in other countries are complying with Australian tax law and act as a deterrent to tax evasion.

### Depreciation of in-house computer software — extension of statutory effective life

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	-	-	140.0	280.0

The Government will increase the period over which capital expenditure on in-house computer software is depreciated from four years to five years, with associated changes to the software development pool rules.

The change to the statutory effective life applies prospectively to in-house software assets that are installed ready for use on or after 1 July 2015, while the change to the deductions allowed for software development pools applies prospectively to expenditure incurred on in-house software that is allocated to a pool in an income year commencing on or after 1 July 2015.

In-house software is computer software, or the right to use computer software, that is acquired or developed for use by the taxpayer and that is not for resale. This includes off-the-shelf software acquired for use by a taxpayer.

This one year increase follows a one and a half year increase to the statutory effective life in the 2008-09 Budget.

This measure is estimated to have a gain to revenue of \$420.0 million over the forward estimates period.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Indirect Tax Concession Scheme — diplomatic and consular concessions**

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	..	-5.0	-1.0	-1.0	-1.0
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	..	-5.0	-1.0	-1.0	-1.0

The Government has provided indirect tax refunds (including for GST, fuel and alcohol taxes) for certain countries' diplomatic and consular representation under the Indirect Tax Concession Scheme, with effect from the time specified in implementing determinations issued by the Minister for Foreign Affairs. Four countries have received new or upgraded concessions for their diplomatic representation (Indonesia, Azerbaijan, Kosovo and Denmark). Consistent with international practice, these concessions are reciprocal and reviewed periodically.

Over the forward estimates period, the GST refunds of \$8 million are offset by reduced GST payments to the States and Territories. The refunds of non-GST indirect taxes have a negligible cost to the Budget over the forward estimates period.

**Industry Innovation and Competitiveness Agenda — Employee Share Schemes**

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	-	-52.0	-56.0	-88.0
<i>Related expense (\$m)</i>					
<i>Australian Taxation Office</i>	-	0.2	0.9	0.1	0.1
<i>Related capital (\$m)</i>					
<i>Australian Taxation Office</i>	-	-	2.2	-	-

The Government announced, as part of the Industry Innovation and Competitiveness Agenda, that it will reform the taxation arrangements for employee share schemes.

The changes will bolster entrepreneurship in Australia and support innovative start-up companies.

The Government will reverse the changes made by the previous Government to the taxing point of options in the 2009-10 Budget.

For all companies, discounted options will generally be taxed when they are exercised (converted to shares), rather than when they vest (the employee receives the options).

In addition, for eligible unlisted start-ups, options or shares that are provided at a small discount will generally not be subject to tax until they are sold.

The measure will take effect from 1 July 2015 and will have an estimated cost to the Budget of \$199.6 million over the forward estimates period.

Further information can be found in the media release of 14 October 2014 issued jointly by the Prime Minister, the Treasurer and the Minister for Small Business.

### International Tax — Investment Manager Regime — element 3

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	-	*	*	*

The Government will introduce the third and final tranche of the Investment Manager Regime (IMR), which will provide a tax exemption on the gains of widely held foreign funds that have invested in certain financial arrangements in Australia.

Under this measure, the Government will introduce a regime that exempts from tax the returns or gains made from the disposal of interests in certain Australian assets (notably those not related to land). In doing so, the measure addresses the uncertainty faced by foreign funds with respect to certain types of passive investment in Australia.

The measure facilitates the broader goal of the IMR, which is to attract mobile capital, encourage foreign investment and promote Australia as a financial services centre in the Asia Pacific region.

The measure will apply from the 2015-16 income year but with an option for investors to apply the legislation from the 2011-12 income year and is estimated to have an unquantifiable cost to revenue over the forward estimates period.

### New tax system for managed investment trusts — minor adjustments

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	*	*	*	*

The Government will clarify aspects of the new tax system for managed investment trusts (MITs) to provide greater certainty and reduce compliance costs for investors.

The measure will make the following minor changes to the new tax system for MITs:

- better target the arm's length rule to transactions most likely to give rise to tax integrity risks; and
- better target the circumstances in which an administrative penalty for a breach of the new 'unders and overs' rules may apply and reduce the compliance costs of remedying the breach.

These changes will take effect from the start of the new tax system for MITs (1 July 2015).

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The measure will also clarify the treatment of tax deferred distributions paid by MITs and treat foreign life insurance companies as a specified entity for the purposes of the MIT widely held test.

The tax deferred distribution change will have effect from 1 July 2011, with the Commissioner of Taxation being prevented from making related amendments to assessments for earlier periods. The retrospective application will benefit taxpayers by providing certainty that the longstanding industry treatment of tax deferred distributions will continue.

The inclusion of foreign life insurance companies in the specified entity list will have effect from 1 July 2014.

The measure is expected to have a small but unquantifiable cost to revenue over the forward estimates period.

**Personal income tax — exemption of pay and allowances for Operation Manitou personnel**

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	-1.3	-1.3	-	-

The Government will provide a full income tax exemption for the pay and allowances of Australian Defence Force personnel deployed on Operation Manitou. This income tax exemption will be backdated to have effect from 1 July 2014, and will remain in effect until 30 June 2015. This measure is expected to lead to a reduction in revenue of \$2.6 million over two years.

**Personal income tax — exemption of pay and allowances for Operation Palate II personnel**

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	..	..	..	-

The Government has extended the income tax exemption for base pay and allowances paid to Australian Defence Force personnel deployed on Operation Palate II until 31 December 2015. This measure is estimated to have a negligible cost to revenue over the forward estimates period.

Appendix A: Policy decisions taken since the 2014-15 Budget

**Reintroduction of fuel excise indexation — change to the start date**

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Customs and Border Protection Service	-	-2.0	-	-	-
Australian Taxation Office	-	-65.0	-	-	-
<b>Total — Revenue</b>	-	<b>-67.0</b>	-	-	-
<i>Related expense (\$m)</i>					
Department of Industry	-	-0.4	-	-	-
Department of the Treasury	-	-2.0	-	-	-
Australian Taxation Office	-	-30.0	-	-	-
<b>Total — Expense</b>	-	<b>-32.4</b>	-	-	-

The Government has changed the start date for the reintroduction of fuel excise indexation from 1 August 2014 to 10 November 2014.

This measure is estimated to have a cost to the Budget of \$34.6 million over the forward estimates period. This consists of a cost to revenue of \$67.0 million from reduced excise collections and a reduction in expenses of \$32.4 million, mainly attributable to reduced fuel tax credit payments.

The impact on the Budget of this measure is due to the Government's negotiations with the Senate. The Government is committed to putting the Budget on a sustainable trajectory.

Further information can be found in the press release of 28 October 2014 issued by the Minister for Finance and Acting Assistant Treasurer.

**Reintroduction of fuel excise indexation — rounding of excise rates**

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Customs and Border Protection Service	-	..	..	..	..
Australian Taxation Office	-	-10.0	5.0	-	10.0
<b>Total — Revenue</b>	-	<b>-10.0</b>	<b>5.0</b>	<b>..</b>	<b>10.0</b>
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	-	10.0	5.0	10.0

The Government will round the fuel excise rate, the excise-equivalent duty rate and the Road User Charge to three decimal places where the fuel excise rates are specified in dollars per litre or, for liquefied natural gas and compressed natural gas, in dollars per kilogram. The equivalent rounding in cents per litre or cents per kilogram terms will be to one decimal place.

The Government has made these changes in order to simplify the reporting burden placed on businesses.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

This measure is estimated to have a cost to the Budget of \$20.0 million over the forward estimates period due to the increase in fuel tax credit payments.

**Research and Development tax incentive — amending the start date of the targeting access measure**

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	-350.0	-50.0	100.0	-

The start date of the previous Government's 2013-14 Budget measure, *A Plan for Australian Jobs – Research and Development tax incentive – better targeting*, will be delayed. This measure will remove access to the R&D tax incentive for companies with annual aggregated assessable income of \$20 billion or more.

The start date of the measure will be delayed from income years commencing on or after 1 July 2013 to income years commencing on or after 1 July 2014.

The impact on the Budget of this measure is due to the Government's negotiations with the Senate. The Government is committed to putting the Budget on a sustainable trajectory.

This measure to delay the start date is estimated to have a cost to revenue of \$300.0 million over the forward estimates period.

**Superannuation — Superannuation Guarantee Charge**

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	-	-	-26.3	-27.7
<i>Related expense (\$m)</i>					
<i>Australian Taxation Office</i>	-	-	0.9	-26.1	-27.7
<i>Related capital (\$m)</i>					
<i>Australian Taxation Office</i>	-	-	1.1	-	-

The Government will provide \$2.2 million over four years to the Australian Taxation Office to implement changes, to apply from 1 July 2016, that will simplify the application of the current Superannuation Guarantee (SG) Charge for the late or short payment of superannuation contributions.

The current SG Charge arrangements will be amended to:

- align the nominal interest on unpaid SG contributions with the period over which SG contributions are outstanding;
- replace the current earnings base for calculating the SG charge (total salary and wages) with the base used to calculate SG contributions (ordinary time earnings); and

- align the penalties imposed under the SG legislation with the general tax penalty provisions.

#### Targeted anti-avoidance provision to address certain 'conduit' arrangements

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	-	-	-	-

The Government will not proceed with a targeted anti-avoidance provision to address certain 'conduit' arrangements involving foreign multinational enterprises, first announced in the 2013-14 MYEFO.

The revenue associated with the original measure, as announced by the previous Government in the 2013-14 Budget, is unrealisable given the flexibility that the thin capitalisation safe harbour limits (which regulates level of allowable debt in Australia of a multinational enterprise) affords for legitimate restructuring.

#### Tax laws — miscellaneous amendments

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	-	..	..	..

The Government will make a series of minor amendments to the tax and superannuation laws to correct technical defects, remove anomalies and address unintended outcomes that have recently been identified. This measure is estimated to have a negligible impact on revenue over the forward estimates period.

These changes are part of the Government's commitment to the care and maintenance of the taxation and superannuation systems.

#### US Force Posture Initiatives in Australia — Taxation arrangements for United States contractors

Revenue (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	-	-	-	-

On 12 August 2014, the governments of Australia and the United States signed *The Force Posture Agreement between the Government of Australia and the Government of the United States of America*. The Agreement provides an exemption from Australian tax for United States contractors working on United States military force posture initiatives in Australia. This measure is estimated to have no revenue impact over the forward estimates period.





## Expense Measures

**Table 2: Expense measures since the 2014-15 Budget<sup>(a)</sup>**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
	<b>AGRICULTURE</b>					
	<i>Australian Fisheries Management Authority</i>					
131	More Competitive and Sustainable Fisheries – continuation of the Southern Ocean fisheries compliance programme	-	-	-	-	-
	<i>Department of Agriculture</i>					
106	Changes to agricultural production levies(b)	-	0.1	0.1	0.1	0.1
130	Drought Recovery Concessional Loans Scheme – establishment	-	9.6	0.3	-	-
131	Smaller Government – Agriculture Portfolio	-	..	-	-	-
	<b>Portfolio total</b>	<b>-</b>	<b>9.7</b>	<b>0.4</b>	<b>0.1</b>	<b>0.1</b>
	<b>ATTORNEY-GENERAL'S</b>					
	<i>Administrative Appeals Tribunal</i>					
194	Disability Support Pension – revised assessment process	-	nfp	nfp	nfp	nfp
	<i>Attorney-General's Department</i>					
133	CrimTrac – launch, development and establishment of new systems	-	1.4	-	-	-
133	Establishment of the Book Council of Australia	-	-	2.0	2.0	2.0
	National Security					
135	– additional counter-terrorism funding	-	11.6	7.1	6.4	6.4
136	– enhanced communications capability	-	0.7	1.7	1.7	1.8
137	– Enhanced Protective Security Arrangements	-	..	0.1	0.1	0.1
	Royal Commission into Institutional Responses to Child Sexual Abuse					
137	– extension	-	-11.9	-7.5	90.7	29.0
138	– offsets	-	-3.2	-0.5	-0.5	-9.5
138	Royal Commission into Trade Union Governance and Corruption – extension	-2.9	3.2	3.1	-	-
139	Smaller Government – Australian Government Solicitor	-	-	-	-	-
	<i>Australia Council</i>					
133	Establishment of the Book Council of Australia	-	-	-2.0	-2.0	-2.0
	<i>Australian Crime Commission</i>					
133	CrimTrac – launch, development and establishment of new systems	-	0.2	-	-	-
135	National Security – additional counter- terrorism funding	-	5.3	5.2	5.2	5.3
	<i>Australian Federal Police</i>					
135	National Security – additional counter-terrorism funding	-	17.0	18.3	18.4	18.6

Appendix A: Policy decisions taken since the 2014-15 Budget

**Table 2: Expense measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
	<b>ATTORNEY-GENERAL'S (continued)</b>					
207	– Australian Parliament House security upgrades(c)	-	18.3	17.5	17.5	17.6
137	– Enhanced Protective Security Arrangements	-	15.7	22.2	23.8	20.6
138	Royal Commission into Trade Union Governance and Corruption – extension	-	-3.1	-	-	-
	<i>Australian Government Solicitor</i>					
139	Smaller Government – Australian Government Solicitor	-	-	-	-	-
	<i>Australian Human Rights Commission</i>					
138	Royal Commission into Institutional Responses to Child Sexual Abuse – offsets	-	-	-1.6	-1.7	-1.7
	<i>Australian Security Intelligence Organisation</i>					
135	National Security – additional counter-terrorism funding	-	11.2	31.1	45.0	51.7
	<i>Australian Transaction Reports and Analysis Centre</i>					
135	National Security – additional counter-terrorism funding	-	1.0	2.6	3.3	6.5
	<i>CrimTrac Agency</i>					
133	CrimTrac – launch, development and establishment of new systems	-	3.7	-	-	-
	<i>Office of Parliamentary Counsel</i>					
135	National Security – additional counter-terrorism funding	-	0.6	-	-	-
	<i>Office of the Director of Public Prosecutions</i>					
135	National Security – additional counter-terrorism funding	-	-	0.9	1.2	1.1
	<b>Portfolio total</b>	<b>-2.9</b>	<b>71.6</b>	<b>100.1</b>	<b>211.2</b>	<b>147.3</b>
	<b>COMMUNICATIONS</b>					
	<i>Australian Broadcasting Corporation</i>					
141	Australian Broadcasting Corporation and Special Broadcasting Service Corporation – additional efficiency savings	-	-	-20.4	-47.7	-55.8
	<i>Australian Communications and Media Authority</i>					
142	Enhancing Online Safety for Children – support	-	1.6	2.2	2.2	2.2
142	Smaller Government – Communications Portfolio	-	-	-	-	-
	<i>Department of Communications</i>					
142	Enhancing Online Safety for Children – support	-	-1.6	-2.2	-2.2	-2.2
142	Smaller Government – Communications Portfolio	-	-	-	-	-

Appendix A: Policy decisions taken since the 2014-15 Budget

**Table 2: Expense measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14	2014-15	2015-16	2016-17	2017-18
		\$m	\$m	\$m	\$m	\$m
	<b>COMMUNICATIONS (continued)</b>					
	<i>Special Broadcasting Service Corporation</i>					
141	Australian Broadcasting Corporation and Special Broadcasting Service Corporation – additional efficiency savings	-	-	-4.2	-10.3	-13.7
	<b>Portfolio total</b>	-	-	<b>-24.6</b>	<b>-58.0</b>	<b>-69.5</b>
	<b>CROSS PORTFOLIO</b>					
	<i>Various Agencies</i>					
130	Drought Recovery Concessional Loans Scheme – establishment	-	-	-	-	-
144	Humanitarian Programme – additional places from 2017-18	-	-	-	-	46.0
144	Indigenous public sector procurement and employment	-	-	-	-	-
145	Public Sector Superannuation Accumulation Plan Administration Fees	-	-	-	-	-
	Smaller Government					
139	– Attorney-General's Portfolio	-	-	-	-	-
199	– Treasury Portfolio	-	-	-	-	-
145	Strengthening the Constitutional Basis for Commonwealth Spending	-	-7.3	-7.6	-2.0	-2.0
	<b>Portfolio total</b>	-	<b>-7.3</b>	<b>-7.6</b>	<b>-2.0</b>	<b>44.0</b>
	<b>DEFENCE</b>					
	<i>Department of Defence</i>					
146	Operation Accordion – extension	-	63.2	-	-	-
146	Operation Okra	-	260.8	30.9	5.8	-
147	Operation Slipper – Heron Remotely Piloted Aircraft – further extension	-	26.7	-	-	-
147	Smaller Government – Defence Portfolio	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>350.7</b>	<b>30.9</b>	<b>5.8</b>	-
	<b>EDUCATION</b>					
	<i>Department of Education</i>					
149	Australian Curriculum, Assessment and Reporting Authority – reduced funding	-	-	-	-	-0.4
149	Australian Youth Forum – cessation	-	-1.0	-1.4	-1.4	-1.4
149	Dorothea Mackellar Poetry Awards – contribution	-	-	-	-	-
150	Duke of Edinburgh's International Award – contribution	-	1.4	-	-	-
150	Higher Education – Structural Adjustment Fund – establishment	-	-	26.8	42.3	31.0
151	Higher Education Reforms – amendments	-	425.8	591.0	754.5	913.8
176	Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas	-	-	1.1	2.8	5.0
152	NAPLAN Online – establishment	-	-0.9	-2.0	2.9	-
152	National Partnership Agreement on Universal Access to Early Childhood Education – extension	-	-	1.5	-	-

Appendix A: Policy decisions taken since the 2014-15 Budget

**Table 2: Expense measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>EDUCATION (continued)</b>						
153	National School Chaplaincy Programme – National Partnership Agreement	-	-59.1	-61.2	-61.1	-61.0
153	National Trade Cadetships – reduced funding	-	-7.5	-11.7	-12.2	-12.2
154	Science, technology, engineering and mathematics – restoring the focus in schools	-	1.0	3.9	4.0	3.2
154	Smaller Government – Education Portfolio	-	-	-	-	-
155	Students First – Special Assistance Schools – additional funding	-	1.2	2.4	2.3	2.3
155	Travelling Show Children – contribution for schooling	-	0.1	0.1	-	-
	<b>Portfolio total</b>	-	<b>361.0</b>	<b>550.5</b>	<b>733.9</b>	<b>880.3</b>
<b>EMPLOYMENT</b>						
<i>Comcare</i>						
157	Smaller Government – Employment Portfolio	-	-	..	..	..
<i>Department of Employment</i>						
194	Disability Support Pension – revised assessment process	-	nfp	nfp	nfp	nfp
156	Employment Services 2015	-	-	-	-	-
156	Industry grants to peak bodies – cessation	-	-0.9	-0.4	-	-
176	Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas	-	-	0.2	..	-0.6
157	New Enterprise Incentive Scheme Allowance – duration of maximum payment period – reduction	-	-	-	-	-
191	Reform of the Remote Jobs and Communities Programme	-	0.2	-	-	-
157	Smaller Government – Employment Portfolio	-	-	..	..	..
158	Strengthening the Job Seeker Compliance Framework	-	3.9	0.3	-	-
	<b>Portfolio total</b>	-	<b>3.1</b>	<b>..</b>	<b>..</b>	<b>-0.7</b>
<b>ENVIRONMENT</b>						
<i>Department of the Environment</i>						
160	Great Artesian Basin Sustainability Initiative – extension	-	0.1	0.5	0.3	-
160	Murray-Darling Basin Joint Programme – reduced contribution	-	-9.8	-	-	-
160	Smaller Government – Environment Portfolio	-	..	..	..	..
	<b>Portfolio total</b>	-	<b>-9.7</b>	<b>0.5</b>	<b>0.3</b>	<b>..</b>
<b>FINANCE</b>						
<i>Department of Finance</i>						
199	Global Infrastructure Hub	-	-	-18.7	-	-

Appendix A: Policy decisions taken since the 2014-15 Budget

**Table 2: Expense measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
	<b>FINANCE (continued)</b>					
162	Kenbi Land Claim Remediation (Cox Peninsula)	-	31.5	-	-	-
	Smaller Government					
162	– Finance Portfolio	-	-	-	-	-
163	– Intra Government Communications Network (ICON) – scoping study	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>31.5</b>	<b>-18.7</b>	-	-
	<b>FOREIGN AFFAIRS AND TRADE</b>					
	<i>Australian Secret Intelligence Service</i>					
135	National Security – additional counter-terrorism funding	-	14.4	30.1	30.6	31.8
	<i>Department of Foreign Affairs and Trade</i>					
178	Australia-India Strategic Research Fund – continuation	-	-	-	-	-
164	Delay to co-locating diplomatic presence in Baghdad with the UK	-	12.9	-	-	-
164	Kyiv – interim embassy and Operation Bring Them Home	-	8.0	1.7	-	-
164	Official Development Assistance – reprioritised funding	-	-	-1,000.0	-1,350.0	-1,377.0
165	Smaller Government – Australia International Cultural Council – abolition	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>35.3</b>	<b>-968.3</b>	<b>-1,319.4</b>	<b>-1,345.2</b>
	<b>HEALTH</b>					
	<i>Australian Sports Anti-Doping Authority</i>					
171	Smaller Government – Health Portfolio	-	-	0.1	-0.7	-0.7
	<i>Cancer Australia</i>					
171	Smaller Government – Health Portfolio	-	-	0.1	-0.4	-0.4
	<i>Department of Health</i>					
166	A strong and sustainable Medicare	-	-183.1	375.9	50.9	-248.7
167	Australian National Advisory Council on Alcohol and Drugs – establishment	-	-	-	-	-
150	Duke of Edinburgh’s International Award – contribution	-	-0.4	-	-	-
195	Family Payment Reform – maintain Family Tax Benefit payment rates – one year extension	-	-	-	-0.2	-2.1
167	Gene Technology Act – amendments	-	-	-	..	..
167	Gold Coast Suns AFL Club – upgrade of Metricon Stadium facilities	-	7.5	7.5	-	-
176	Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas	-	-1.7	-2.4	-4.9	-8.8
168	Medicare Benefits Schedule – new and amended listings	-	-48.5	-73.3	-80.0	-86.1
168	National Immunisation Programme – listing of Trivalent Influenza Vaccine	-	1.4	0.8	0.8	0.8
169	National Partnership Agreement on Improving Health Services in Tasmania – additional elective surgery procedures	-6.6	-12.2	-4.7	-	-

Appendix A: Policy decisions taken since the 2014-15 Budget

**Table 2: Expense measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
	<b>HEALTH (continued)</b>					
135	National Security – additional counter-terrorism funding	-	0.2	-	-	-
	Pharmaceutical Benefits Scheme					
169	– new and amended listings	-	73.9	84.5	73.5	67.5
170	– price amendments	-	-8.9	-25.4	-33.4	-37.4
171	Smaller Government – Health Portfolio	-	..	1.9	-0.1	-0.1
172	South Sydney Rabbitohs Community and High Performance Centre of Excellence – contribution	-	5.0	5.0	-	-
172	Streamlining of Medical Device Certification	-	-	-	-	-
	<i>National Health and Medical Research Council</i>					
171	Smaller Government – Health Portfolio	-	-	0.4	-1.7	-1.7
	<i>Professional Services Review</i>					
171	Smaller Government – Health Portfolio	-	-	..	-0.3	-0.3
	<b>Portfolio total</b>	<b>-6.6</b>	<b>-166.9</b>	<b>370.6</b>	<b>3.5</b>	<b>-318.1</b>
	<b>HUMAN SERVICES</b>					
	<i>Department of Human Services</i>					
166	A strong and sustainable Medicare	-	2.1	-12.9	-12.7	-11.5
193	Cessation of social security benefits for certain people confined in a psychiatric institution	-	0.5	0.1	0.1	..
	Disability Support Pension					
194	– revised assessment process	-	nfp	nfp	nfp	nfp
194	– revised portability arrangements	-	-1.4	-2.2	-1.9	-2.4
156	Employment Services 2015	-	-	-	-	-
195	Family Payment Reform – maintain Family Tax Benefit payment rates – one year extension	-	-	-	1.2	0.4
176	Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas	-	-4.5	-4.1	-3.5	-2.4
195	Maintain eligibility thresholds for Australian Government payments – one year extension	-	-	-	0.1	0.8
168	Medicare Benefits Schedule – new and amended listings	-	0.2	-0.2	-0.3	-0.4
196	National Security – New Counter-Terrorism Measures for a Safer Australia – cancelling welfare payments to extremists	-	-	-	-	-
169	Pharmaceutical Benefits Scheme – new and amended listings	-	7.7	0.5	-3.1	-3.8
191	Reform of the Remote Jobs and Communities Programme	-	1.0	0.7	-1.0	-2.5
107	Repeal of the Minerals Resource Rent Tax and related measures(b)	-	6.8	3.5	3.2	1.4
197	Residential Care – Pre-Entry Leave subsidy – cessation	-	-	-	-	-
173	Smaller Government – Human Services Portfolio	-	-	-	-	-

**Table 2: Expense measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
	<b>HUMAN SERVICES (continued)</b>					
158	Strengthening the Job Seeker Compliance Framework	-	2.2	29.2	27.1	25.9
200	Superannuation – Small Business Superannuation Clearing House	-	-0.9	-0.5	-0.6	-0.6
	<b>Portfolio total</b>	-	<b>13.6</b>	<b>14.2</b>	<b>8.6</b>	<b>5.0</b>
	<b>IMMIGRATION AND BORDER PROTECTION</b>					
	<i>Australian Customs and Border Protection Service</i>					
174	Anti-people smuggling strategic communications campaigns	-	8.1	-	-	-
177	Maintaining the response capability for Illegal Maritime Arrivals	-	31.7	16.9	16.2	16.3
135	National Security – additional counter-terrorism funding	-	6.5	18.7	18.1	18.5
	<i>Department of Immigration and Border Protection</i>					
174	Enhancing Passenger Processing Systems in Regional Countries	-15.7	13.7	2.0	-	-
175	Illegal Maritime Arrivals – Managing the Legacy Caseload in Australia	-	-383.5	-226.3	99.1	99.1
176	Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas	-	52.9	-3.3	281.9	61.2
135	National Security – additional counter-terrorism funding	-	11.5	11.9	9.7	9.4
177	Reforming temporary skilled migration and enhancing investor visas	-	-	-	-	-
	<b>Portfolio total</b>	<b>-15.7</b>	<b>-259.1</b>	<b>-180.1</b>	<b>424.9</b>	<b>204.5</b>
	<b>INDUSTRY</b>					
	<i>Department of Industry</i>					
178	Anti-dumping and countervailing system – strengthening	-	0.1	0.8	1.0	1.0
178	Australia-India Strategic Research Fund – continuation	-	-	2.1	3.2	2.9
179	Australian Apprenticeships Management System – information technology	-	nfp	nfp	nfp	nfp
179	Australian Apprenticeships Support Services – continuation	-	0.8	-10.7	-10.4	-10.0
181	Charities Maritime and Aviation Support Programme – extension	-	-	-	-	-
181	Holden and Toyota – act of grace payments	-	*	*	*	*
181	Industry Counsellor in New Delhi – establishment	-	0.5	0.8	0.8	1.0
182	Industry Innovation and Competitiveness Agenda – Industry Growth Centres – establishment	-	-23.5	-11.9	4.0	31.4
183	Industry Skills Fund – Training for Employment Scholarships and Youth Employment Pathways – establishment	-	5.8	34.4	3.1	-

Appendix A: Policy decisions taken since the 2014-15 Budget

**Table 2: Expense measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
	<b>INDUSTRY (continued)</b>					
183	National Construction Code – online provision	-	-	-	-	-
184	National Training System Commonwealth Own Purpose Expenditure – reduction	-	-20.3	-20.2	-14.4	-13.8
115	Reintroduction of fuel excise indexation – change to the start date(b)	-	-0.4	-	-	-
184	Skills for Education and Employment – reduction	-	-14.9	-13.5	-10.2	-5.2
	Smaller Government					
184	– Australian Workforce and Productivity Agency	-	-0.9	-0.9	-0.9	-0.9
185	– Industry Portfolio	-	-	-	-	-
186	Support for Adult Australian Apprenticeships – payments to apprentices – cessation	-	-	-8.3	-28.8	-29.0
	<i>National Vocational Education and Training Regulator (Australian Skills Quality Authority)</i>					
180	Australian Skills Quality Authority – revised regulatory model	-	3.4	3.2	1.8	0.1
	<b>Portfolio total</b>	-	<b>-49.4</b>	<b>-24.2</b>	<b>-50.7</b>	<b>-22.4</b>
	<b>INFRASTRUCTURE AND REGIONAL DEVELOPMENT</b>					
	<i>Department of Infrastructure and Regional Development</i>					
149	Australian Youth Forum – cessation	-	..	..	..	..
187	Concessional Loan to the Australian Capital Territory Government – Mr Fluffy loose-fill asbestos remediation	-	21.1	6.5	-	-
199	Global Infrastructure Hub	-	-	-11.3	-	-
187	Infrastructure Investment Programme – reduced funding	-	-	-	-	-
188	Northern Australia Sustainable Futures Programme – reduced funding	-	-1.0	-	-	-
188	Smaller Government – Infrastructure and Regional Development Portfolio	-	-	-0.5	-0.5	-0.5
	<i>National Capital Authority</i>					
188	Paid parking on national land in the suburbs of Parkes, Barton, Russell and Acton (ACT) – revised implementation arrangements	-	3.3	3.3	3.4	3.5
	<b>Portfolio total</b>	-	<b>23.4</b>	<b>-2.0</b>	<b>2.9</b>	<b>3.0</b>
	<b>PARLIAMENT</b>					
	<i>Department of Parliamentary Services</i>					
207	National Security – Australian Parliament House security upgrades(c)	-	3.9	5.6	5.4	3.8
	<b>Portfolio total</b>	-	<b>3.9</b>	<b>5.6</b>	<b>5.4</b>	<b>3.8</b>
	<b>PRIME MINISTER AND CABINET</b>					
	<i>Department of the Prime Minister and Cabinet</i>					
149	Australian Youth Forum – cessation	-	-	-	-	-



**Table 2: Expense measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
	<b>PRIME MINISTER AND CABINET (continued)</b>					
190	Municipal and Essential Services – transition arrangements	-	-	-	-	-
191	Reform of the Remote Jobs and Communities Programme	-	-25.3	-51.2	-14.0	-0.4
191	Smaller Government – Prime Minister and Cabinet Portfolio	-	-	..	..	..
	<i>National Australia Day Council Limited</i>					
149	Australian Youth Forum – cessation	-	0.4	0.4	0.4	0.4
	<i>Office of National Assessments</i>					
135	National Security – additional counter-terrorism funding	-	1.0	1.7	1.6	1.6
	<i>Office of the Inspector-General of Intelligence and Security</i>					
135	National Security – additional counter-terrorism funding	-	0.8	0.8	0.8	0.8
	<i>Office of the Official Secretary to the Governor-General</i>					
190	Office of the Official Secretary to the Governor-General – additional funding	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>-23.2</b>	<b>-48.4</b>	<b>-11.2</b>	<b>2.4</b>
	<b>SOCIAL SERVICES</b>					
	<i>Department of Social Services</i>					
193	Cessation of social security benefits for certain people confined in a psychiatric institution	-	0.1	-8.6	-10.1	-11.6
193	Dementia and Severe Behaviours Supplement – cessation	-	-	-10.9	-11.4	-12.0
	Disability Support Pension					
194	– revised assessment process	-	nfp	nfp	nfp	nfp
194	– revised portability arrangements	-	-0.5	6.0	9.0	9.3
156	Employment Services 2015	-	-	-	-	-
195	Family Payment Reform – maintain Family Tax Benefit payment rates – one year extension	-	-	-	-383.3	-384.4
176	Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas	-	-51.1	-58.3	-42.3	-35.5
195	Maintain eligibility thresholds for Australian Government payments – one year extension	-	-	-	-	-109.9
196	Masters By Coursework – not proceed with extending income support	-	-	-	-34.1	-69.8
196	National Security – New Counter-Terrorism Measures for a Safer Australia – cancelling welfare payments to extremists	-	-	-	-	-
191	Reform of the Remote Jobs and Communities Programme	-	16.8	64.3	63.5	39.8

Appendix A: Policy decisions taken since the 2014-15 Budget

**Table 2: Expense measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
	<b>SOCIAL SERVICES (continued)</b>					
107	Repeal of the Minerals Resource Rent Tax and related measures(b)	-	1,420.8	1,414.3	168.1	-
197	Residential Care – Pre-Entry Leave subsidy – cessation	-	-	-3.2	-3.3	-3.5
137	Royal Commission into Institutional Responses to Child Sexual Abuse – extension	-	-	-	12.6	12.9
197	Smaller Government – Social Services Portfolio	-	-	-	-	-
158	Strengthening the Job Seeker Compliance Framework	-	-	-58.9	-59.6	-57.7
	<i>National Disability Insurance Agency</i>					
196	National Disability Insurance Scheme – extension of the Australian Capital Territory trial	-	-9.1	-10.4	0.1	-0.8
	<b>Portfolio total</b>	<b>-</b>	<b>1,376.8</b>	<b>1,334.2</b>	<b>-290.6</b>	<b>-623.5</b>
	<b>TREASURY</b>					
	<i>Australian Securities and Investments Commission</i>					
210	Enhanced Public Register of Financial Advisers – establishment(c)	-	0.7	0.5	0.5	0.4
	<i>Australian Taxation Office</i>					
151	Higher Education Reforms – amendments	-	0.3	0.7	0.4	0.4
112	Industry Innovation and Competitiveness Agenda – Employee Share Schemes(b)	-	0.2	0.9	0.1	0.1
210	New Commonwealth Building in Gosford, New South Wales(c)	-	-	-	1.2	-13.7
	Reintroduction of fuel excise indexation					
115	– change to the start date(b)	-	-30.0	-	-	-
115	– rounding of excise rates(b)	-	-	10.0	5.0	10.0
107	Repeal of the Minerals Resource Rent Tax and related measures(b)	960.6	937.9	935.5	922.2	25.8
	Superannuation					
200	– Small Business Superannuation Clearing House	-	-	-	-	-
116	– Superannuation Guarantee Charge(b)	-	-	0.9	-26.1	-27.7
	<i>Department of the Treasury</i>					
199	Global Infrastructure Hub	-	4.1	8.0	7.1	7.1
160	Great Artesian Basin Sustainability Initiative – extension	-	3.0	6.0	6.0	-
112	Indirect Tax Concession Scheme – diplomatic and consular concessions(b)	..	-5.0	-1.0	-1.0	-1.0
187	Infrastructure Investment Programme – reduced funding	-	-1.0	-4.3	-	-
176	Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas	-	-	2.3	4.8	7.6
168	National Immunisation Programme – listing of Trivalent Influenza Vaccine	-	..	..	..	..

Appendix A: Policy decisions taken since the 2014-15 Budget

**Table 2: Expense measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
	<b>TREASURY (continued)</b>					
169	National Partnership Agreement on Improving Health Services in Tasmania – additional elective surgery procedures	6.6	12.2	4.7	-	-
152	National Partnership Agreement on Universal Access to Early Childhood Education – extension	-	3.2	165.0	-	-
153	National School Chaplaincy Programme – National Partnership Agreement	-	60.6	60.6	60.6	60.6
115	Reintroduction of fuel excise indexation – change to the start date(b)	-	-2.0	-	-	-
	<b>Portfolio total</b>	<b>967.2</b>	<b>984.2</b>	<b>1,189.8</b>	<b>980.8</b>	<b>69.7</b>
	<b>VETERANS' AFFAIRS</b>					
	<i>Department of Veterans' Affairs</i>					
166	A strong and sustainable Medicare	-	-3.5	-9.2	-20.5	-30.6
193	Dementia and Severe Behaviours Supplement – cessation	-	-	-1.8	-1.9	-2.0
168	Medicare Benefits Schedule – new and amended listings	-	-1.1	-1.7	-1.8	-1.9
	Pharmaceutical Benefits Scheme					
169	– new and amended listings	-	0.1	-0.7	-1.2	-1.5
170	– price amendments	-	-2.6	-4.9	-5.5	-6.4
201	Repatriation Pharmaceutical Benefits Scheme – new listings and price amendments	-	..	-0.1	-0.1	-0.1
107	Repeal of the Minerals Resource Rent Tax and related measures(b)	-	0.2	0.2	0.1	-
197	Residential Care – Pre-Entry Leave subsidy – cessation	-	-	-0.5	-0.5	-0.6
	Smaller Government					
147	– Defence Portfolio	-	-	-	-	-
201	– Veterans' Affairs	-	-	-	-	-
	<b>Portfolio total</b>	<b>-</b>	<b>-6.9</b>	<b>-18.6</b>	<b>-31.4</b>	<b>-43.2</b>
	<b>Decisions taken but not yet announced</b>	<b>-30.0</b>	<b>60.0</b>	<b>-17.1</b>	<b>-362.3</b>	<b>-356.4</b>
	<b>Depreciation expense</b>	<b>-</b>	<b>-</b>	<b>0.3</b>	<b>1.1</b>	<b>1.1</b>
	<b>Total impact of expense measures(d)</b>	<b>912.0</b>	<b>2,802.3</b>	<b>2,287.5</b>	<b>252.9</b>	<b>-1,417.8</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

### Drought Recovery Concessional Loans Scheme — establishment

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Agriculture	-	9.6	0.3	-	-
Various Agencies	-	-	-	-	-
<b>Total — Expense</b>	-	9.6	0.3	-	-
<i>Related revenue (\$m)</i>					
Department of Agriculture	-	1.1	3.3	3.4	3.4
Various Agencies	-	-	-	-	-
<b>Total — Revenue</b>	-	1.1	3.3	3.4	3.4

The Government will provide concessional loans funding totalling up to \$100.0 million in 2014-15 to establish a Drought Recovery Concessional Loans Scheme. Loans of up to \$1 million or 50 per cent of the farm business's debt, whichever is lower, will be available to eligible primary production businesses in Queensland and New South Wales. The loans will be available to businesses that are experiencing financial difficulties resulting from the impacts of severe and prolonged drought conditions, or as a result of the combined effects of drought and the mid-2011 disruption to live cattle exports to Indonesia, and will be provided for drought recovery activities such as planting, restocking, and associated expenses.

Loans will be issued for a maximum term of ten years at the concessional rate, with interest-only repayments during the first five years, and principal and interest repayments in the remaining five years. At the end of the loan term recipients will be required to either repay the remaining principal or refinance the loan with a commercial lender.

The \$100.0 million in funding for the concessional loans will be partially met by redirecting \$10.0 million in unallocated funding from the Drought Concessional Loans Scheme announced as part of the *Support to Drought Affected Farmers* package in the 2014-15 Budget.

Further information can be found in the press release of 4 December 2014 issued by the Minister for Agriculture.

**More Competitive and Sustainable Fisheries — continuation of the Southern Ocean fisheries compliance programme**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Fisheries Management Authority	-	-	-	-	-

The Government will continue to provide, as required, funding for the caretaking and disposal of foreign illegal fishing vessels apprehended in Australia’s Southern Ocean fisheries. This will assist officers of the Australian Fisheries Management Authority on patrols in the Southern Ocean (including the Heard and McDonald Islands Exclusive Economic Zone) to detect and apprehend illegal foreign vessels fishing in Australian territorial waters.

The cost of this measure will be met from within the existing resources of the Australian Fisheries Management Authority.

This measure delivers on the Government’s election commitment.

**Smaller Government — Agriculture Portfolio**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Agriculture	-	..	-	-	-

The Government will achieve savings of \$28,000 in 2014-15 by merging the Vertebrate Pests Committee with the Invasive Plants and Animals Committee, and by abolishing the Benchmarks Working Group once it has completed its terms of reference.

The Government will also abolish the following bodies, with any ongoing functions to be performed by the Department of Agriculture: the National Surveillance and Diagnostics Working Group; the Rabies Preparedness Working Group; the Live Animal Export Division – Industry Government Implementation Group; the Forestry and Forest Products Committee; and the HT-J Technical Working Group.

The Government will rationalise laboratory related standard-setting bodies and bring more technical expertise into the Department, resulting in the abolition of the Australian and New Zealand Standard Diagnostic Procedures Working Group; the Laboratories for Emergency Animal Disease Diagnosis and Response Working Group; the National Strategies Working Group; the New Test Evaluation Working Group; and the Sub-Committee on Animal Health Laboratory Standards.

The National Rural Advisory Council will merge with the Agricultural Industry Advisory Council.

The Australian Landcare Council will be transferred to community ownership and control, as it better suits establishment as a representational forum.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The Government has already abolished the following bodies with no financial impact: the Animal Welfare Committee; the Biosecurity Advisory Council; the Food Policy Working Group; the High-Level Group on Drought; the National Biosecurity Committee Stakeholder Engagement Consultative Group; the Primary Industries Standing Committee; the Productivity and Regulatory Reform Committee; the Research, Development and Extension Working Group; and the Taskforce on National Uniform Standards for the Voluntary Microchipping of Horses.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

## ATTORNEY-GENERAL'S

### CrimTrac — launch, development and establishment of new systems

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
CrimTrac Agency	-	3.7	-	-	-
Attorney-General's Department	-	1.4	-	-	-
Australian Crime Commission	-	0.2	-	-	-
<b>Total — Expense</b>	-	<b>5.3</b>	-	-	-
<i>Related capital (\$m)</i>					
CrimTrac Agency	-	1.6	-	-	-

The Government will provide \$6.8 million in 2014-15 from the CrimTrac Special Account for three new systems including:

- \$1.6 million to support the launch of the Australian Cybercrime Online Reporting Network (ACORN). ACORN is a joint project between the Attorney-General's Department, CrimTrac, the Australian Crime Commission and all Australian law enforcement agencies;
- \$1.7 million to support the development of a business case for a Multi-Modal Biometric Identification Service which would replace CrimTrac's National Automated Fingerprint Identification System; and
- \$3.5 million for the replacement of CrimTrac's existing Wide Area Network with an Improved Network Capability to support the services of Australian law enforcement agencies.

CrimTrac delivers and maintains national information-sharing systems for Australia's police and law enforcement agencies.

### Establishment of the Book Council of Australia

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Attorney-General's Department	-	-	2.0	2.0	2.0
Australia Council	-	-	-2.0	-2.0	-2.0
<b>Total — Expense</b>	-	-	-	-	-

The Government will provide \$6.0 million over three years to establish the Book Council of Australia (the Council), as part of the broader restructuring of government bodies within the Arts Ministry. The Council will support and promote the contribution that Australian literature and history makes to the nation's cultural and intellectual life.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The cost of this measure will be met through a reduction in funding from the Australia Council.

Further information can be found in the Prime Minister's speech at the presentation of the 2014 Prime Minister's Literary Awards on 8 December 2014.



Appendix A: Policy decisions taken since the 2014-15 Budget

**National Security — additional counter-terrorism funding**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Federal Police	-	17.0	18.3	18.4	18.6
Australian Secret Intelligence Service	-	14.4	30.1	30.6	31.8
Attorney-General's Department	-	11.6	7.1	6.4	6.4
Department of Immigration and Border Protection	-	11.5	11.9	9.7	9.4
Australian Security Intelligence Organisation	-	11.2	31.1	45.0	51.7
Australian Customs and Border Protection Service	-	6.5	18.7	18.1	18.5
Australian Crime Commission	-	5.3	5.2	5.2	5.3
Australian Transaction Reports and Analysis Centre	-	1.0	2.6	3.3	6.5
Office of National Assessments	-	1.0	1.7	1.6	1.6
Office of the Inspector-General of Intelligence and Security	-	0.8	0.8	0.8	0.8
Office of Parliamentary Counsel	-	0.6	-	-	-
Department of Health	-	0.2	-	-	-
Office of the Director of Public Prosecutions	-	-	0.9	1.2	1.1
<b>Total — Expense</b>	<b>-</b>	<b>81.0</b>	<b>128.2</b>	<b>140.4</b>	<b>151.7</b>
<i>Related revenue (\$m)</i>					
Australian Transaction Reports and Analysis Centre	-	0.7	5.0	6.2	6.5
<i>Related capital (\$m)</i>					
Australian Customs and Border Protection Service	-	16.5	19.8	1.5	..
Australian Security Intelligence Organisation	-	15.7	13.8	14.1	13.5
Department of Immigration and Border Protection	-	7.0	2.6	2.0	1.0
Australian Secret Intelligence Service	-	7.0	5.8	3.5	3.1
Attorney-General's Department	-	6.0	0.1	0.1	0.1
Australian Federal Police	-	4.9	0.1	-	-
Australian Crime Commission	-	3.4	-	-	-
Office of National Assessments	-	0.1	0.1	..	..
Australian Transaction Reports and Analysis Centre	-	-	3.0	3.6	-
<b>Total — Capital</b>	<b>-</b>	<b>60.5</b>	<b>45.4</b>	<b>24.8</b>	<b>17.8</b>

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The Government will provide additional funding of \$649.9 million over four years for a range of counter-terrorism activities, providing security and intelligence agencies with resources and legislative powers to combat the terrorist threat. The additional funding provided to agencies will extend beyond the forward estimates, forming part of agencies' ongoing base funding.

The additional funding will strengthen monitoring and disruption activities in Australia and overseas; increase intelligence collection and threat assessment capabilities; enhance border protection; improve technical capabilities; and provide resources to engage those at risk of radicalisation.

These counter-terrorism activities will be complemented by legislation that will strengthen the counter-terrorism legislative framework, with the changes focused on the prevention and disruption of domestic terrorist threats.

The Government has also increased the resources of the independent Office of the Inspector-General of Intelligence and Security to oversight these powers and protect the individual rights of Australians.

Further information can be found in the joint media releases of 5 August 2014 and 26 August 2014 issued by the Prime Minister and the Attorney-General.

These national security measures underline the Government's commitment to a safe and secure Australia.

**National Security — enhanced communications capability**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Attorney-General's Department	-	0.7	1.7	1.7	1.8
<i>Related capital (\$m)</i>					
<i>Attorney-General's Department</i>	-	1.4	-	-	-

The Government will provide additional funding of \$7.3 million (including \$1.4 million in capital funding) over four years to the Attorney-General's Department to enhance the ASNet deployable secure communications system.

These national security measures underline the Government's commitment to a safe and secure Australia.

**National Security — Enhanced Protective Security Arrangements**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Federal Police	-	15.7	22.2	23.8	20.6
Attorney-General's Department	-	..	0.1	0.1	0.1
<b>Total — Expense</b>	<b>-</b>	<b>15.8</b>	<b>22.3</b>	<b>23.9</b>	<b>20.7</b>
<i>Related capital (\$m)</i>					
Australian Federal Police	-	4.1	0.7	-	-
Attorney-General's Department	-	0.9	-	-	-
<b>Total — Capital</b>	<b>-</b>	<b>5.0</b>	<b>0.7</b>	<b>-</b>	<b>-</b>

The Government will provide \$88.3 million over four years to enhance security arrangements at Commonwealth Parliament Offices and to enhance Close Personal Protection capacity.

The enhancements include security related capital improvements at Commonwealth Parliament Offices, additional Australian Federal Police presence at Commonwealth Parliament Offices and increased Close Personal Protection services for Commonwealth office holders and foreign dignitaries.

These national security measures underline the Government's commitment to a safe and secure Australia.

**Royal Commission into Institutional Responses to Child Sexual Abuse — extension**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Social Services	-	-	-	12.6	12.9
Attorney-General's Department	-	-11.9	-7.5	90.7	29.0
<b>Total — Expense</b>	<b>-</b>	<b>-11.9</b>	<b>-7.5</b>	<b>103.3</b>	<b>41.9</b>

The Government will provide \$125.8 million over four years to extend the Royal Commission into Institutional Responses to Child Sexual Abuse by two years to 31 December 2017.

The extension will allow the Commission to offer an additional 3,000 private sessions, conduct an additional 30 public hearings, and consult more thoroughly with stakeholders before handing down its final report.

The Commission released an interim report on 30 June 2014, and its final report is expected to be delivered by December 2017.

This measure extends the 2013-14 Budget measure titled *Royal Commission into Institutional Responses to Child Sexual Abuse – establishment*.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

Further information can be found in the press release of 2 September 2014 issued by the Attorney-General and Minister for Social Services.

See also the related savings measure titled *Royal Commission into Institutional Responses to Child Sexual Abuse – offsets* in the Attorney-General's portfolio.

**Royal Commission into Institutional Responses to Child Sexual Abuse — offsets**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Human Rights Commission	-	-	-1.6	-1.7	-1.7
Attorney-General's Department	-	-3.2	-0.5	-0.5	-9.5
<b>Total — Expense</b>	<b>-</b>	<b>-3.2</b>	<b>-2.1</b>	<b>-2.2</b>	<b>-11.2</b>
<i>Related capital (\$m)</i>					
Attorney-General's Department	-	-	-2.0	-2.3	-2.3

The Government will save \$25.2 million over four years to offset the cost of extending the Royal Commission into Institutional Responses to Child Sexual Abuse. Savings will be achieved through a number of temporary reductions in programme, departmental and capital funding within the Attorney-General's Portfolio. Programme funding reductions are not expected to impact on services.

**Royal Commission into Trade Union Governance and Corruption — extension**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Attorney-General's Department	-2.9	3.2	3.1	-	-
Australian Federal Police	-	-3.1	-	-	-
<b>Total — Expense</b>	<b>-2.9</b>	<b>0.1</b>	<b>3.1</b>	<b>-</b>	<b>-</b>
<i>Related capital (\$m)</i>					
Attorney-General's Department	-	0.6	-	-	-

The Government will extend the reporting date of the Royal Commission into Trade Union Governance and Corruption by 12 months to 31 December 2015. The extension will enable the Commission to further investigate evidence of criminal conduct, and deal with dimensions of this conduct not covered by its original terms of reference. The cost of the extension will be met through a reallocation of the resources originally provided.

As part of this measure, the Government will provide \$6.9 million over two years to establish a joint investigative taskforce involving the Australian Federal Police (AFP) and State police agencies. The AFP will meet the cost of its participation from within existing resources and provide \$3.1 million towards the cost of the taskforce.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

This measure extends the 2014-15 Budget measure titled *Royal Commission into Trade Union Governance and Corruption – establishment*.

Further information can be found in the Attorney-General's announcement of 7 October 2014 and the Prime Minister's press release of 31 October 2014.

**Smaller Government — Attorney-General's Portfolio**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Various Agencies	-	-	-	-	-

The Government will further reduce the number of government bodies by abolishing the Artbank Advisory Committee (with residual responsibilities to be managed by Artbank and the Attorney-General's Department); and the Committee on Taxation Incentives for the Arts (with residual responsibilities to be managed by the Attorney-General's Department and the Australian Taxation Office). Additionally, the Information Advisory Committee and Privacy Advisory Committee will be abolished as a consequence of Budget 2014-15 reforms. The Business Government Advisory Group on National Security will be replaced by the Attorney-General's Industry Consultation on National Security. The Intercountry Adoption Harmonisation Working Group has also been abolished with functions moved to the agencies responsible for Intercountry Adoption. The Government will also merge the National Government Advisory Group on Chemicals with the National Industry Reference Group on Chemicals.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

**Smaller Government — Australian Government Solicitor**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Government Solicitor	-	-	-	-	-
Attorney-General's Department	-	-	-	-	-
Total — Expense	-	-	-	-	-

The Government will achieve efficiencies by absorbing the Australian Government Solicitor within the Attorney-General's Department. Following the amalgamation, the Government will conduct a review of legal services to identify efficiencies that can be gained in government legal costs.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration. Savings from this measure will be reported in the 2014-15 Additional Estimates and redirected by the Government to repair the Budget and fund policy priorities.

## COMMUNICATIONS

### Australian Broadcasting Corporation and Special Broadcasting Service Corporation — additional efficiency savings

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Special Broadcasting Service Corporation	-	-	-4.2	-10.3	-13.7
Australian Broadcasting Corporation	-	-	-20.4	-47.7	-55.8
Total — Expense	-	-	-24.6	-58.0	-69.5
<i>Related capital (\$m)</i>					
Australian Broadcasting Corporation	-	-	-	-14.0	-

The Government will achieve efficiency savings of \$250.0 million over five years from 2014-15 (including \$83.9 million in 2018-19) from the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service Corporation (SBS).

These savings follow a study of the efficiency of the operations of the ABC and the SBS by the Department of Communications that demonstrated the national broadcasters could realise savings in their back office operations without significantly affecting the funding available for investing in content.

The precise efficiency measures to be adopted by the national broadcasters to achieve these savings are the responsibility of the ABC and the SBS Boards.

The Government will also legislate to enable the SBS to raise additional revenue by allowing a maximum of 10 minutes per hour (up from five minutes) of advertising without increasing the total amount of advertising in a 24 hour period (capped at 120 minutes).

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

Further information can be found in the press releases of 31 January 2014, 13 May 2014 and 19 November 2014 issued by the Minister for Communications.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Enhancing Online Safety for Children — support**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Communications and Media Authority	-	1.6	2.2	2.2	2.2
Department of Communications	-	-1.6	-2.2	-2.2	-2.2
Total — Expense	-	-	-	-	-

The Government will provide \$37.4 million over four years to support the functions of a Children's e-Safety Commissioner (the Commissioner) and establish the Commissioner as an ongoing, independent statutory office within the Australian Communications and Media Authority (ACMA).

As part of providing a national leadership role improving online safety for Australian children, the Commissioner will administer a two-tiered scheme for the rapid removal of cyber-bullying material from large social media sites and a civil notice regime, under which a person who posts cyber-bullying material targeted at an Australian child will be issued with a civil notice by the Commissioner.

Funding to support the functions of the Commissioner will be met from consolidating and reprioritising funding from other online safety programmes within the Communications portfolio, with \$8.2 million over four years transferring to the Commissioner from the Department of Communications and \$29.2 million over four years from within the ACMA.

This measure extends the 2014-15 Budget measure titled *Enhancing Online Safety for Children* and further delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy to Enhance Online Safety for Children*.

**Smaller Government — Communications Portfolio**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Communications	-	-	-	-	-
Australian Communications and Media Authority	-	-	-	-	-
Total — Expense	-	-	-	-	-

The Government will increase the efficiency of organisations within the Communications portfolio by abolishing the Telework Advisory Panel and the Australian Communications and Media Authority (ACMA) Protection Zone Committees.



*Appendix A: Policy decisions taken since the 2014-15 Budget*

The functions of the ceasing bodies will continue, as required, within the organisations responsible for each activity (the Department of Communications and ACMA respectively).

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

## CROSS PORTFOLIO

### Humanitarian Programme — additional places from 2017-18

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Various Agencies	-	-	-	-	46.0

The Government will provide \$140.0 million over two years (\$46 million in 2017-18 and \$94 million in 2018-19) to increase the Humanitarian Programme by 2,500 in 2017-18 and 5,000 in 2018-19. The increase will take the total Humanitarian Programme to 18,750 in 2018-19.

The increase in places will be focused on those overseas applicants in most need of resettlement.

The impact on the Budget of this measure is as a result of outcomes from negotiations with the Senate. The Government is committed to putting the Budget on a sustainable trajectory.

Further information can be found in the transcript of the Minister for Immigration and Border Protection's press conference of 3 December 2014.

### Indigenous public sector procurement and employment

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Various Agencies	-	-	-	-	-

The Government will increase Indigenous employment and procurement across the public sector following the recommendations of the Forrest Review – Creating Parity report.

The Government will set a target of three per cent of the total number of Commonwealth procurement contracts to be awarded to Indigenous suppliers by 2020.

In addition, the Government will aim to increase Indigenous employment in the Commonwealth public sector to three percent by 2018.

Agencies will be responsible for achieving these targets from within existing resources.

**Public Sector Superannuation Accumulation Plan administration fees**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Various Agencies	-	-	-	-	-

The Government will achieve savings of \$26.8 million over four years from 2015-16 by requiring Public Sector Superannuation Accumulation Plan (PSSAP) members to pay administration fees. The PSSAP administration fees are the costs of administering PSSAP, other than investment management expenses, and will be deducted from PSSAP members' superannuation accounts. Until now, the Government has covered the costs of administering the PSSAP for its members.

The new arrangements will bring PSSAP into line with private sector superannuation funds where members pay for the administration of their accounts. The PSSAP administration fees will be determined by the PSSAP trustee: the Commonwealth Superannuation Corporation.

Savings for this measure were included as a 'decision taken but not yet announced' in the 2014-15 Budget.

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

**Strengthening the Constitutional basis for Commonwealth spending**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Various Agencies	-	-7.3	-7.6	-2.0	-2.0

This measure makes programme adjustments and cessations having regard to general developments in the law and the Government's policy objectives. The following programmes will be affected:

- *Health Programme Grants;*
- *National Oral Health Promotion Plan;* and
- *National Urban Water and Desalination Plan.*

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

## DEFENCE

### Operation Accordion — extension

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Defence	-	63.2	-	-	-
<i>Related revenue (\$m)</i>					
<i>Australian Taxation Office</i>	-	-3.9	-4.0	-	-

The Government will provide \$63.2 million for the six month period to 30 June 2015 for the net additional cost (including remediation costs) to extend Operation Accordion. This operation undertakes a range of activities to support the Australian Defence Force's broader activities in the Middle East Area of Operations and Australia's continuing military contribution to international stabilisation and counter-terrorism efforts, including Operation Manitou and Operation Okra.

The Government will provide a full income tax exemption for the pay and allowances of Australian Defence Force personnel deployed on Operation Accordion, leading to an expected reduction in revenue of \$7.9 million over two years. This income tax exemption will be backdated to have effect from 1 July 2014, and will remain in effect until 30 June 2015.

### Operation Okra

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Defence	-	260.8	30.9	5.8	-
<i>Related revenue (\$m)</i>					
<i>Australian Taxation Office</i>	-	-4.8	-4.1	-	-

The Government will provide \$297.5 million over three years for the net additional cost (including remediation costs) of conducting Operation Okra in 2014-15. Operation Okra is the Australian Defence Force's contribution to the international effort to disrupt and degrade the Islamic State in Iraq and the Levant (ISIL) threat in Iraq. An Air Task Group will conduct air combat and support operations in Iraq and a Special Operations Task Group will advise and assist Iraqi and other security forces in their operations against ISIL in Iraq.

This measure is also expected to lead to a reduction in revenue of \$8.9 million over two years as a result of the tax treatment of the income and benefits received by Australian Defence Force personnel deployed overseas.

**Operation Slipper — Heron Remotely Piloted Aircraft — further extension**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Defence	-	26.7	-	-	-
<i>Related revenue (\$m)</i>					
Australian Taxation Office	-	-0.3	-0.1	-	-

The Government will provide \$26.7 million in 2014-15 for the net additional cost to extend the deployment to Afghanistan of Australia's Heron Remotely Piloted Aircraft (RPA) until 31 December 2014. Heron RPA provide surveillance and reconnaissance capabilities to enhance force protection in Afghanistan.

This measure is also expected to lead to a reduction in revenue of \$0.4 million over two years as a result of the tax treatment of the income and benefits received by Australian Defence Force personnel deployed overseas.

**Smaller Government — Defence Portfolio**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Defence	-	-	-	-	-
Department of Veterans' Affairs	-	-	-	-	-
Total — Expense	-	-	-	-	-

The Government will achieve savings of \$0.9 million over four years by further reducing the number of government bodies in the Defence portfolio.

All savings from this measure will be reinvested in Defence capability, resulting in no impact on overall Defence funding.

The measure includes:

- abolishing the Forces Entertainment Board and incorporating its functions into the Department of Defence;
- abolishing the Australian Defence Force Financial Services Consumer Council and incorporating this service into the Department of Defence; and
- merging the Australian Defence Human Research Ethics Committee with the Department of Veterans' Affairs Human Research Ethics Committee.

Additionally several bodies will be sunset including:

- Rizzo Reform Implementation Committee (2014);
- Defence Materiel Organisation Diversity Advisory Group (2015), with diversity strategies to be managed across the portfolio by the Department of Defence; and

*Appendix A: Policy decisions taken since the 2014-15 Budget*

- Defence Materiel Organisation CEO Roundtable (2019), with further industry engagement to be considered in the Defence White Paper and First Principles Review.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

## EDUCATION

### Australian Curriculum, Assessment and Reporting Authority — reduced funding

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Education	-	-	-	-	-0.4

The Government will achieve savings of \$0.4 million in 2017-18 by building on the efficiencies announced in the 2014-15 Budget measure titled *Australian Curriculum, Assessment and Reporting Authority – reduced funding*.

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

### Australian Youth Forum — cessation

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
National Australia Day Council Limited	-	0.4	0.4	0.4	0.4
Department of Infrastructure and Regional Development	-	..	..	..	..
Department of the Prime Minister and Cabinet	-	-	-	-	-
Department of Education	-	-1.0	-1.4	-1.4	-1.4
Total — Expense	-	-0.7	-1.0	-1.0	-1.0

The Government will achieve savings of \$3.7 million over four years from 2014-15 by ceasing the Australian Youth Forum. The Government will continue to support the Young Australian of the Year Award (\$1.5 million over four years from 2014-15) and the National Awards for Local Government (\$64,000 over four years from 2014-15) with responsibility for these awards transferred to the Australia Day Council and the Department of Infrastructure and Regional Development respectively.

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

### Dorothea Mackellar Poetry Awards — contribution

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Education	-	-	-	-	-

The Government provided \$50,000 in 2013-14 as a contribution to the Dorothea Mackellar Memorial Society for the Dorothea Mackellar Poetry Awards. The awards, which were presented in August 2014, aim to inspire students across Australia to express their thoughts through poetry and, by so doing, support the legacy of Dorothea Mackellar.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Duke of Edinburgh's International Award — contribution**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Education	-	1.4	-	-	-
Department of Health	-	-0.4	-	-	-
Total — Expense	-	1.0	-	-	-

The Government will provide \$1.4 million in 2014-15 to the Duke of Edinburgh's International Award in Australia. The Award enables young people aged 14 to 24 years to learn practical skills which support their personal and professional development. The Award encourages young people to volunteer time in their communities, participate in sport and recreational activities, and develop social skills.

The cost of this measure will be met from existing programmes within the Department of Education and the Department of Health.

Further information can be found in the joint press release of 6 November 2014 issued by the Minister for Education and the Minister for Health.

**Higher Education — Structural Adjustment Fund — establishment**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Education	-	-	26.8	42.3	31.0

The Government will provide \$100.0 million over three years from 2015-16 to establish a Structural Adjustment Fund to assist higher education providers to adapt to the introduction of the higher education reforms announced in the 2014-15 Budget.

The impact on the Budget of this measure is as a result of outcomes from negotiations with the Senate. The Government is committed to putting the Budget on a sustainable trajectory.



Appendix A: Policy decisions taken since the 2014-15 Budget

**Higher Education Reforms — amendments**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Education	-	425.8	591.0	754.5	913.8
Australian Taxation Office	-	0.3	0.7	0.4	0.4
Total — Expense	-	426.1	591.8	754.9	914.2
<i>Related revenue (\$m)</i>					
Department of Education	-	12.5	-116.5	-159.3	-217.7
<i>Related capital (\$m)</i>					
Australian Taxation Office	-	0.6	-	-	-

The Government has announced changes to the higher education reforms announced in the 2014-15 Budget resulting in revised net savings of \$642.4 million over four years from 2014-15 by:

- reinstating the Consumer Price Index as the annual indexation applied to Higher Education Loan Programme (HELP) debts;
- pausing indexation on HELP debts for people who earn below the minimum HELP repayment threshold and have primary care of a child under five years of age;
- amending the Commonwealth Grant Scheme subsidies for non-university higher education providers and for sub-bachelor courses delivered by universities;
- funding an information campaign to better inform students and all Australians about the current higher education system, the funding available to students and to provide prospective students with information to help guide their decision making; and
- establishing a scholarship fund within the Higher Education Participation Programme (HEPP) with a focus on allocating funding to universities with high proportions of students from low socio-economic status backgrounds.

The Government's higher education reforms expand opportunities for students, and will ensure Australia is not left behind in global competition at a time of rising performance of universities internationally.

The impact on the Budget of this measure is as a result of outcomes from negotiations with the Senate. The Government is committed to putting the Budget on a sustainable trajectory.

See also the related measure titled *Higher Education – Structural Adjustment Fund – establishment*.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**NAPLAN Online — establishment**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Education	-	-0.9	-2.0	2.9	-

The Government will provide up to \$21.1 million over three years from 2014-15 to Education Services Australia (ESA) to establish a national online assessment platform that will deliver faster National Assessment Programme – Literacy and Numeracy (NAPLAN) results to parents and teachers. It will also ensure greater consistency and quality in the delivery of NAPLAN. This funding builds on \$3.6 million of existing Commonwealth funding to ESA which will be reprioritised to deliver this measure.

The Government will also provide funding of \$2.2 million per annum from 2018-19 as the Commonwealth's contribution to maintain the platform, with ESA reprioritising a further \$4.4 million over two years from 2016-17. Ongoing costs for the maintenance and operation of the platform will be shared by the Commonwealth and the states and territories.

Funding for the development of the platform was included as a 'decision taken but not yet announced' in the 2014-15 Budget. The Commonwealth's contribution to maintain the platform will be partially met through a reduction of \$0.3 million per annum from 2018-19 in funding for the Framework for Open Learning Programme.

This measure delivers on the Government's election commitment.

Further information can be found in the press releases of 25 and 31 October 2014 issued by the Minister for Education.

**National Partnership Agreement on Universal Access to Early Childhood Education — extension**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of the Treasury	-	3.2	165.0	-	-
Department of Education	-	-	1.5	-	-
Total — Expense	-	3.2	166.5	-	-

The Government will provide \$406.0 million over two years from 2014-15 to extend the National Partnership Agreement on Universal Access to Early Childhood Education for the 2015 calendar year. To provide certainty to parents and pre-schools this funding will give a further cohort of pre-school children the opportunity to participate in early childhood education and care through accredited pre-school programmes. This measure includes \$1.5 million in 2015-16 for the Department of Education to undertake review and data development activities.

Funding of \$236.3 million for this measure was included as a 'decision taken but not yet announced' in the 2014-15 Budget.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

Further information can be found in the press release of 5 September 2014 issued by the Assistant Minister for Education.

**National School Chaplaincy Programme — National Partnership Agreement**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of the Treasury	-	60.6	60.6	60.6	60.6
Department of Education	-	-59.1	-61.2	-61.1	-61.0
Total — Expense	-	1.5	-0.6	-0.5	-0.4

The Government will provide \$242.3 million over four years from 2014-15 to the states and territories to deliver the *National School Chaplaincy Programme* (NSCP), announced in the 2014-15 Budget, through a National Partnership Agreement.

Under the NSCP, schools will be eligible to receive a base grant of \$20,000 per annum (and an additional \$4,000 per annum for schools in remote areas) to help engage school chaplains of any faith.

The cost of this measure will be met from the 2014-15 Budget measure titled *National School Chaplaincy Programme – continuation*, with efficiencies as a result of revised implementation arrangements being returned to the Budget.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 26 September 2014 issued by the Parliamentary Secretary to the Minister for Education.

**National Trade Cadetships — reduced funding**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Education	-	-7.5	-11.7	-12.2	-12.2

The Government will achieve savings of \$43.7 million over four years from 2014-15 by returning uncommitted funding for the *National Trade Cadetships* programme to the Budget. Funding of \$2.8 million over two years will remain to meet existing commitments.

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

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Science, technology, engineering and mathematics — restoring the focus in schools**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Education	-	1.0	3.9	4.0	3.2

The Government will provide \$12.0 million over four years from 2014-15 to implement the following initiatives as part of its commitment to restore a focus on science, technology, engineering and mathematics (STEM) subjects in schools:

- \$7.4 million over four years from 2014-15 for the *Mathematics by inquiry* initiative to develop innovative mathematics curriculum resources for primary and secondary school students;
- \$3.5 million over four years from 2014-15 for the *Coding across the curriculum* initiative to support the introduction of computer coding in Australian schools;
- \$0.6 million over two years from 2015-16 for the *Summer schools for STEM* initiative to support female, disadvantaged, and Aboriginal and Torres Strait Islander school students to attend national science and mathematics summer schools; and
- \$0.5 million over two years from 2015-16 as seed funding to pilot an education facility based on the United States' *Pathways in Technology Early College High School* (P-TECH). P-TECH aims to align secondary school STEM learning with associate degrees in applied science.

Further information can be found in the joint press release of 14 October 2014 issued by the Prime Minister, the Minister for Industry and the Minister for Education.

**Smaller Government — Education Portfolio**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Education	-	-	-	-	-

The Government will merge the Tertiary Education Quality and Standards Agency Advisory Council with the Higher Education Standards Panel. The Standing Council on School Education and Early Childhood Joint Working Group to Provide Advice on Students with Disability will be sunset after completion of the current terms of reference (subject to state and territory agreement).

The Government has already ceased: the International Education Advisory Council; the Strategic Cross-sectoral Data Committee for Early Childhood; the Y20 Planning Group; the Australian Qualifications Framework Council; and the Education Investment Fund Advisory Board.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

**Students First — Special Assistance Schools — additional funding**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Education	-	1.2	2.4	2.3	2.3

The Government will provide \$8.2 million over four years from 2014-15 to a number of independent special schools and special assistance schools to assist with their transition to the schooling resource standard, consistent with other schools under the *Australian Education Act 2013*.

This measure contributes to the Government's *Students First* policy and addresses a shortfall in the former Government's funding arrangements by giving funding certainty to those schools which would otherwise have experienced a drop in funding from 2015.

Further information can be found in the press release of 25 September 2014 issued by the Minister for Education.

**Travelling Show Children — contribution for schooling**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Education	-	0.1	0.1	-	-

The Government will provide \$200,000 over two years from 2014-15 to the New South Wales government as a contribution to the cost of on-site supervision for travelling show children when they are participating in schooling in public areas such as showgrounds.

Along with funding contributions from the New South Wales, Victorian and Queensland governments, this measure will support travelling show children who receive instruction through the Dubbo School of Distance Education.

## EMPLOYMENT

### Employment Services 2015

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Employment	-	-	-	-	-
Department of Human Services	-	-	-	-	-
Department of Social Services	-	-	-	-	-
<b>Total — Expense</b>	-	-	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Social Services</i>	-	-	-	-	-
<i>Department of Human Services</i>	-	-	-	-	-
<i>Department of Employment</i>	-	-	-	-	-
<b>Total — Capital</b>	-	-	-	-	-

The Government will implement a new employment services system from 1 July 2015 with total funding of \$5.1 billion over four years from 2014-15.

The new system will better deliver employment outcomes by emphasising payments to providers based on outcomes rather than process.

It will end the problem of training for training's sake and remove the incentives for providers to churn job seekers through the system.

The new model will incorporate the *Stronger Participation Incentives for Job Seekers under 30* measure and the *Restart – boosting the wage subsidy for mature age job seekers* measure announced in the 2014-15 Budget.

Provision for this measure has already been included in the forward estimates.

A tender process to select employment service providers is currently underway. Further information can be found in the joint press release of 7 October 2014 issued by the Minister for Employment and the Assistant Minister for Employment.

### Industry grants to peak bodies — cessation

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Employment	-	-0.9	-0.4	-	-

The Government will achieve savings of \$1.4 million over two years from 2014-15 by ceasing grants to non-government members of Safe Work Australia, the Australian Council of Trade Unions, the Australian Chamber of Commerce and Industry and the Australian Industry Group.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

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

**New Enterprise Incentive Scheme Allowance — duration of maximum payment period — reduction**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Employment	-	-	-	-	-

The Government will achieve estimated savings of \$57.3 million over four years from 2014-15 by reducing the maximum payment period for the New Enterprise Incentive Scheme (NEIS) Allowance and Rental Allowance to nine months.

From 1 July 2014, new participants in the NEIS programme will receive the NEIS Allowance and Rental Allowance for up to nine months. Participants who commenced before 1 July 2014 will not be affected. All other elements of the programme will remain unchanged.

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

The savings from this measure were included as a 'decision taken but not yet announced' in the 2014-15 Budget. Further information can be found in the press release of 30 June 2014 issued by the Assistant Minister for Employment.

**Smaller Government — Employment Portfolio**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Comcare	-	-	..	..	..
Department of Employment	-	-	..	..	..
Total — Expense	-	-	-0.1	-0.1	-0.1

The Government will achieve savings of \$0.2 million over three years from 2015-16 by further reducing the number of government bodies in the Employment portfolio. The Government will abolish the:

- Fair Work Building Industry Inspectorate Advisory Board and the position of the Independent Assessor — Special Building Industry Powers, funded through the Department of Employment; and
- Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority) funded through Comcare. The statutory functions and responsibilities of the Seacare Authority will be transferred to the Safety Rehabilitation and Compensation Commission.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

In addition, the COAG Select Council on Workplace Relations has been ceased by agreement of members of the Council of Australian Governments.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

**Strengthening the Job Seeker Compliance Framework**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Employment	-	3.9	0.3	-	-
Department of Human Services	-	2.2	29.2	27.1	25.9
Department of Social Services	-	-	-58.9	-59.6	-57.7
Total — Expense	-	6.1	-29.5	-32.6	-31.8
<i>Related capital (\$m)</i>					
<i>Department of Employment</i>	-	0.9	-	-	-

The Government will achieve savings of \$86.9 million over four years from 2014-15 by strengthening the job seeker compliance framework and making the financial consequences of non-compliance more immediate. In 2013-14, 4.5 million appointments with employment service providers (35 per cent of scheduled appointments) were not attended by job seekers.

This measure will be implemented in two stages:

- From 1 January 2015, job seekers who fail to attend an appointment with their employment service provider without giving prior notice of a valid reason will have their payment suspended, from when they receive notice of failure to attend, and reinstated (with back pay) only when they attend a rescheduled appointment.
- From 1 July 2015, job seekers who fail to attend an appointment with their employment service provider will have their payment suspended, as soon as they are notified of their non-attendance, and will not receive back pay for the period between their failure to attend and their attendance at a rescheduled appointment.

Under this measure, the payment suspension period will end immediately if an employment service provider cannot offer a job seeker a subsequent appointment within two business days of a request.

This measure delivers on the Government's election commitment.

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



*Appendix A: Policy decisions taken since the 2014-15 Budget*

Further information can be found in the press release of 29 June 2014 issued by the Assistant Minister for Employment.

## ENVIRONMENT

### Great Artesian Basin Sustainability Initiative — extension

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of the Treasury	-	3.0	6.0	6.0	-
Department of the Environment	-	0.1	0.5	0.3	-
Total — Expense	-	3.1	6.5	6.3	-

The Government will provide \$15.9 million over three years from 2014-15 to extend the *Great Artesian Basin Sustainability Initiative*. The programme provides funding for the repair of uncontrolled artesian bores and the replacement of open bore drains with piped reticulation systems in New South Wales, Queensland and South Australia.

The measure also includes the development and implementation of governance and financial arrangements to continue restoration of the Great Artesian Basin beyond 2016-17 without further Commonwealth support.

Further information can be found in the joint press release of 16 October 2014 issued by the Minister for Infrastructure and Regional Development and the Parliamentary Secretary to the Minister for the Environment.

### Murray-Darling Basin Joint Programme — reduced contribution

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of the Environment	-	-9.8	-	-	-

The Government will achieve savings of \$9.8 million in 2014-15 by reducing its contribution to the *Murray-Darling Basin Joint Programme* to \$11.3 million. The savings will be achieved by prioritising expenditure and not proceeding with a number of non-critical infrastructure projects in 2014-15.

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

### Smaller Government — Environment Portfolio

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of the Environment	-	..	..	..	..

The Government will achieve savings of \$76,000 over six years from 2014-15 by further reducing the number of government bodies in the Environment portfolio to increase efficiency in how public funds are used to deliver services to the community.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The following government bodies will be abolished, with any ongoing functions to be performed by the Department of the Environment: Antarctic Research Assessment Committee; Australian Antarctic Names and Medals Committee; Australian Biological Resources Study Advisory Committee; Biological Diversity Advisory Committee; Climate Adaptation Outlook Independent Expert Group; Expert Panel on a Declared Commercial Fishing Activity; Land Sector Carbon and Biodiversity Board; Oil Stewardship Advisory Council; Product Stewardship Advisory Group; and World Parks Congress National Steering Committee. In addition, the Domestic Offsets Integrity Committee will be ceased and replaced by the Emissions Reduction Assurance Committee.

The Government has also abolished the Antarctic Science Advisory Committee; Bureau of Meteorology Water Accounting Standards Board; COAG Standing Council on Environment and Water; Commonwealth Environmental Water Stakeholder Reference Panel; Emissions-Intensive Trade-Exposed Expert Advisory Committee; Fuel Standards Consultative Committee; Iconic Sites Taskforce; Indigenous Water Advisory Committee; National Landscapes Reference Committee; National Marine Mammal Advisory Committee; and National Marine Mammal Scientific Committee.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

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## FINANCE

### Kenbi land claim remediation (Cox Peninsula)

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Finance	-	31.5	-	-	-

The Government will provide \$31.5 million in 2014-15 to fund the remediation of contaminated land and waste management on Sections 32, 34 and 41 of the Cox Peninsula in the Northern Territory, which form part of the Kenbi land claim.

The cost of this measure will be offset against a provision in the Contingency Reserve.

This measure extends the 2012-13 Budget measure titled *Cox Peninsula remediation work – second pass business case*.

### Smaller Government — Finance Portfolio

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Finance	-	-	-	-	-

The Government will further reduce the number of government bodies in the Finance portfolio by abolishing:

- the Authentication Governance Committee;
- the Comcover Advisory Council;
- the Secretaries' Information and Communications Technologies (ICT) Governance Board; and
- the Cross Jurisdictional Chief Information Officers Committee.

The Chief Information Officer Committee and the Chief Information Officer Forum will also be merged.

The Department of Finance will take direct responsibility for ensuring that government bodies have appropriate input into whole of government ICT policy and will support the management of cross-jurisdictional ICT issues.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Smaller Government — Intra Government Communications Network (ICON) — scoping study**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Finance	-	-	-	-	-

The Government will undertake a scoping study, in 2014-15, on options for the future management, operations and ownership of the Intra Government Communications Network (ICON). The cost of the scoping study will be met from within the existing resources of the Department of Finance. The study will assess the likely sale environment for this business operation and seek to ascertain the optimal method and timing of any sale.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

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## FOREIGN AFFAIRS AND TRADE

### Delay to co-locating diplomatic presence in Baghdad with the UK

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Foreign Affairs and Trade	-	12.9	-	-	-

The Government will provide an additional \$12.9 million in 2014-15 to continue operations of the Australian embassy in Baghdad due to the delays in co-location with the United Kingdom's embassy to Iraq.

This measure extends the 2014-15 Budget measure titled *Baghdad Embassy – relocation*.

### Kyiv — interim embassy and Operation Bring Them Home

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Foreign Affairs and Trade	-	8.0	1.7	-	-
<i>Related capital (\$m)</i>					
<i>Department of Foreign Affairs and Trade</i>	-	2.8	-	-	-

The Government will provide \$12.5 million over two years from 2014-15 to establish an interim embassy in Kyiv, Ukraine, until September 2015, and to meet costs associated with the repatriation of the victims of the Malaysia Airlines MH17 tragedy and support to families. These costs include enabling next of kin to accompany victims on their repatriation to Australia and assisting families to attend the memorial service in Melbourne. The interim embassy will provide diplomatic and consular services and support Australian Federal Police officers in Ukraine who are investigating the downing of MH17.

### Official Development Assistance — reprioritised funding

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Foreign Affairs and Trade	-	-	-1,000.0	-1,350.0	-1,377.0

The Government will achieve savings of \$3.7 billion over three years from 2015-16 by returning the level of Official Development Assistance (ODA) spending in real terms to the levels that applied when ODA was last funded from budget surpluses rather than debt. ODA will then continue to grow in line with the Consumer Price Index.

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

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Smaller Government — Australia International Cultural Council — abolition**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Foreign Affairs and Trade	-	-	-	-	-

The Government will abolish the Australia International Cultural Council within the Department of Foreign Affairs and Trade, and replace it with a streamlined advisory body within the Ministry for the Arts to advise the Government on international cultural diplomacy.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

## HEALTH

### A strong and sustainable Medicare

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Human Services	-	2.1	-12.9	-12.7	-11.5
Department of Veterans' Affairs	-	-3.5	-9.2	-20.5	-30.6
Department of Health	-	-183.1	375.9	50.9	-248.7
Total — Expense	-	-184.5	353.8	17.6	-290.8

The Government will introduce optional co-payments for non-concessional patients, ensure Medicare items more accurately reflect the time a GP spends with a patient, and extend the pause on indexation of Medicare Benefits Schedule (MBS) fees. This will replace the *Medicare Benefits Schedule – introducing patient contributions for general practitioner, pathology and diagnostic imaging services* measure, which was announced in the 2014-15 Budget.

From 1 July 2015, MBS rebates will be reduced by \$5 for common GP consultations and after-hours services for non-concessional patients aged 16 and over. Doctors may choose to recoup the \$5 reduction through an optional co-payment or to continue to bulk bill non-concessional patients over the age of 16. The reduced rebate will not apply to GP services provided to concession card holders, children under 16 years of age, residents of aged care facilities and veterans, nor to pathology and diagnostic imaging services, health assessments and GP mental health and management plans.

To improve quality and encourage more comprehensive patient care, the Government will make changes to standard GP consultation items. From 19 January 2015, Level A consultation items will be redefined to cover attendances of less than 10 minutes and Level B consultation items will be for attendances from 10 to less than 20 minutes.

To further support the sustainability of Medicare, MBS fees for all services provided by GPs, medical specialists, allied health and other health practitioners will remain at their current level until July 2018.

The savings from this measure will be invested by the Government in the *Medical Research Future Fund*.

Further information can be found in the joint press release of 9 December 2014 issued by the Prime Minister and the Minister for Health.



**Australian National Advisory Council on Alcohol and Drugs — establishment**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Health	-	-	-	-	-

The Government will replace the Australian National Council on Drugs with a new Australian National Advisory Council on Alcohol and Drugs which will continue to provide independent, strategic advice to government on priorities for alcohol and drug policy development.

This measure will improve the cost effectiveness of the Council through changes to its structural, operational and governance arrangements, including: ceasing activities duplicated by other organisations, providing advice on selected international issues when required, reducing the size of the Council, and streamlining reporting requirements.

The cost of this measure will be met from within the existing resources of the Department of Health.

**Gene Technology Act — amendments**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Health	-	-	-	..	..

The Government will achieve savings of \$19,000 over two years from 2016-17 by amending the *Gene Technology Act 2000* to provide clearer, more efficient and more effective regulation. The *Gene Technology Act 2000* protects the health and safety of people and the environment by addressing risks posed by, or occurring as a result of, gene technology.

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

**Gold Coast Suns AFL Club — upgrade of Metricon Stadium facilities**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Health	-	7.5	7.5	-	-

The Government will provide \$15.0 million over two years towards the construction of multi-purpose facilities for the Gold Coast Football Club at Metricon Stadium. This project will form part of broader upgrades being planned for Metricon Stadium in the lead up to the 2018 Commonwealth Games on the Gold Coast.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Medicare Benefits Schedule — new and amended listings**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Human Services	-	0.2	-0.2	-0.3	-0.4
Department of Veterans' Affairs	-	-1.1	-1.7	-1.8	-1.9
Department of Health	-	-48.5	-73.3	-80.0	-86.1
Total — Expense	-	-49.4	-75.2	-82.1	-88.4

The Government will amend the Medicare Benefits Schedule (MBS) and Veterans' Benefits for new and amended items listed since the 2014-15 Budget, at a net saving of \$295.1 million over four years.

The amendments to the MBS include:

- adding two new Magnetic Resonance Imaging items for the evaluation of Crohn's disease;
- extending the use of HbA1C testing to the diagnosis of diabetes in addition to the management of established diabetes;
- splitting existing Vitamin D items to provide different schedule fees for routine and more complex testing; and
- introducing revised eligibility criteria for new Cone Beam Computed Tomography items.

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

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.

**National Immunisation Programme — listing of Trivalent Influenza Vaccine**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Health	-	1.4	0.8	0.8	0.8
Department of the Treasury	-	..	..	..	..
Total — Expense	-	1.4	0.9	0.9	0.8

The Government will provide \$3.9 million over four years to deliver the Trivalent Influenza Vaccine to Indigenous children aged between six months and five years. The funding includes vaccine supply, communications and safety costs and facilitation and reward funding to the States and Territories. Vaccinations will commence from 1 January 2015 and be delivered free of charge through the National Immunisation Programme.

**National Partnership Agreement on Improving Health Services in Tasmania — additional elective surgery procedures**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of the Treasury	6.6	12.2	4.7	-	-
Department of Health	-6.6	-12.2	-4.7	-	-
Total — Expense	-	-	-	-	-

The Government will provide an additional \$23.4 million over three years from 2013-14 to increase the number of elective surgery procedures in Tasmania through the *National Partnership Agreement on Improving Health Services in Tasmania*.

The cost of this measure will be met from within the existing uncommitted funding of the Tasmanian Health Assistance Package in the Department of Health.

**Pharmaceutical Benefits Scheme — new and amended listings**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Health	-	73.9	84.5	73.5	67.5
Department of Human Services	-	7.7	0.5	-3.1	-3.8
Department of Veterans' Affairs	-	0.1	-0.7	-1.2	-1.5
Total — Expense	-	81.6	84.3	69.2	62.2
<i>Related revenue (\$m)</i>					
Department of Health	-	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>
<i>Related capital (\$m)</i>					
Department of Human Services	-	1.7	1.1	-	-
Department of Health	-	0.4	..	-	-
Total — Capital	-	2.1	1.1	-	-

The Government will provide \$300.5 million over four years for a number of new and amended listings on the Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme.

New and amended listings since the 2014-15 Budget include:

- Abraxane® (paclitaxel) for the treatment of pancreatic cancer from 1 November 2014;
- Soliris® (eculizumab) for the treatment of atypical Haemolytic Uraemic Syndrome (aHUS) from 1 December 2014;
- Kalydeco® (ivacaftor) for the treatment of cystic fibrosis from 1 December 2014; and
- Improved access to HIV antiretroviral therapies in the community from 1 July 2015.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The costs of some of these medicines are reduced by the revenue from pricing agreements negotiated between the Government and the pharmaceutical manufacturers. Details of this revenue are not for publication due to commercial sensitivity.

Further information can be found in the press releases of 7 July 2014, 16 September 2014 and 26 October 2014 issued by the Minister for Health and on the Pharmaceutical Benefits Scheme website ([www.pbs.gov.au](http://www.pbs.gov.au)).

**Pharmaceutical Benefits Scheme — price amendments**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Veterans' Affairs	-	-2.6	-4.9	-5.5	-6.4
Department of Health	-	-8.9	-25.4	-33.4	-37.4
Total — Expense	-	-11.6	-30.3	-38.9	-43.8

The Government will save \$124.6 million over four years from price amendments for certain medicines currently listed on the Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme.

Price amendments since the 2014-15 Budget include:

- Benzylpenicillin for the treatment of infection from 1 August 2014;
- Cyclophosphamide for the treatment of lymphomas and prevention of transplant rejection from 1 August 2014;
- Paracetamol for pain relief from 1 December 2014; and
- Tiotropium for the treatment of chronic obstructive pulmonary disease (COPD) from 1 December 2014.

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

Further information can be found on the Pharmaceutical Benefits Scheme website ([www.pbs.gov.au](http://www.pbs.gov.au)).

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Smaller Government — Health Portfolio**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
National Health and Medical Research Council	-	-	0.4	-1.7	-1.7
Cancer Australia	-	-	0.1	-0.4	-0.4
Australian Sports Anti-Doping Authority	-	-	0.1	-0.7	-0.7
Professional Services Review	-	-	..	-0.3	-0.3
Department of Health	-	..	1.9	-0.1	-0.1
<b>Total — Expense</b>	-	..	2.6	-3.3	-3.3

The Government will achieve savings of \$4.0 million over four years from 2014-15 by further reducing the number of government bodies in the Health portfolio.

The Government will abolish the following advisory bodies with any residual responsibilities to be managed by the Department of Health and its supporting agencies: the Australian Sports Anti-Doping Authority Advisory Group; the Diabetes Advisory Group; the Drug and Alcohol Prevention and Treatment Advisory Committee; the Expert Panel to review Elective Surgery and Emergency Access Targets in the National Partnership Agreement on Improving Public Hospital Services; the Health and Hospitals Fund Advisory Board; and the National Indigenous Drug and Alcohol Committee (NIDAC). The responsibilities of the NIDAC will be taken up by the Australian National Advisory Council on Alcohol and Drugs. The Government has also abolished the Anti-Doping Research Panel. The Government will repeal the General Practice Recognition Appeal Committee and the General Practice Recognition Eligibility Committee.

Further savings and efficiencies will be achieved by sharing the Department of Health's corporate services across the Australian Sports Anti-Doping Authority; Cancer Australia; the National Health and Medical Research Council; and the Professional Services Review.

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

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**South Sydney Rabbitohs Community and High Performance Centre of Excellence — contribution**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Health	-	5.0	5.0	-	-

The Government will provide \$10.0 million over two years as a contribution towards the construction of the South Sydney Rabbitohs Community and High Performance Centre of Excellence at Heffron Park, Maroubra, New South Wales. The Centre of Excellence will enable Souths Cares, a not-for-profit organisation established to support the local community and address social needs across the South Sydney region, to expand its community-based initiatives and enable the local and regional community to access a number of facilities to support health, education and Indigenous employment programmes.

**Streamlining of medical device certification**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Health	-	-	-	-	-

The Government will reduce red tape and boost the competitiveness of Australian manufacturers of medium to high risk medical devices and in vitro diagnostic medical devices by allowing them to choose to have their conformity assessment certification provided by either the Therapeutic Goods Administration or a European Union assessment body. This will align certification requirements of domestic manufacturers with those of international competitors and reduce the time and costs to bring Australian manufactured products to market.

This measure forms part of the Government's Industry, Innovation and Competitiveness Agenda.

The cost of this measure will be met from within the existing resources of the Department of Health.

## HUMAN SERVICES

### Smaller Government — Human Services Portfolio

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Human Services	-	-	-	-	-

The Government will abolish the Commonwealth Rehabilitation Service (CRS) Australia and the National Student Services Partnership Group. Any residual responsibilities of the CRS Australia will be managed by the Department of Human Services.

The Government has also abolished the Department of Human Services Council on Strategy and Innovation; the Lesbian, Gay, Bisexual, Transgender and Intersex Working Group; and the National Place-Based Advisory Group.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

## IMMIGRATION AND BORDER PROTECTION

### Anti-people smuggling strategic communications campaigns

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Customs and Border Protection Service	-	8.1	-	-	-

The Government will provide \$8.1 million in 2014-15 to continue and expand anti-people smuggling strategic communications campaigns for an additional six months to 30 June 2015. Funding will be provided for domestic campaigns as well as those in source and transit countries.

This measure aims to deter people smuggling by alerting potential illegal immigrants to the dangers of people smuggling ventures and educating them about Australia's immigration policy.

This measure expands on the 2013-14 Mid-Year Economic and Fiscal Outlook measure titled *Operation Sovereign Borders – community engagement and strategic communications campaigns*.

The cost of this measure will be met from the measure *Illegal Maritime Arrivals – Managing the Legacy Caseload in Australia*.

### Enhancing passenger processing systems in regional countries

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Immigration and Border Protection	-15.7	13.7	2.0	-	-

The Government will provide \$15.7 million over two years to enhance passenger processing systems in Indonesia and Malaysia.

The passenger processing system provides these countries with the capability to prevent travel, in particular to Australia, by persons without an entitlement or posing a risk to the community.

The cost of this measure is funded by redirecting 2013-14 funding provided through the Mid-Year Economic and Fiscal Outlook 2013-14 measure *Enhancing Border Controls and Improving Identity Management*.



**Illegal Maritime Arrivals — managing the legacy caseload in Australia**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Immigration and Border Protection	-	-383.5	-226.3	99.1	99.1

The Government will achieve savings of \$411.7 million over four years from 2014-15 by managing the legacy caseload of illegal maritime arrivals (IMAs) within Australia in the community rather than in detention centres, wherever possible, while an IMA's protection status is being resolved.

The Government will also amend the effective date for mandatory transfer of IMAs to offshore processing centres (OPCs) from 19 July 2013 to 1 January 2014, and will provide additional support to IMA families with children under the age of 10 who are released from detention centres.

IMAs already transferred to OPCs will remain subject to the offshore processing policy, and all new IMAs will continue to be transferred to OPCs for processing and resettlement.

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

Further information can be found in the transcript of the Minister for Immigration and Border Protection's press conference of 5 December 2014.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Immigration and Border Protection	-	52.9	-3.3	281.9	61.2
Department of the Treasury	-	-	2.3	4.8	7.6
Department of Education	-	-	1.1	2.8	5.0
Department of Employment	-	-	0.2	..	-0.6
Department of Health	-	-1.7	-2.4	-4.9	-8.8
Department of Human Services	-	-4.5	-4.1	-3.5	-2.4
Department of Social Services	-	-51.1	-58.3	-42.3	-35.5
<b>Total — Expense</b>	-	-4.5	-64.4	238.8	26.5
<i>Related capital (\$m)</i>					
<i>Department of Immigration and Border Protection</i>	-	0.8	2.2	-	-
<i>Department of the Treasury</i>	-	-	-	-	-
<i>Department of Employment</i>	-	-	-	-	-
<i>Department of Education</i>	-	-	-	-	-
<i>Department of Social Services</i>	-	-	-	-	-
<i>Department of Human Services</i>	-	-	-	-	-
<i>Department of Health</i>	-	-	-	-	-
<b>Total — Capital</b>	-	0.8	2.2	-	-

The Government will provide \$199.4 million over four years from 2014-15 (including \$3.0 million in capital), for costs resulting from the delay in the passage through the Senate of legislation relating to the implementation of the 2014-15 Budget measure *Support Services and Mutual Obligations Arrangements for Illegal Maritime Arrivals*.

This measure includes costs for the re-introduction of Temporary Protection Visas and the introduction of Safe Haven Enterprise Visas for illegal maritime arrivals who are found to engage Australia's protection obligations.

Temporary Protection Visas will be available for up to three years. Safe Haven Enterprise Visas will be available for up to five years, where holders work or study in a designated self-nominated regional area to assist in addressing regional labour shortages. The impact on the Budget of this measure is as a result of outcomes from negotiations with the Senate. The Government is committed to putting the Budget on a sustainable trajectory.

Further information can be found in the transcript of the Minister for Immigration and Border Protection's press conference of 5 December 2014.

### Maintaining the response capability for Illegal Maritime Arrivals

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Customs and Border Protection Service	-	31.7	16.9	16.2	16.3
<i>Related capital (\$m)</i>					
Australian Customs and Border Protection Service	-	11.8	-	-	-

The Government will provide \$92.9 million over four years from 2014-15 (including \$11.8 million in capital funding in 2014-15) to:

- repurpose and transition ownership of the Australian Defence Vessel *Ocean Shield* from the Department of Defence to the Australian Customs and Border Protection Service from 1 July 2014, two years ahead of schedule; and
- extend the lease for the ACV *Triton* for an additional six months to 30 June 2015.

The vessels will be used to support maritime operations in Australia's northern waters in response to maritime people smuggling.

### Reforming temporary skilled migration and enhancing investor visas

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Immigration and Border Protection	-	-	-	-	-

The Government will reform the Temporary Skilled (subclass 457) Visa programme for skilled migrants, while maintaining strong safeguards against abuse, by re-establishing the Ministerial Advisory Council on Skilled Migration, simplifying sponsorship arrangements, changing English language requirements and reforming the Employer Nomination and Regional Migration Schemes.

The Government will also introduce a new Premium Investor Visa (PIV) scheme and enhance the existing Significant Investor Visa (SIV) scheme.

The PIV will be available to individuals who invest a minimum of \$15 million in Australia and will offer a 12 month pathway to permanent residency. Austrade will align complying investment policy with Australia's national investment priorities by designing a compliance eligibility framework.

The costs of this measure will be met from within the existing resources of the Department of Immigration and Border Protection and Austrade.

Further information can be found in the press release of 14 October 2014 issued by the Minister for Immigration and Border Protection.

## INDUSTRY

### Anti-dumping and countervailing system — strengthening

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	0.1	0.8	1.0	1.0
<i>Related revenue (\$m)</i>					
<i>Department of Industry</i>	-	0.1	0.2	0.2	0.2

The Government will provide \$3.0 million over four years from 2014-15 to strengthen Australia's anti-dumping and countervailing system to further assist Australian manufacturers and primary producers seeking relief from the dumping of low priced imports. The changes place a greater onus on overseas producers to cooperate with investigations and include more stringent and rigorous enforcement of deadlines. The existing merits based review of decisions will also be strengthened by raising the legal threshold for applications, limiting the range of decisions that can be appealed and introducing an application fee. The application fee is estimated to offset the cost by \$0.6 million over four years.

The existing International Trade Remedies Forum will be replaced with a streamlined Anti-Dumping Industry Board. Funding will also be provided to improve the support, assistance and information available to Australian industries seeking anti-dumping or countervailing measures. The *Import Data Financial Assistance Programme* will be discontinued due to a limited take-up by business.

This measure delivers on the Government's election commitment.

### Australia-India Strategic Research Fund — continuation

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	-	2.1	3.2	2.9
Department of Foreign Affairs and Trade	-	-	-	-	-
Total — Expense	-	-	2.1	3.2	2.9

The Government will provide \$20.0 million over four years from 2015-16 to continue the Australia-India Strategic Research Fund which supports collaboration between Australian and Indian researchers. The measure includes:

- \$16.0 million over four years for collaborative research projects, up to a maximum of \$1.5 million per project;
- \$0.5 million over two years for targeted workshops bringing together leading researchers from Australia and India to focus on issues of mutual interest;

*Appendix A: Policy decisions taken since the 2014-15 Budget*

- \$0.4 million over three years for fellowships of up to \$55,000 each, enabling researchers who are Australian citizens or permanent residents with less than 15 years postdoctoral experience to undertake research in India for up to 12 months;
- \$0.4 million over four years for a science adviser, based in New Delhi; and
- \$2.8 million over four years for the Department of Industry to administer the Fund.

Part of the cost of this measure will be met from within the existing resources of the Department of Foreign Affairs and Trade.

Further information can be found in the press release of 5 September 2014 issued by the Prime Minister.

**Australian Apprenticeships Management System — information technology**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	nfp	nfp	nfp	nfp
<i>Related capital (\$m)</i>					
<i>Department of Industry</i>	-	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>

The Government will introduce the Australian Apprenticeships Management System (AAMS). The system will provide a modern information technology platform to support the provision of Australian Apprenticeships Support Services.

This measure includes not proceeding with the self-service information technology model under the *Development of an e-Business Platform for Integration of Information and Payments for the Australian Apprenticeships System* measure published in the 2013 Pre-Election Economic and Fiscal Outlook.

The financial implications of this measure are not for publication as the AAMS will be subject to a competitive tender process.

**Australian Apprenticeships Support Services — continuation**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	0.8	-10.7	-10.4	-10.0

The Government will provide \$602.0 million over four years from 2014-15 for Australian Apprenticeships Centres to deliver apprenticeship support services for three years from 1 July 2015, when the current contracts expire.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The new contracts will require Australian Apprenticeships Centres to deliver a range of support services to apprentices and their employers. These include the administration of the *Australian Apprenticeships Incentives Programme* and a number of pre-commencement and training support services designed to make it easier for employers, particularly small to medium enterprises, to recruit, train and retain apprentices.

This measure achieves net savings of \$30.3 million over four years by streamlining activities under the new contracts and provides \$0.8 million in 2014-15 for the Department of Industry to conduct a competitive tender process for the new contracts.

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

Further information can be found in the press release of 8 September 2014 issued by the Minister for Industry.

**Australian Skills Quality Authority — revised regulatory model**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
National Vocational Education and Training Regulator (Australian Skills Quality Authority)	-	3.4	3.2	1.8	0.1
<i>Related revenue (\$m)</i>					
National Vocational Education and Training Regulator (Australian Skills Quality Authority)	-	-14.5	-14.9	-12.5	-13.2
<i>Related capital (\$m)</i>					
National Vocational Education and Training Regulator (Australian Skills Quality Authority)	-	2.4	2.1	0.1	0.5

The Government will provide \$13.6 million over four years from 2014-15 for the Australian Skills Quality Authority (ASQA) to introduce a revised regulatory model which supports a more targeted approach to auditing activities, with a focus on identifying and auditing high risk training providers.

The measure includes capital funding of \$5.1 million for ASQA, including to upgrade its information and communication technology system.

The measure also includes a reduction in revenue of \$55.1 million over four years as a result of the targeted reduction in the number of registration and compliance audits, which are subject to cost recovery arrangements.

See also the related savings measure titled *National Training System Commonwealth Own Purpose Expenditure – reduction*.

Appendix A: Policy decisions taken since the 2014-15 Budget

**Charities Maritime and Aviation Support Programme — extension**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	-	-	-	-

The Government provided \$21,000 in 2014-15 to extend the Charities Maritime and Aviation Support Programme from 1 July 2014 until the repeal of the carbon tax on 17 July 2014.

The cost of this measure was met from within the existing resources of the Department of Industry.

**Holden and Toyota — act of grace payments**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	*	*	*	*

The Government will provide act of grace payments of up to \$15.8 million each to General Motors Holden (Holden) and Toyota Motor Corporation Australia (Toyota) equivalent to the Fringe Benefits Tax (FBT) liabilities incurred by the companies in providing training to employees through the *Skills and Training Programme* component of the Government's *Growth Fund*.

The *Growth Fund* supports new jobs, investment and economic growth in South Australia and Victoria following announcements by Holden and Toyota that they will cease vehicle manufacturing in Australia by the end of 2017. The *Skills and Training Programme* aims to transition automotive workers into new jobs through skills recognition and training. The FBT liabilities will arise for Holden and Toyota when their employees receive training under the programme.

The precise amount and timing of the act of grace payments cannot be reliably estimated.

**Industry Counsellor in New Delhi — establishment**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	0.5	0.8	0.8	1.0

The Government will provide \$3.0 million over four years from 2014-15 to establish an Industry Counsellor in New Delhi, India. The Counsellor will promote strategic cooperation, trade and investment in energy, resources, science and vocational education and training.

**Industry Innovation and Competitiveness Agenda — Industry Growth Centres — establishment**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	-23.5	-11.9	4.0	31.4

As part of the Government’s Industry Innovation and Competitiveness Agenda, the Government will provide \$188.5 million over four years from 2014-15 (\$7.6 million in 2014-15, \$36.9 million in 2015-16, \$56.5 million in 2016-17 and \$87.5 million in 2017-18) to establish Industry Growth Centres. The Centres will bring together expertise from business and industry, the scientific and research communities and the university sector.

Initially, the Centres will be established in five industry sectors: food and agribusiness; mining equipment, technology and services; oil, gas and energy resources; medical technologies and pharmaceuticals; and advanced manufacturing.

The Centres will be required to develop a plan to become self-sustaining after four years.

This measure includes:

- \$63.0 million over four years for the Centres to develop and deliver large-scale collaborative projects to build the capability and competitiveness of their sectors;
- \$60.0 million over four years to address sector-wide impediments to access to early stage finance through grants of up to \$1.0 million, to be matched by recipients, to support projects to commercialise new ideas. This element will be delivered through the *Entrepreneurs’ Infrastructure Programme* announced in the 2014-15 Budget; and
- \$54.5 million over four years (up to \$3.5 million per annum for each Centre) for operating and administration costs, and a further \$11.0 million over four years to support connections between businesses and the Centres.

While a provision for this funding has already been included in the forward estimates, this measure has a year-on-year impact.

The Government’s Industry Innovation and Competitiveness Agenda focuses on Australia’s strengths, lowering business costs to foster economic growth and future prosperity.

Further information can be found in the joint press release of 14 October 2014 issued by the Prime Minister and the Minister for Industry.



**Industry Skills Fund — Training for Employment Scholarships and Youth Employment Pathways — establishment**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	5.8	34.4	3.1	-
<i>Related capital (\$m)</i>					
<i>Department of Industry</i>	-	0.3	0.1	..	-

The Government will provide \$43.8 million over three years from 2014-15 to establish two pilot programmes to assist young people in regional areas and areas of high youth unemployment to transition into employment, education or training. The pilots will start on 1 March 2015 and will be evaluated in 2016 to assess their effectiveness.

The *Training for Employment Scholarships* pilot programme will provide \$37.6 million over three years for 7,500 training vouchers for up to 26 weeks of accredited or non-accredited training. The vouchers will be available to eligible employers who employ a young person aged 18 to 24 years for a period of at least 12 months and for at least 25 hours per week. The vouchers will provide up to \$7,500 depending on training needs.

The *Youth Employment Pathways* pilot programme will provide \$6.2 million over three years for 3,000 vouchers for community service organisations to purchase or provide services to address non-vocational barriers to employment for young people aged 15 to 18 years not participating in school, education or employment. The vouchers will provide up to \$2,000 per person depending on training needs and the outcomes achieved.

Further information can be found in the press release of 8 September 2014 issued by the Minister for Industry.

**National Construction Code — online provision**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	-	-	-	-

The Government will provide \$7.0 million over four years from 2014-15 to make the National Construction Code (the Code) available online free of charge. The Code, currently updated yearly, will also change to a three-year update cycle.

Providing the Code online for free will reduce costs for businesses and extend the reach of the Code from about 12,000 registered users to approximately 200,000 participants in the building and plumbing industry, as well as to consumers who have an interest in building and plumbing regulations.

Funding for this measure was included as a 'decision taken but not yet announced' in the 2014-15 Budget.

Further information can be found in the press release of 30 May 2014 issued by the Parliamentary Secretary to the Minister for Industry.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**National Training System Commonwealth Own Purpose Expenditure — reduction**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	-20.3	-20.2	-14.4	-13.8

The Government will achieve savings of \$68.7 million over four years from 2014-15 by reducing funding for the National Training System Commonwealth Own Purpose Expenditure (NTS-COPE). Funding of \$121.3 million over four years will remain available under the NTS-COPE to continue to support the operation and management of the national training system.

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

See also the related expense measure titled *Australian Skills Quality Authority – revised regulatory model*.

**Skills for Education and Employment — reduction**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	-14.9	-13.5	-10.2	-5.2

The Government will achieve savings of \$43.8 million over four years from 2014-15 by reducing the number of training places under the *Skills for Education and Employment* programme by 3,000 places in 2014-15, 2,700 in 2015-16, 2,010 in 2016-17 and 1,000 in 2017-18. The programme will continue to support over 110,000 places over the four years.

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

**Smaller Government — Australian Workforce and Productivity Agency**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	-0.9	-0.9	-0.9	-0.9

The Government will achieve savings of \$3.6 million over four years from 2014-15 by abolishing the Australian Workforce and Productivity Agency. Advice to the Government on skills and workforce development needs will be provided by the Department of Industry.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

**Smaller Government — Industry portfolio**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	-	-	-	-

The Government will further reduce the number of government bodies in the Industry portfolio, to increase efficiency in how public funds are used to deliver services to the community.

The following government bodies will be abolished, with any ongoing functions to be performed by the Department of Industry: Central Trades Committee; Innovation Australia – Commercialisation Australia Board; National Precincts Board; Pharmaceutical Industry Working Group; and Bureau of Resources and Energy Economics Advisory Board. In addition, the Advisory Council on Intellectual Property and the Plant Breeder’s Rights Advisory Committee will merge with IP Australia. The Business Design Reference Group will be merged into the Business Online Services Management Committee.

The Government has abolished: the CSIRO Australia Telescope National Facility Steering Committee; Extractive Industries Transparency Initiative Multi-Stakeholder Group; Flexible Learning Advisory Group; Innovation Australia – Clean Technology Food and Foundries Investment Committee; Innovation Australia – Clean Technology Innovation Committee; Innovation Australia – Clean Technology Investment Committee; Innovation Australia – Innovation Grants Committee; Innovation Australia – R&D Tax Incentive Advisory Committee; Innovation Australia – Venture Capital Committee; Manufacturing Leaders Group; National Advisory for Tertiary Education, Skills and Employment; National Senior Officials Committee; National Skills Standards Council; National VET Equity Advisory Council; Services Leaders Group; Smart Grid Smart City – Strategic Policy and Regulatory Steering Committee; Study on the Eastern Australian Domestic Gas Market – Industry Reference Group; and Technical Advisory Committee for the Coal Mining Abatement Technology Support Package.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Support for Adult Australian Apprenticeships — payments to apprentices — cessation**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Industry	-	-	-8.3	-28.8	-29.0

The Government will achieve savings of \$66.1 million over three years from 2015-16 by ceasing payments to apprentices under Support for Adult Australian Apprenticeships (SAAA) from 1 July 2015. The SAAA is a component of the *Australian Apprenticeships Incentives Programme* and provides a wage subsidy payable directly to apprentices earning below the National Minimum Wage or to their employers if the wage is above the National Minimum Wage. The Government will continue to provide SAAA payments to employers.

Financial support to assist apprentices with the costs of undertaking an apprenticeship will be provided under the *Trade Support Loans Programme* 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.

## INFRASTRUCTURE AND REGIONAL DEVELOPMENT

### Concessional Loan to the Australian Capital Territory Government — Mr Fluffy loose-fill asbestos remediation

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Infrastructure and Regional Development	-	21.1	6.5	-	-
<i>Related revenue (\$m)</i>					
<i>Department of Infrastructure and Regional Development</i>	-	15.3	41.4	41.6	36.5

The Government will provide a concessional loan of up to \$1 billion over ten years to the Australian Capital Territory (ACT) Government to assist in administering its proposed loose-fill asbestos remediation programme for houses affected by Mr Fluffy loose-fill asbestos. The loan recognises the unique circumstances associated with the scale and cost of the remedial programme relative to the ACT Government's annual budget. Under the terms of the loan, the final cost of the programme will be borne entirely by the ACT Government.

The interest revenue accruing on the loan will be offset by the increased public debt interest which is accounted for separately in the financial statements.

Further information can be found in the press release of 28 October 2014 issued by the Minister for Employment.

### Infrastructure Investment Programme — reduced funding

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Infrastructure and Regional Development	-	-	-	-	-
Department of the Treasury	-	-1.0	-4.3	-	-
Total — Expense	-	-1.0	-4.3	-	-

The Government will achieve savings of \$5.3 million over two years from the Infrastructure Investment Programme (IIP). Savings from the Moreton Bay Rail Link project, which would otherwise have been reallocated within the IIP, will instead be returned to the Budget.

The savings from this measure will be redirected to offset the *Great Artesian Basin Sustainability Initiative – extension* measure.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Northern Australia Sustainable Futures Programme — reduced funding**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Infrastructure and Regional Development	-	-1.0	-	-	-

The Government will achieve savings of \$1.0 million in 2014-15 from the *Northern Australia Sustainable Futures programme*.

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

**Paid parking on national land in the suburbs of Parkes, Barton, Russell and Acton (ACT) — revised implementation arrangements**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
National Capital Authority	-	3.3	3.3	3.4	3.5
<i>Related revenue (\$m)</i>					
<i>National Capital Authority</i>	-	-2.9	4.3	5.7	4.7
<i>Related capital (\$m)</i>					
<i>National Capital Authority</i>	-	0.8	1.0	1.0	1.1

The Government will provide an additional \$17.3 million over four years to assist with the implementation and enforcement of paid parking on Government owned car parks on national land in the ACT suburbs of Parkes, Barton, Russell and Acton. This additional funding includes capital of \$3.9 million over four years for maintenance of selected car parks.

The revised implementation arrangements are also estimated to provide net additional revenue of \$11.8 million over four years, with increased revenue as a result of changes to the original fee schedule, partially offset by a loss of revenue arising from the delay in implementation from 1 July 2014 to 1 October 2014.

This measure builds on the 2013-14 Budget measure titled *Paid parking on National Land in the suburbs of Parkes, Barton, Russell and Acton (ACT)*.

**Smaller Government — Infrastructure and Regional Development Portfolio**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Infrastructure and Regional Development	-	-	-0.5	-0.5	-0.5

The Government will further reduce the number of government bodies in the Infrastructure and Regional Development portfolio.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The Government will abolish the following advisory bodies with any ongoing functions to be performed by the Department of Infrastructure and Regional Development: the Inter-Jurisdictional Working Group; the Local Government Ministers' Forum; the Urban Policy Forum; the Australian Council of Local Government and the National Disaster Recovery Taskforce. The Reconstruction Inspectorate will also be abolished with residual functions to be consolidated into Emergency Management Australia and the Attorney-General's Department. The Accessible Public Transport National Advisory Committee and the Accessible Public Transport Jurisdictional Committee will merge.

The Government has already abolished: the Infrastructure Coordinator; the Northern Australia Indigenous Experts Forum on Sustainable Economic Development; the Expert Advisory Panel on Northern Australia; the Marine Council; the Northern Australia Ministerial Forum and the Regional Australia Standing Council.

The Inspector of Transport Security will be appointed on a retainer basis, supported by a panel of pre-qualified professional experts that can be drawn upon when the Minister initiates a review of a security incident, and specialist support staff for the Inspector will be consolidated into the Department of Infrastructure and Regional Development. These reforms will remove overheads associated with a full-time office supporting the Inspector.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

## PRIME MINISTER AND CABINET

### Municipal and Essential Services — transition arrangements

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of the Prime Minister and Cabinet	-	-	-	-	-

The Government provided \$46.3 million in 2014-15 to allow the Commonwealth to continue delivering municipal and essential services to remote Indigenous communities while negotiating the transition of responsibility to state governments.

Additionally, funding of \$120.9 million was redirected from within the existing resourcing of the Department of the Prime Minister and Cabinet for a transition fund to assist the governments of Queensland, Victoria, Tasmania and Western Australia to take on full responsibility for municipal and essential services in Indigenous communities.

Funding for this measure was included as a 'decision taken but not yet announced' in the 2014-15 Budget pending the outcome of negotiations.

Queensland, Victoria and Tasmania have all agreed to assume responsibility from 1 October 2014. Western Australia has agreed to assume responsibility from 1 July 2015.

Municipal and essential services are a state and territory responsibility and include the operation and maintenance of power, water and sewage services, garbage collection and disposal, roads, landscaping and dust control, and animal and environmental health programmes.

Further information can be found in the press release of 24 September 2014 issued by the Minister for Indigenous Affairs.

### Office of the Official Secretary to the Governor-General — additional funding

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Office of the Official Secretary to the Governor-General	-	-	-	-	-

The Government will provide \$1.1 million over four years to the Office of the Official Secretary to the Governor-General to support the Governor-General in his official activities.

Funding for this measure was included as a 'decision taken but not yet announced' in the 2014-15 Budget.



Appendix A: Policy decisions taken since the 2014-15 Budget

**Reform of the Remote Jobs and Communities Programme**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Social Services	-	16.8	64.3	63.5	39.8
Department of Human Services	-	1.0	0.7	-1.0	-2.5
Department of Employment	-	0.2	-	-	-
Department of the Prime Minister and Cabinet	-	-25.3	-51.2	-14.0	-0.4
<b>Total — Expense</b>	<b>-</b>	<b>-7.4</b>	<b>13.8</b>	<b>48.6</b>	<b>36.8</b>
<i>Related capital (\$m)</i>					
<i>Department of Employment</i>	-	3.0	-	-	-

The Government will provide an additional \$94.9 million, and redirect existing funding of \$1.5 billion over four years from 2014-15, to reform the *Remote Jobs and Communities Programme* (RJCP) to implement work for the dole in remote communities. The additional investment will contribute toward the provision of meaningful work-like experience for job seekers, such as house painting and maintenance of community facilities, to aid transition into employment.

All adults aged between 18 and 49 living in remote Australia, not in work or study, with a capacity to work and in receipt of income support will be required to participate in work for the dole activities for up to 25 hours per week, throughout the year.

The Government is also reforming outcome payments for employment service providers to facilitate the creation of a demand driven remote employment service that rewards employment outcomes, and reduces incentives to refer job seekers to training not linked to a job.

This delivers on the Government's election commitment.

Further information can be found in the press release of 6 December 2014 issued by the Minister for Indigenous Affairs.

**Smaller Government — Prime Minister and Cabinet Portfolio**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of the Prime Minister and Cabinet	-	-	..	..	..

The Government will further reduce the number of government bodies by abolishing the Australia in the Asian Century Advisory Board and the Official Establishments Trust.

The Government has also abolished the First Peoples' Education Advisory Group and has ceased the Indigenous Development Effectiveness Initiative Steering Committee, recognising that it has completed its work programme.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

## SOCIAL SERVICES

### Cessation of social security benefits for certain people confined in a psychiatric institution

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Human Services	-	0.5	0.1	0.1	..
Department of Social Services	-	0.1	-8.6	-10.1	-11.6
Total — Expense	-	0.6	-8.5	-10.0	-11.6

The Government will achieve savings of \$29.5 million over four years from 2014-15 by ceasing payment of social security benefits to people who are incarcerated or confined in a psychiatric institution under state or territory law due to serious criminal charges because they were considered unfit to stand trial or were not convicted due to mental impairment. This will ensure the same social security treatment of people in the criminal justice system whether they reside in a psychiatric or penal institution.

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

### Dementia and Severe Behaviours Supplement — cessation

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Veterans' Affairs	-	-	-1.8	-1.9	-2.0
Department of Social Services	-	-	-10.9	-11.4	-12.0
Total — Expense	-	-	-12.7	-13.2	-13.9

The Government achieved savings of \$39.8 million over three years by ceasing the *Dementia and Severe Behaviours Supplement* from 31 July 2014.

The Government will consider, in consultation with the aged care sector, alternative arrangements to support people with severe behaviours and psychological symptoms of dementia in aged care facilities.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Disability Support Pension — revised assessment process**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Social Services	-	nfp	nfp	nfp	nfp
Department of Employment	-	nfp	nfp	nfp	nfp
Department of Human Services	-	nfp	nfp	nfp	nfp
Administrative Appeals Tribunal	-	nfp	nfp	nfp	nfp
<b>Total — Expense</b>	-	-	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Human Services</i>	-	nfp	nfp	nfp	nfp
<i>Department of Employment</i>	-	nfp	nfp	nfp	nfp
<b>Total — Capital</b>	-	-	-	-	-

From 1 January 2015, a revised assessment process will be introduced for the Disability Support Pension (DSP) and a treating doctor's report will no longer be required on application.

Following an assessment by a Job Capacity Assessor (JCA), a Government Contracted Doctor (GCD) will assess the DSP applicant's impairment rating. The GCD or JCA will review the claimant's medical records and may contact their treating doctor for further information.

The expenditure for this measure is not for publication to protect the integrity of the tender process.

**Disability Support Pension — revised portability arrangements**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Social Services	-	-0.5	6.0	9.0	9.3
Department of Human Services	-	-1.4	-2.2	-1.9	-2.4
<b>Total — Expense</b>	-	-2.0	3.8	7.1	6.9

The Government has amended the portability arrangements announced in the 2014-15 Budget titled *Disability Support Pension – reduced portability* at a net cost of \$15.9 million over four years.

Commencing 1 January 2015, Disability Support Pension (DSP) recipients will still receive DSP for a maximum of four weeks in a 12 month period should they travel overseas. However, following an absence of four weeks overseas, DSP recipients would now have 14 days to return to Australia before their payment is cancelled.

Portability extension and exception provisions, which allow a longer or unlimited portability period under special circumstances, will continue to apply.

**Family Payment Reform — maintain Family Tax Benefit payment rates — one year extension**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Human Services	-	-	-	1.2	0.4
Department of Health	-	-	-	-0.2	-2.1
Department of Social Services	-	-	-	-383.3	-384.4
Total — Expense	-	-	-	-382.3	-386.0

The Government will achieve savings of \$768.3 million over two years by maintaining the current Family Tax Benefit (FTB) payment rates until 1 July 2017.

Under this measure, indexation of the maximum and base rates of FTB Part A, and the rate of FTB Part B, will be maintained for an additional year from 1 July 2016 to 1 July 2017.

This measure preserves the intent of the 2014-15 Budget measure titled *Family Payment Reform – maintain Family Tax Benefit payment rates for two years* as legislation was not passed in time for the start date outlined in the Budget.

**Maintain eligibility thresholds for Australian Government payments — one year extension**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Human Services	-	-	-	0.1	0.8
Department of Social Services	-	-	-	-	-109.9
Total — Expense	-	-	-	0.1	-109.1

The Government will achieve savings of \$109.0 million by maintaining eligibility thresholds for certain Australian Government payments for one additional year from 1 July 2017 to 1 July 2018.

Affected payments include Family Tax Benefit, Newstart Allowance and Parenting Payments.

Eligibility thresholds for pension and pension related payments, and the Child Care Benefit and Child Care Rebate will not be affected by this measure.

This measure preserves the intent of the 2014-15 Budget measure titled *Maintain eligibility thresholds for Australian Government payments for three years* as legislation was not passed in time for the start date outlined in the Budget.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Masters By Coursework — not proceed with extending income support**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Social Services	-	-	-	-34.1	-69.8

The Government will achieve savings of \$103.9 million over two years from 2016-17 by not extending student income support, including Youth Allowance (student) and Austudy, to all students undertaking a Masters degree by coursework.

Income support will continue to be available for those students undertaking a Masters degree by coursework deemed to be the fastest or only pathway for gaining professional employment.

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

**National Disability Insurance Scheme — extension of the Australian Capital Territory trial**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
National Disability Insurance Agency	-	-9.1	-10.4	0.1	-0.8

The Government has agreed with the Australian Capital Territory (ACT) Government to amend the participant intake schedule and extend the National Disability Insurance Scheme (NDIS) trial in the ACT by three months to September 2016, at which time the ACT will become the first jurisdiction to reach full rollout of the NDIS.

These changes are at the request of the ACT Government, and utilise trial experience to date to optimise the NDIS rollout in the ACT.

**National Security — New Counter-Terrorism Measures for a Safer Australia — cancelling welfare payments to extremists**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Social Services	-	-	-	-	-
Department of Human Services	-	-	-	-	-
Total — Expense	-	-	-	-	-

The Government will provide \$2.5 million over four years to ensure people engaged in terrorist activities are not receiving Australian Government welfare payments.

Under this measure relevant agencies will work more closely together to share information on issues of national security where it relates to cancelling welfare to people who are assessed as a threat.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The cost of this measure will be met from within the existing resources of the Department of Social Services and the Department of Human Services.

These national security measures underline the Government's commitment to a safe and secure Australia.

Further information can be found in the press release of 16 August 2014 jointly issued by the Prime Minister and the Minister for Social Services.

**Residential Care — Pre-Entry Leave subsidy — cessation**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Human Services	-	-	-	-	-
Department of Veterans' Affairs	-	-	-0.5	-0.5	-0.6
Department of Social Services	-	-	-3.2	-3.3	-3.5
Total — Expense	-	-	-3.7	-3.9	-4.1
<i>Related capital (\$m)</i>					
<i>Department of Human Services</i>	-	-	-	-	-

The Government will achieve savings of \$11.6 million over three years from 1 July 2015 by ceasing the pre-entry leave subsidy to residential aged care providers for holding a place for up to seven days prior to a resident entering care in a residential care facility.

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

**Smaller Government — Social Services Portfolio**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Social Services	-	-	-	-	-

The Government has reduced the number of government bodies in the Social Services portfolio.

The Government has abolished the following bodies with ongoing functions to be performed by the Department of Social Services: the Aged Care Planning Advisory Committee; the Aged Care Reform Implementation Council; the Healthy Life Better Ageing Committee; the National Children and Family Roundtable; and the National People with Disabilities and Carer Council.

The Aged Care Standards and Accreditation Agency Ltd has been ceased with its ongoing functions now performed by the Australian Aged Care Quality Agency.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The Minister's Dementia Advisory Group has also been ceased, with issues now dealt with through the Aged Care Sector Committee and the time-limited Dementia Advisory Forum.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.



## TREASURY

### Global Infrastructure Hub

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of the Treasury	-	4.1	8.0	7.1	7.1
Department of Infrastructure and Regional Development	-	-	-11.3	-	-
Department of Finance	-	-	-18.7	-	-
Total — Expense	-	4.1	-22.0	7.1	7.1

On 16 November 2014, G20 Leaders agreed to establish a Global Infrastructure Hub in Sydney to help implement the G20 multi-year infrastructure initiative. The Hub will work internationally to leverage greater private sector involvement in infrastructure. It will do this through information development, knowledge sharing, training and the implementation of leading practices. The Government will contribute \$30 million to the establishment and operation of the Hub until 2018. Additional financial contributions, and in-kind resourcing, are also expected from other governments, international organisations, development banks and the private sector.

Funding for the Hub will be provided from the unallocated funding within the Infrastructure Investment Programme (\$11.3 million) and the Moorebank Units Relocation contingency (\$18.7 million) over the forward estimates period.

Further information about the details of the Hub can be found on the G20 website [www.g20australia.org](http://www.g20australia.org).

### Smaller Government — Treasury Portfolio

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Various Agencies	-	-	-	-	-

The Government will abolish the *Development Allowance Authority* and will consolidate its functions into the Australian Taxation Office. In addition, the Australian Office of Financial Management will consolidate its back office functions with the Department of the Treasury. The Government has also abolished the National Injury Insurance Scheme Advisory Group and the Australian Financial Centre Taskforce.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

*Appendix A: Policy decisions taken since the 2014-15 Budget*

**Superannuation — Small Business Superannuation Clearing House**

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	-	-	-	-
Department of Human Services	-	-0.9	-0.5	-0.6	-0.6
Total — Expense	-	-0.9	-0.5	-0.6	-0.6

From 1 July 2015, the Government will expand access to the Small Business Superannuation Clearing House (SBSCH) for small businesses with annual aggregated turnover below the annual small business entity turnover threshold, currently set at \$2 million. Currently, small businesses that employ more than 19 employees are not eligible to use the service.

The Government will not proceed with the former Government's plan to extend the SBSCH to medium sized businesses, as announced in the press release of 26 November 2014 issued by the Minister for Small Business. This measure is estimated to have a net saving of \$2.6 million over the forward estimates period.

This measure delivers on the Government's election commitment to reduce the superannuation compliance burden for small business by ensuring that all small businesses are provided with a cost free solution to help them meet their superannuation obligations.

## VETERANS' AFFAIRS

### Repatriation Pharmaceutical Benefits Scheme — new listings and price amendments

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Veterans' Affairs	-	..	-0.1	-0.1	-0.1

The Government will achieve savings of \$0.3 million over four years, by agreeing to a number of new listings on the Repatriation Schedule of Pharmaceutical Benefits (the Schedule) from 1 December 2014. The new listings 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).

Savings will be achieved primarily due to the cost of new items being less than comparable items already listed.

The Government has also agreed to price changes for suppliers from 1 December 2014 on a range of items already listed on the Schedule.

The RPBS was established to meet the specific clinical needs of veterans with health conditions arising from war or military service.

### Smaller Government — Veterans' Affairs

Expense (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Veterans' Affairs	-	-	-	-	-

The Government will further reduce the number of bodies in the Department of Veterans' Affairs (DVA) as part of the third phase of the Smaller Government reforms.

The Government will abolish the following bodies with any residual responsibilities to be managed by the Department of Veterans' Affairs: the Australian National Memorial New Zealand Advisory Panel; the Community Nursing Clinical Advisory Committee; the eHealth Technical Advisory Group; the Gulf War Study Advisory Committee; the Peacekeepers Study Advisory Committee; the Research Working Group; the Vietnam Veterans Education Centre Advisory Panel; the Vietnam Veterans Family Study Consultative Forum; and the Anzac Centenary Public Fund Board (to sunset in 2019).

*Appendix A: Policy decisions taken since the 2014-15 Budget*

The Government will merge the Dental Advisory Committee, the Optical Advisory Committee and the Rehabilitation Appliances Program Reference Committee into the Allied Health Advisory Committee. The Government will also merge the DVA Human Research Ethics Committee with the Department of Defence's Australian Defence Human Research Ethics Committee (in 2017) and the Local Medical Officer Advisory Committee with the Health Innovation Clinical Reference Group. Also the three Medicines Advice and Therapeutic Education Services Groups (the Practitioner Reference Group; Veterans Reference Group; and Writing Group) will merge into a new arrangement which will be informed by an independent review.

The Government has already ceased the Current and Former Members of the Australian Defence Force Emerging Issues Forum; the National Health, Aged and Community Care Forum; and the Operational Working Party.

This measure is part of the third phase of the Smaller Government reforms which reduce the size and complexity of government.

The Smaller Government reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

## Capital Measures

**Table 3: Capital measures since the 2014-15 Budget<sup>(a)</sup>**

Page	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>ATTORNEY-GENERAL'S</b>					
<i>Attorney-General's Department</i>					
National Security					
135	-	6.0	0.1	0.1	0.1
136	-	1.4	-	-	-
137	-	0.9	-	-	-
138	-	-	-2.0	-2.3	-2.3
138	-	0.6	-	-	-
<i>Australian Crime Commission</i>					
135	-	3.4	-	-	-
<i>Australian Federal Police</i>					
National Security					
135	-	4.9	0.1	-	-
207	-	0.4	0.3	-	-
137	-	4.1	0.7	-	-
<i>Australian Security Intelligence Organisation</i>					
135	-	15.7	13.8	14.1	13.5
<i>Australian Transaction Reports and Analysis Centre</i>					
135	-	-	3.0	3.6	-
<i>CrimTrac Agency</i>					
133	-	1.6	-	-	-
<b>Portfolio total</b>					
	-	<b>38.9</b>	<b>16.0</b>	<b>15.6</b>	<b>11.4</b>
<b>COMMUNICATIONS</b>					
<i>Australian Broadcasting Corporation</i>					
141	-	-	-	-14.0	-
<b>Portfolio total</b>					
	-	-	-	<b>-14.0</b>	-
<b>EDUCATION</b>					
<i>Department of Education</i>					
176	-	-	-	-	-
<b>Portfolio total</b>					
	-	-	-	-	-

Appendix A: Policy decisions taken since the 2014-15 Budget

**Table 3: Capital measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
	<b>EMPLOYMENT</b>					
	<i>Department of Employment</i>					
194	Disability Support Pension – revised assessment process(b)	-	nfp	nfp	nfp	nfp
156	Employment Services 2015(b)	-	-	-	-	-
176	Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas(b)	-	-	-	-	-
191	Reform of the Remote Jobs and Communities Programme(b)	-	3.0	-	-	-
158	Strengthening the Job Seeker Compliance Framework(b)	-	0.9	-	-	-
	<b>Portfolio total</b>	-	<b>4.0</b>	-	-	-
	<b>FINANCE</b>					
	<i>Department of Finance</i>					
208	National Security – Electorate Offices security upgrades	-	0.8	0.2	-	-
	<b>Portfolio total</b>	-	<b>0.8</b>	<b>0.2</b>	-	-
	<b>FOREIGN AFFAIRS AND TRADE</b>					
	<i>Australian Secret Intelligence Service</i>					
135	National Security – additional counter-terrorism funding(b)	-	7.0	5.8	3.5	3.1
	<i>Department of Foreign Affairs and Trade</i>					
164	Kyiv – interim embassy and Operation Bring Them Home(b)	-	2.8	-	-	-
	<b>Portfolio total</b>	-	<b>9.8</b>	<b>5.8</b>	<b>3.5</b>	<b>3.1</b>
	<b>HEALTH</b>					
	<i>Department of Health</i>					
176	Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas(b)	-	-	-	-	-
169	Pharmaceutical Benefits Scheme – new and amended listings(b)	-	0.4	..	-	-
	<b>Portfolio total</b>	-	<b>0.4</b>	<b>..</b>	-	-
	<b>HUMAN SERVICES</b>					
	<i>Department of Human Services</i>					
194	Disability Support Pension – revised assessment process(b)	-	nfp	nfp	nfp	nfp
156	Employment Services 2015(b)	-	-	-	-	-
176	Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas(b)	-	-	-	-	-
169	Pharmaceutical Benefits Scheme – new and amended listings(b)	-	1.7	1.1	-	-
197	Residential Care – Pre-Entry Leave subsidy – cessation(b)	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>1.7</b>	<b>1.1</b>	-	-

Appendix A: Policy decisions taken since the 2014-15 Budget

**Table 3: Capital measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>IMMIGRATION AND BORDER PROTECTION</b>						
<i>Australian Customs and Border Protection Service</i>						
177	Maintaining the response capability for Illegal Maritime Arrivals(b)	-	11.8	-	-	-
135	National Security – additional counter-terrorism funding(b)	-	16.5	19.8	1.5	..
<i>Department of Immigration and Border Protection</i>						
176	Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas(b)	-	0.8	2.2	-	-
135	National Security – additional counter-terrorism funding(b)	-	7.0	2.6	2.0	1.0
209	Offshore Processing for Illegal Maritime Arrivals – discontinuation of capital works	-16.5	-80.0	-	-	-
<b>Portfolio total</b>		<b>-16.5</b>	<b>-43.9</b>	<b>24.7</b>	<b>3.5</b>	<b>1.0</b>
<b>INDUSTRY</b>						
<i>Department of Industry</i>						
179	Australian Apprenticeships Management System – information technology(b)	-	nfp	nfp	nfp	nfp
183	Industry Skills Fund – Training for Employment Scholarships and Youth Employment Pathways – establishment(b)	-	0.3	0.1	..	-
<i>National Vocational Education and Training Regulator (Australian Skills Quality Authority)</i>						
180	Australian Skills Quality Authority – revised regulatory model(b)	-	2.4	2.1	0.1	0.5
<b>Portfolio total</b>		<b>-</b>	<b>2.7</b>	<b>2.1</b>	<b>0.1</b>	<b>0.5</b>
<b>INFRASTRUCTURE AND REGIONAL DEVELOPMENT</b>						
<i>National Capital Authority</i>						
188	Paid parking on national land in the suburbs of Parkes, Barton, Russell and Acton (ACT) – revised implementation arrangements(b)	-	0.8	1.0	1.0	1.1
<b>Portfolio total</b>		<b>-</b>	<b>0.8</b>	<b>1.0</b>	<b>1.0</b>	<b>1.1</b>
<b>PARLIAMENT</b>						
<i>Department of Parliamentary Services</i>						
207	National Security – Australian Parliament House security upgrades	-	108.2	0.2	-	-
<b>Portfolio total</b>		<b>-</b>	<b>108.2</b>	<b>0.2</b>	<b>-</b>	<b>-</b>
<b>PRIME MINISTER AND CABINET</b>						
<i>Office of National Assessments</i>						
135	National Security – additional counter-terrorism funding(b)	-	0.1	0.1	..	..
<b>Portfolio total</b>		<b>-</b>	<b>0.1</b>	<b>0.1</b>	<b>..</b>	<b>..</b>

Appendix A: Policy decisions taken since the 2014-15 Budget

**Table 3: Capital measures since the 2014-15 Budget<sup>(a)</sup> (continued)**

Page		2013-14	2014-15	2015-16	2016-17	2017-18
		\$m	\$m	\$m	\$m	\$m
	<b>SOCIAL SERVICES</b>					
	<i>Department of Social Services</i>					
156	Employment Services 2015(b)	-	-	-	-	-
176	Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas(b)	-	-	-	-	-
	<b>Portfolio total</b>	-	-	-	-	-
	<b>TREASURY</b>					
	<i>Australian Securities and Investments Commission</i>					
210	Enhanced Public Register of Financial Advisers – establishment	-	3.4	-	-	-
	<i>Australian Taxation Office</i>					
151	Higher Education Reforms – amendments(b)	-	0.6	-	-	-
112	Industry Innovation and Competitiveness Agenda – Employee Share Schemes(c)	-	-	2.2	-	-
210	New Commonwealth Building in Gosford, New South Wales	-	-	3.8	8.8	-
107	Repeal of the Minerals Resource Rent Tax and related measures(c)	-	-	1.5	-	-
116	Superannuation – Superannuation Guarantee Charge(c)	-	-	1.1	-	-
	<i>Department of the Treasury</i>					
176	Introduction of Temporary Protection Visas and Safe Haven Enterprise Visas(b)	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>4.0</b>	<b>8.5</b>	<b>8.8</b>	-
	<b>Decisions taken but not yet announced</b>	-	<b>7.9</b>	<b>21.6</b>	<b>35.8</b>	<b>8.4</b>
	<b>Depreciation expense</b>	-	-	<b>-0.3</b>	<b>-1.1</b>	<b>-1.1</b>
	<b>Total capital measures(d)</b>	<b>-16.5</b>	<b>135.2</b>	<b>81.0</b>	<b>53.1</b>	<b>24.4</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.



## ATTORNEY-GENERAL'S

### National Security — Australian Parliament House security upgrades

Capital (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Parliamentary Services	-	108.2	0.2	-	-
Australian Federal Police	-	0.4	0.3	-	-
<b>Total — Capital</b>	-	<b>108.6</b>	<b>0.5</b>	-	-
<i>Related expense (\$m)</i>					
<i>Australian Federal Police</i>	-	18.3	17.5	17.5	17.6
<i>Department of Parliamentary Services</i>	-	3.9	5.6	5.4	3.8
<b>Total — Expense</b>	-	<b>22.1</b>	<b>23.1</b>	<b>23.0</b>	<b>21.4</b>

The Government will provide \$198.7 million over four years (including \$109.1 million in capital funding and \$89.6 million in expense funding) for the Department of Parliamentary Services and the Australian Federal Police (AFP) to enhance security of Australian Parliament House.

The enhancements include upgrades of closed circuit television equipment and access systems, additional Parliamentary Protective Service Staff and an increased AFP presence.

These national security measures underline the Government's commitment to a safe and secure Australia.

## FINANCE

### National Security — electorate offices security upgrades

Capital (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Finance	-	0.8	0.2	-	-

The Government will provide \$1.0 million over two years from 2014-15 to the Department of Finance for capital works to implement security upgrades of electorate offices to comply with the *Physical Security Minimum Guidelines for Electorate Offices of Federal Parliamentarians and Offices of Former Prime Ministers*.

These national security measures underline the Government's commitment to a safe and secure Australia.

## IMMIGRATION AND BORDER PROTECTION

### Offshore Processing for Illegal Maritime Arrivals — discontinuation of capital works

Capital (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Department of Immigration and Border Protection	-16.5	-80.0	-	-	-

The Government will achieve savings of \$96.5 million over two years by ceasing funding provided for the construction of a facility in Papua New Guinea to accommodate failed asylum seekers prior to their removal.

Asylum seekers who are found not to be owed protection will be accommodated within the broader offshore processing network until appeals and repatriation processes are finalised.

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

See also the related expense measure titled *Maintaining the response capability for Illegal Maritime Arrivals*.

## TREASURY

### Enhanced Public Register of Financial Advisers — establishment

Capital (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Securities and Investments Commission	-	3.4	-	-	-
<i>Related revenue (\$m)</i>					
Australian Securities and Investments Commission	-	2.6	1.2	1.2	1.3
<i>Related expense (\$m)</i>					
Australian Securities and Investments Commission	-	0.7	0.5	0.5	0.4

The Government will provide \$5.5 million over four years (including \$3.4 million capital in 2014-15) to the Australian Securities and Investments Commission to establish an enhanced public register of financial advisers. The register will improve transparency and make it easier for consumers to verify the credentials of financial advisers. The cost of establishing the register will be met by increasing the lodgement fees for Australian Financial Services licencees.

Further information can be found in the press release of 24 October 2014 by the Minister for Finance.

### New Commonwealth Building in Gosford, New South Wales

Capital (\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Australian Taxation Office	-	-	3.8	8.8	-
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	-	-	1.2	-13.7

The Australian Taxation Office (ATO) will lease and fit out a building on the New South Wales Central Coast (Gosford) to accommodate up to 600 Commonwealth employees.

The cost of this measure will be met from a rationalisation of existing ATO property holdings and efficiencies from information technology procurement.

This measure delivers on the Government's election commitment. Further information can be found in the *Coalition's Growth Plan for the Central Coast*.

## **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 and the total non-financial public sector (NFPS). 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	
		2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Revenue</b>					
Taxation revenue	3	361,959	387,249	413,821	440,468
Sales of goods and services	4	9,190	9,258	11,453	16,070
Interest income	5	3,987	4,672	5,031	5,322
Dividend income	5	3,396	3,170	3,644	4,113
Other	6	7,344	7,333	7,087	7,200
<b>Total revenue</b>		<b>385,876</b>	<b>411,682</b>	<b>441,036</b>	<b>473,174</b>
<b>Expenses</b>					
Gross operating expenses					
Wages and salaries(a)	7	19,221	19,744	19,901	20,183
Superannuation	7	6,777	4,340	4,275	4,305
Depreciation and amortisation	8	6,787	6,962	7,218	7,401
Supply of goods and services	9	80,809	81,665	84,059	87,776
Other operating expenses(a)	7	5,472	5,367	5,477	5,583
<i>Total gross operating expenses</i>		<i>119,067</i>	<i>118,078</i>	<i>120,931</i>	<i>125,248</i>
Superannuation interest expense	7	8,989	9,630	9,979	10,333
Interest expenses	10	16,387	17,871	19,239	19,925
Current transfers					
Current grants	11	124,201	129,562	137,552	149,279
Subsidy expenses		12,200	12,517	13,330	13,814
Personal benefits	12	131,506	136,183	141,501	146,375
<i>Total current transfers</i>		<i>267,907</i>	<i>278,262</i>	<i>292,383</i>	<i>309,468</i>
Capital transfers					
Mutually agreed write-downs		2,564	2,689	2,906	3,110
Other capital grants		7,984	9,953	10,658	7,227
<i>Total capital transfers</i>		<i>10,548</i>	<i>12,642</i>	<i>13,565</i>	<i>10,337</i>
<b>Total expenses</b>		<b>422,898</b>	<b>436,484</b>	<b>456,097</b>	<b>475,310</b>
<b>Net operating balance</b>		<b>-37,022</b>	<b>-24,801</b>	<b>-15,060</b>	<b>-2,136</b>
<b>Other economic flows - included in operating result</b>					
Net write-downs of assets					
(including bad and doubtful debts)		-6,154	-7,983	-8,514	-9,344
Assets recognised for the first time		321	336	353	364
Liabilities recognised for the first time		0	0	0	0
Actuarial revaluations		0	0	0	0
Net foreign exchange gains		28	46	100	107
Net swap interest received		-170	0	0	0
Market valuation of debt		-5,344	2,183	1,818	1,464
Other gains/(losses)		13,446	5,657	3,951	6,658
<b>Total other economic flows - included in operating result</b>		<b>2,127</b>	<b>240</b>	<b>-2,293</b>	<b>-751</b>
<b>Operating result(b)</b>		<b>-34,894</b>	<b>-24,562</b>	<b>-17,353</b>	<b>-2,887</b>
<b>Non-owner movements in equity</b>					
Revaluation of equity investments		-2,140	0	0	0
Actuarial revaluations		206	211	368	199
Other economic revaluations		-3,243	320	1,188	216
<b>Total other economic flows - included in equity</b>		<b>-5,177</b>	<b>531</b>	<b>1,556</b>	<b>416</b>
<b>Comprehensive result - Total change in net worth</b>		<b>-40,071</b>	<b>-24,031</b>	<b>-15,798</b>	<b>-2,472</b>

**Table B1: Australian Government general government sector operating statement (continued)**

	Note	Estimates		Projections	
		2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Net operating balance</b>		<b>-37,022</b>	<b>-24,801</b>	<b>-15,060</b>	<b>-2,136</b>
<b>Net acquisition of non-financial assets</b>					
Purchases of non-financial assets		11,222	10,528	9,832	11,545
<i>less</i> Sales of non-financial assets		2,317	1,353	208	1,668
<i>less</i> Depreciation		6,787	6,962	7,218	7,401
<i>plus</i> Change in inventories		471	454	428	417
<i>plus</i> Other movements in non-financial assets		195	-244	-116	6
<b>Total net acquisition of non-financial assets</b>		<b>2,784</b>	<b>2,422</b>	<b>2,718</b>	<b>2,899</b>
<b>Fiscal balance (Net lending/borrowing)(c)</b>		<b>-39,806</b>	<b>-27,223</b>	<b>-17,778</b>	<b>-5,035</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	
		2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Assets</b>					
Financial assets					
Cash and deposits	19(a)	3,825	4,163	3,799	4,404
Advances paid	13	46,208	52,854	61,928	70,785
Investments, loans and placements	14	130,197	134,782	148,537	151,097
Other receivables	13	46,024	49,145	52,622	56,190
Equity investments					
Investments in other public sector entities		35,478	42,348	49,558	52,153
Equity accounted investments		327	332	331	334
Investments - shares		41,724	45,061	48,904	52,352
<b>Total financial assets</b>		<b>303,784</b>	<b>328,685</b>	<b>365,679</b>	<b>387,315</b>
Non-financial assets					
Land	15	9,299	9,275	9,281	9,209
Buildings		26,125	26,830	27,423	28,266
Plant, equipment and infrastructure		56,518	58,964	60,563	62,955
Inventories		8,337	8,289	8,280	8,225
Intangibles		6,359	6,400	6,357	6,796
Investment properties		198	213	218	223
Biological assets		36	36	36	36
Heritage and cultural assets		10,842	10,854	10,868	10,882
Assets held for sale		133	95	95	95
Other non-financial assets		604	360	244	250
<b>Total non-financial assets</b>		<b>118,450</b>	<b>121,316</b>	<b>123,364</b>	<b>126,936</b>
<b>Total assets</b>		<b>422,234</b>	<b>450,001</b>	<b>489,042</b>	<b>514,250</b>
<b>Liabilities</b>					
Interest bearing liabilities					
Deposits held		211	211	211	211
Government securities		409,609	456,734	504,139	527,633
Loans	16	13,693	13,004	12,957	12,927
Other borrowing		1,553	1,424	1,340	1,280
<b>Total interest bearing liabilities</b>		<b>425,066</b>	<b>471,373</b>	<b>518,647</b>	<b>542,050</b>
Provisions and payables					
Superannuation liability	17	163,240	169,332	175,275	181,334
Other employee liabilities	17	15,977	16,054	16,368	16,732
Suppliers payable	18	4,905	4,860	4,835	4,958
Personal benefits provisions and payables	18	13,234	12,808	12,484	11,897
Subsidies provisions and payables	18	4,397	4,592	4,754	4,797
Grants provisions and payables	18	11,671	9,420	10,485	9,942
Other provisions and payables	18	13,225	15,075	15,503	14,321
<b>Total provisions and payables</b>		<b>226,649</b>	<b>232,140</b>	<b>239,704</b>	<b>243,981</b>
<b>Total liabilities</b>		<b>651,715</b>	<b>703,512</b>	<b>758,351</b>	<b>786,031</b>
<b>Net worth(a)</b>		<b>-229,481</b>	<b>-253,511</b>	<b>-269,309</b>	<b>-271,781</b>
<i>Net financial worth(b)</i>		<i>-347,931</i>	<i>-374,827</i>	<i>-392,673</i>	<i>-398,716</i>
<i>Net financial liabilities(c)</i>		<i>383,409</i>	<i>417,175</i>	<i>442,230</i>	<i>450,870</i>
<i>Net debt(d)</i>		<i>244,836</i>	<i>279,574</i>	<i>304,383</i>	<i>315,764</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	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Cash receipts from operating activities</b>				
Taxes received	353,594	376,604	402,792	428,579
Receipts from sales of goods and services	9,114	9,202	11,379	16,004
Interest receipts	3,469	4,022	3,950	3,976
Dividends and income tax equivalents	3,831	3,407	3,367	3,838
Other receipts	7,261	7,432	7,532	7,173
<b>Total operating receipts</b>	<b>377,269</b>	<b>400,666</b>	<b>429,021</b>	<b>459,570</b>
<b>Cash payments for operating activities</b>				
Payments for employees	-26,691	-27,607	-27,829	-28,555
Payments for goods and services	-80,557	-81,548	-83,966	-87,198
Grants and subsidies paid	-146,215	-153,880	-161,230	-170,599
Interest paid	-14,221	-15,354	-16,007	-16,676
Personal benefit payments	-132,142	-137,326	-142,546	-147,675
Other payments	-5,280	-5,013	-5,059	-5,094
<b>Total operating payments</b>	<b>-405,106</b>	<b>-420,729</b>	<b>-436,636</b>	<b>-455,796</b>
<b>Net cash flows from operating activities</b>	<b>-27,837</b>	<b>-20,063</b>	<b>-7,616</b>	<b>3,774</b>
<b>Cash flows from investments in non-financial assets</b>				
Sales of non-financial assets	2,215	2,696	208	235
Purchases of non-financial assets	-11,420	-10,348	-9,783	-11,566
<b>Net cash flows from investments in non-financial assets</b>	<b>-9,205</b>	<b>-7,652</b>	<b>-9,576</b>	<b>-11,330</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-6,821</b>	<b>-14,217</b>	<b>-17,053</b>	<b>-14,101</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>				
Increase in investments	-7,736	-5,371	-13,579	-1,136
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-7,736</b>	<b>-5,371</b>	<b>-13,579</b>	<b>-1,136</b>
<b>Cash receipts from financing activities</b>				
Borrowing	53,855	50,305	50,839	27,171
Other financing	0	12	0	0
<b>Total cash receipts from financing activities</b>	<b>53,855</b>	<b>50,317</b>	<b>50,839</b>	<b>27,171</b>
<b>Cash payments for financing activities</b>				
Borrowing	0	0	0	0
Other financing	-2,275	-2,677	-3,380	-3,772
<b>Total cash payments for financing activities</b>	<b>-2,275</b>	<b>-2,677</b>	<b>-3,380</b>	<b>-3,772</b>
<b>Net cash flows from financing activities</b>	<b>51,580</b>	<b>47,640</b>	<b>47,459</b>	<b>23,398</b>
<b>Net increase/(decrease) in cash held</b>	<b>-19</b>	<b>337</b>	<b>-364</b>	<b>605</b>

**Table B3: Australian Government general government sector cash flow statement (continued)<sup>(a)</sup>**

	Estimates		Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Net cash flows from operating activities and investments in non-financial assets (surplus+)/deficit(-)</b>	<b>-37,042</b>	<b>-27,714</b>	<b>-17,191</b>	<b>-7,556</b>
Finance leases and similar arrangements(b)	0	-2	0	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-37,042</b>	<b>-27,716</b>	<b>-17,191</b>	<b>-7,556</b>
less Net Future Fund earnings	3,319	3,523	3,653	3,924
<b>Equals underlying cash balance(c)</b>	<b>-40,362</b>	<b>-31,239</b>	<b>-20,844</b>	<b>-11,480</b>
plus Net cash flows from investments in financial assets for policy purposes	-6,821	-14,217	-17,053	-14,101
plus Net Future Fund earnings	3,319	3,523	3,653	3,924
<b>Equals headline cash balance</b>	<b>-43,863</b>	<b>-41,933</b>	<b>-34,244</b>	<b>-21,657</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
	2014-15
	\$m
<b>Revenue</b>	
Current grants and subsidies	39
Sales of goods and services	9,623
Interest income	35
Other	11
<b>Total revenue</b>	<b>9,708</b>
<b>Expenses</b>	
Gross operating expenses	
Wages and salaries(a)	3,651
Superannuation	461
Depreciation and amortisation	1,262
Supply of goods and services	5,086
Other operating expenses(a)	743
<i>Total gross operating expenses</i>	<i>11,204</i>
Interest expenses	456
Other property expenses	20
Current transfers	
Tax expenses	44
<i>Total current transfers</i>	<i>44</i>
<b>Total expenses</b>	<b>11,723</b>
<b>Net operating balance</b>	<b>-2,016</b>
<b>Other economic flows</b>	<b>-384</b>
<b>Comprehensive result - Total change in net worth excluding contribution from owners</b>	<b>-2,399</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	4,047
<i>less</i> Sales of non-financial assets	<i>37</i>
<i>less</i> Depreciation	<i>1,262</i>
<i>plus</i> Change in inventories	<i>10</i>
<i>plus</i> Other movements in non-financial assets	<i>1,105</i>
<b>Total net acquisition of non-financial assets</b>	<b>3,863</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-5,878</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
	2014-15
	\$m
<b>Assets</b>	
Financial assets	
Cash and deposits	1,531
Investments, loans and placements	192
Other receivables	1,730
Equity investments	9
<i>Total financial assets</i>	<i>3,463</i>
Non-financial assets	
Land and fixed assets	19,331
Other non-financial assets(a)	3,577
<i>Total non-financial assets</i>	<i>22,907</i>
<b>Total assets</b>	<b>26,371</b>
<b>Liabilities</b>	
Interest bearing liabilities	
Loans	2,704
Other borrowing	3,948
<i>Total interest bearing liabilities</i>	<i>6,652</i>
Provisions and payables	
Superannuation liability	3
Other employee liabilities	1,413
Other provisions and payables(a)	3,303
<i>Total provisions and payables</i>	<i>4,719</i>
<b>Total liabilities</b>	<b>11,371</b>
<b>Shares and other contributed capital</b>	<b>15,000</b>
<b>Net worth(b)</b>	<b>15,000</b>
<i>Net financial worth(c)</i>	<i>-7,908</i>
<i>Net debt(d)</i>	<i>4,928</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
	2014-15
	\$m
<b>Cash receipts from operating activities</b>	
Receipts from sales of goods and services	10,425
GST input credit receipts	-6
Other receipts	102
<b>Total operating receipts</b>	<b>10,521</b>
<b>Cash payments for operating activities</b>	
Payments to employees	-4,294
Payment for goods and services	-5,742
Interest paid	-83
GST payments to taxation authority	-411
Other payments	-229
<b>Total operating payments</b>	<b>-10,758</b>
<b>Net cash flows from operating activities</b>	<b>-238</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	38
Purchases of non-financial assets	-5,150
<b>Net cash flows from investments in non-financial assets</b>	<b>-5,112</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	-10
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-10</b>
<b>Net cash flows from financing activities</b>	
Borrowing (net)	134
Other financing (net)	5,459
Distribution paid (net)	-82
<b>Net cash flows from financing activities</b>	<b>5,511</b>
<b>Net increase/(decrease) in cash held</b>	<b>151</b>
<b>Cash at the beginning of the year</b>	<b>1,380</b>
<b>Cash at the end of the year</b>	<b>1,531</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-5,350</b>
Distributions paid	-82
<b>Equals surplus(+)/deficit(-)</b>	<b>-5,432</b>
Finance leases and similar arrangements(b)	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-5,432</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
	2014-15
	\$m
<b>Revenue</b>	
Taxation revenue	361,915
Sales of goods and services	17,400
Interest income	4,004
Dividend income	3,376
Other	7,355
<b>Total revenue</b>	<b>394,050</b>
<b>Expenses</b>	
Gross operating expenses	
Wages and salaries(a)	22,873
Superannuation	7,239
Depreciation and amortisation	8,049
Supply of goods and services	84,482
Other operating expenses(a)	6,215
<i>Total gross operating expenses</i>	<i>128,857</i>
Superannuation interest expense	8,989
Interest expenses	16,824
Current transfers	
Current grants	124,201
Subsidy expenses	12,161
Personal benefits	131,506
<i>Total current transfers</i>	<i>267,868</i>
Capital transfers	10,548
<b>Total expenses</b>	<b>433,087</b>
<b>Net operating balance</b>	<b>-39,037</b>
<b>Other economic flows</b>	<b>-1,324</b>
<b>Comprehensive result - Total change in net worth</b>	<b>-40,361</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	15,268
<i>less</i> Sales of non-financial assets	<i>2,354</i>
<i>less</i> Depreciation	<i>8,049</i>
<i>plus</i> Change in inventories	<i>481</i>
<i>plus</i> Other movements in non-financial assets	<i>1,300</i>
<b>Total net acquisition of non-financial assets</b>	<b>6,647</b>
<b>Fiscal balance (net lending/borrowing)(b)</b>	<b>-45,684</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
	2014-15
	\$m
<b>Assets</b>	
Financial assets	
Cash and deposits	5,356
Advances paid	46,208
Investments, loans and placements	130,071
Other receivables	47,619
Equity investments	61,721
<i>Total financial assets</i>	<i>290,974</i>
Non-financial assets	
Land and fixed assets	130,453
Other non-financial assets	10,905
<i>Total non-financial assets</i>	<i>141,358</i>
<b>Total assets</b>	<b>432,332</b>
<b>Liabilities</b>	
Interest bearing liabilities	
Deposits held	211
Government securities	409,609
Loans	16,078
Other borrowing	5,501
<i>Total interest bearing liabilities</i>	<i>431,399</i>
Provisions and payables	
Superannuation liability	163,243
Other employee liabilities	17,391
Other provisions and payables	50,599
<i>Total provisions and payables</i>	<i>231,232</i>
<b>Total liabilities</b>	<b>662,631</b>
<b>Shares and other contributed capital</b>	<b>15,000</b>
<b>Net worth(a)</b>	<b>-230,299</b>
<i>Net financial worth(b)</i>	<i>-371,657</i>
<i>Net debt(c)</i>	<i>249,765</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, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

**Table B9: Australian total non-financial public sector cash flow statement<sup>(a)</sup>**

	Estimates
	2014-15
	\$m
<b>Cash receipts from operating activities</b>	
Taxes received	353,397
Receipts from sales of goods and services	17,259
Interest receipts	3,485
Dividends and income tax equivalents	3,749
Other receipts	7,329
<b>Total operating receipts</b>	<b>385,218</b>
<b>Cash payments for operating activities</b>	
Payments to employees	-30,984
Payments for goods and services	-84,436
Grants and subsidies paid	-146,215
Interest paid	-14,285
Personal benefit payments	-132,142
Other payments	-5,312
<b>Total operating payments</b>	<b>-413,375</b>
<b>Net cash flows from operating activities</b>	<b>-28,157</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	2,252
Purchases of non-financial assets	-16,570
<b>Net cash flows from investments in non-financial assets</b>	<b>-14,318</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-1,342</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	-7,746
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-7,746</b>
<b>Net cash flows from financing activities</b>	
Borrowing (net)	53,989
Other financing (net)	-2,295
<b>Net cash flows from financing activities</b>	<b>51,694</b>
<b>Net increase/(decrease) in cash held</b>	<b>132</b>
<b>Cash at the beginning of the year</b>	<b>5,225</b>
<b>Cash at the end of the year</b>	<b>5,356</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-42,474</b>
Distributions paid	0
<b>Equals surplus(+)/deficit(-)</b>	<b>-42,474</b>
Finance leases and similar arrangements(b)	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-42,474</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.



## 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*, (cat. no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; 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 aggregates, the Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

*Appendix B: Australian Government Budget Financial Statements*

AASB 1049 and the UFP 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 2014-15 Budget are disclosed in Part 3.

Updates to fiscal risks and contingent liabilities since the 2014-15 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 B10.

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 outline 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 B10: Major differences between AAS and ABS GFS**

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms (DWP)	Treated as capital expenditure. DWP appear as a non-financial asset on the balance sheet. Depreciation expense on assets is recorded in the operating statement. AASB 1049 requires cost to be used where fair value of assets cannot be reliably measured.	ABS has updated its treatment in its GFS reports to record DWP as a non-financial asset on a market value basis using the perpetual inventory method from September quarter 2009. This represents an early adoption of changes to the System of National Accounts.	AAS
Circulating coins — seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins are 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 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 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
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 B10: Major differences between AAS and ABS GFS (continued)**

<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	Calculated as financial assets less total liabilities.	Calculated as financial assets less total liabilities less shares and contributed capital.	AAS
<b>Classification difference</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

Appendix B: Australian Government Budget Financial Statements

**Note 3: Taxation revenue by type**

	Estimates		Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Individuals and other withholding taxes				
Gross income tax withholding	168,430	180,660	192,040	205,370
Gross other individuals	40,470	44,550	48,850	53,270
less Refunds	27,500	28,100	29,200	31,200
Total individuals and other withholding tax	181,400	197,110	211,690	227,440
Fringe benefits tax	4,480	5,030	5,260	5,100
Company tax	70,930	72,500	78,100	83,300
Superannuation fund taxes	7,130	9,760	10,860	11,560
Minerals resource rent tax(a)	60	0	0	0
Petroleum resource rent tax	1,770	1,700	1,680	1,650
<b>Total income taxation revenue</b>	<b>265,770</b>	<b>286,100</b>	<b>307,590</b>	<b>329,050</b>
Goods and services tax	56,820	60,390	63,510	66,950
Wine equalisation tax	810	840	880	910
Luxury car tax	400	360	380	400
Excise and customs duty				
Petrol	5,970	6,200	6,410	6,820
Diesel	8,960	9,370	9,750	10,180
Other fuel products	3,280	3,170	3,330	3,500
Tobacco	8,320	9,580	10,600	10,890
Beer	2,430	2,480	2,590	2,730
Spirits	1,970	2,030	2,130	2,240
Other alcoholic beverages(b)	950	990	1,040	1,090
Other customs duty				
Textiles, clothing and footwear	590	310	220	170
Passenger motor vehicles	800	520	510	530
Other imports	1,570	1,070	930	940
less Refunds and drawbacks	420	420	420	420
Total excise and customs duty	34,420	35,300	37,090	38,670
Carbon pricing mechanism	0	0	0	0
Agricultural levies	454	478	484	501
Other taxes	3,285	3,781	3,886	3,988
Mirror taxes	521	551	585	619
less Transfers to States in relation to mirror tax revenue	521	551	585	619
Mirror tax revenue	0	0	0	0
<b>Total indirect taxation revenue</b>	<b>96,190</b>	<b>101,149</b>	<b>106,231</b>	<b>111,419</b>
<b>Total taxation revenue</b>	<b>361,959</b>	<b>387,249</b>	<b>413,821</b>	<b>440,468</b>
<i>Memorandum:</i>				
Total excise	25,360	26,990	28,360	29,680
Total customs duty	9,060	8,310	8,730	8,990
Capital gains tax(c)	8,900	11,300	13,500	15,600
Medicare and DisabilityCare Australia levy	14,130	15,040	15,830	16,650

(a) Net revenue from the MRRT is expected to be around \$40 million in 2014-15 which represents the net revenue impact across different revenue heads. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The Government has announced the MRRT will not apply beyond 30 September 2014.

(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.

Appendix B: Australian Government Budget Financial Statements

**Note 3(a): Taxation revenue by source**

	Estimates		Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Taxes on income, profits and capital gains				
Income and capital gains levied on individuals	185,910	202,160	216,980	232,550
Income and capital gains levied on enterprises	79,860	83,940	90,610	96,500
<b>Total taxes on income, profits and capital gains</b>	<b>265,770</b>	<b>286,100</b>	<b>307,590</b>	<b>329,050</b>
<b>Taxes on employers' payroll and labour force</b>	<b>738</b>	<b>760</b>	<b>755</b>	<b>757</b>
Taxes on the provision of goods and services				
Sales/goods and services tax	58,030	61,590	64,770	68,260
Excises and levies	25,814	27,468	28,844	30,181
Taxes on international trade	9,060	8,310	8,730	8,990
<b>Total taxes on the provision of goods and services</b>	<b>92,904</b>	<b>97,368</b>	<b>102,344</b>	<b>107,431</b>
<b>Other sale of goods and services</b>	<b>2,547</b>	<b>3,021</b>	<b>3,132</b>	<b>3,231</b>
<b>Total taxation revenue</b>	<b>361,959</b>	<b>387,249</b>	<b>413,821</b>	<b>440,468</b>
<i>Memorandum:</i>				
<i>Medicare and DisabilityCare Australia levy</i>	<i>14,130</i>	<i>15,040</i>	<i>15,830</i>	<i>16,650</i>

**Note 4: Sales of goods and services revenue**

	Estimates		Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Sales of goods	1,591	1,650	1,858	1,927
Rendering of services	3,998	3,855	5,761	10,238
Operating lease rental	64	62	63	63
Fees from regulatory services	3,536	3,691	3,771	3,842
<b>Total sales of goods and services revenue</b>	<b>9,190</b>	<b>9,258</b>	<b>11,453</b>	<b>16,070</b>

Appendix B: Australian Government Budget Financial Statements

**Note 5: Interest and dividend revenue**

	Estimates		Projections	
	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
<b>Interest from other governments</b>				
State and Territory debt	25	50	50	45
Housing agreements	134	129	124	119
<b>Total interest from other governments</b>	<b>159</b>	<b>179</b>	<b>174</b>	<b>164</b>
<b>Interest from other sources</b>				
Advances	50	56	62	102
Deposits	92	91	92	93
Bank deposits	148	135	138	143
Indexation of HELP receivable and other student loans	567	788	955	1,110
Other	2,972	3,422	3,609	3,711
<b>Total interest from other sources</b>	<b>3,828</b>	<b>4,493</b>	<b>4,858</b>	<b>5,158</b>
<b>Total interest</b>	<b>3,987</b>	<b>4,672</b>	<b>5,031</b>	<b>5,322</b>
<b>Dividends</b>				
Dividends from other public sector entities	438	700	969	1,232
Other dividends	2,957	2,470	2,675	2,881
<b>Total dividends</b>	<b>3,396</b>	<b>3,170</b>	<b>3,644</b>	<b>4,113</b>
<b>Total interest and dividend revenue</b>	<b>7,383</b>	<b>7,842</b>	<b>8,675</b>	<b>9,435</b>

**Note 6: Other sources of non-taxation revenue**

	Estimates		Projections	
	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
Industry contributions	55	55	55	55
Royalties	1,548	1,524	1,547	1,463
Seigniorage	124	117	111	104
Other	5,616	5,637	5,375	5,579
<b>Total other sources of non-taxation revenue</b>	<b>7,344</b>	<b>7,333</b>	<b>7,087</b>	<b>7,200</b>

Appendix B: Australian Government Budget Financial Statements

**Note 7: Employee and superannuation expense**

	Estimates		Projections	
	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
<b>Wages and salaries expenses</b>	<b>19,221</b>	<b>19,744</b>	<b>19,901</b>	<b>20,183</b>
<b>Other operating expenses</b>				
Leave and other entitlements	2,302	2,265	2,272	2,303
Separations and redundancies	280	54	50	49
Workers compensation premiums and claims	794	875	914	969
Other	2,095	2,173	2,241	2,262
<b>Total other operating expenses</b>	<b>5,472</b>	<b>5,367</b>	<b>5,477</b>	<b>5,583</b>
<b>Superannuation expenses</b>				
Superannuation	6,777	4,340	4,275	4,305
Superannuation interest cost	8,989	9,630	9,979	10,333
<b>Total superannuation expenses</b>	<b>15,767</b>	<b>13,970</b>	<b>14,254</b>	<b>14,638</b>
<b>Total employee and superannuation expense</b>	<b>40,460</b>	<b>39,081</b>	<b>39,633</b>	<b>40,404</b>

**Note 8: Depreciation and amortisation expense**

	Estimates		Projections	
	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
<b>Depreciation</b>				
Specialist military equipment	3,053	3,202	3,484	3,695
Buildings	1,342	1,331	1,357	1,381
Other infrastructure, plant and equipment	1,455	1,454	1,421	1,422
Heritage and cultural assets	38	38	38	37
<b>Total depreciation</b>	<b>5,889</b>	<b>6,025</b>	<b>6,300</b>	<b>6,536</b>
<b>Total amortisation</b>	<b>898</b>	<b>937</b>	<b>919</b>	<b>866</b>
<b>Total depreciation and amortisation expense</b>	<b>6,787</b>	<b>6,962</b>	<b>7,218</b>	<b>7,401</b>

**Note 9: Supply of goods and services expense**

	Estimates		Projections	
	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
Supply of goods and services	25,982	24,877	24,166	25,165
Operating lease rental expenses	2,534	2,507	2,545	2,578
Personal benefits - indirect	44,708	46,363	49,117	51,487
Health care payments	5,459	5,505	5,629	5,787
Other	2,126	2,413	2,602	2,760
<b>Total supply of goods and services expense</b>	<b>80,809</b>	<b>81,665</b>	<b>84,059</b>	<b>87,776</b>



Appendix B: Australian Government Budget Financial Statements

**Note 10: Interest expense**

	Estimates		Projections	
	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
<b>Interest on debt</b>				
Government securities(a)	14,720	16,015	16,943	17,439
Loans	9	9	12	11
Other	528	526	522	523
<b>Total interest on debt</b>	<b>15,258</b>	<b>16,550</b>	<b>17,477</b>	<b>17,973</b>
<b>Other financing costs</b>	<b>1,129</b>	<b>1,321</b>	<b>1,762</b>	<b>1,952</b>
<b>Total interest expense</b>	<b>16,387</b>	<b>17,871</b>	<b>19,239</b>	<b>19,925</b>

(a) Public debt interest estimates are calculated using the contract interest rates incurred on existing Commonwealth Government Securities (CGS) when issued and 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	
	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
<b>Current grants expense</b>				
State and Territory governments	94,660	99,403	105,035	109,875
Local governments	6	2	0	0
Private sector	1,383	950	713	645
Overseas	4,612	4,558	5,149	5,121
Non-profit organisations	2,467	2,916	2,723	3,125
Multi-jurisdictional sector	10,132	10,262	9,811	9,961
Other	10,940	11,470	14,121	20,551
<b>Total current grants expense</b>	<b>124,201</b>	<b>129,562</b>	<b>137,552</b>	<b>149,279</b>
<b>Capital grants expense</b>				
Mutually agreed write-downs	2,564	2,689	2,906	3,110
Other capital grants				
State and Territory governments	6,983	8,709	9,642	5,941
Local governments	445	665	332	332
Private sector	0	0	0	0
Multi-jurisdictional sector	102	104	99	101
Other	453	475	586	854
<b>Total capital grants expense</b>	<b>10,548</b>	<b>12,642</b>	<b>13,565</b>	<b>10,337</b>
<b>Total grants expense</b>	<b>134,749</b>	<b>142,204</b>	<b>151,117</b>	<b>159,616</b>

Appendix B: Australian Government Budget Financial Statements

**Note 12: Personal benefits expense**

	Estimates		Projections	
	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
Social welfare - assistance to the aged	42,702	45,073	47,665	49,544
Assistance to veterans and dependants	6,038	5,837	5,669	5,454
Assistance to people with disabilities	24,578	25,576	26,761	27,996
Assistance to families with children	34,052	33,234	32,285	31,832
Assistance to the unemployed	10,808	10,761	10,784	10,508
Student assistance	3,604	3,153	3,212	3,304
Other welfare programmes	1,120	1,090	1,116	436
Financial and fiscal affairs	473	508	491	479
Vocational and industry training	169	95	84	92
Other	7,963	10,856	13,433	16,728
<b>Total personal benefits expense</b>	<b>131,506</b>	<b>136,183</b>	<b>141,501</b>	<b>146,375</b>

**Note 13: Advances paid and other receivables**

	Estimates		Projections	
	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
<b>Advances paid</b>				
Loans to State and Territory governments	3,209	3,390	3,174	2,953
Higher Education Loan Program	30,622	36,675	43,872	51,952
Student Financial Supplement Scheme	553	505	460	411
Other	12,061	12,512	14,639	15,677
less Provision for doubtful debts	237	227	217	207
<b>Total advances paid</b>	<b>46,208</b>	<b>52,854</b>	<b>61,928</b>	<b>70,785</b>
<b>Other receivables</b>				
Goods and services receivable	806	778	781	780
Recoveries of benefit payments	3,799	3,961	4,114	4,231
Taxes receivable	20,866	23,177	25,438	27,896
Prepayments	3,146	3,304	3,470	3,587
Other	18,980	19,553	20,508	21,442
less Provision for doubtful debts	1,572	1,627	1,690	1,747
<b>Total other receivables</b>	<b>46,024</b>	<b>49,145</b>	<b>52,622</b>	<b>56,190</b>

**Note 14: Investments, loans and placements**

	Estimates		Projections	
	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
Investments - deposits	32,706	28,438	33,979	28,545
IMF quota	11,001	11,064	11,217	11,370
Other	86,490	95,279	103,341	111,182
<b>Total investments, loans and placements</b>	<b>130,197</b>	<b>134,782</b>	<b>148,537</b>	<b>151,097</b>

Appendix B: Australian Government Budget Financial Statements

**Note 15: Total non-financial assets**

	Estimates		Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Land and buildings</b>				
Land	9,299	9,275	9,281	9,209
Buildings	26,125	26,830	27,423	28,266
<b>Total land and buildings</b>	<b>35,424</b>	<b>36,105</b>	<b>36,704</b>	<b>37,475</b>
<b>Plant, equipment and infrastructure</b>				
Specialist military equipment	43,129	45,426	47,149	49,584
Other	13,389	13,539	13,414	13,371
<b>Total plant, equipment and infrastructure</b>	<b>56,518</b>	<b>58,964</b>	<b>60,563</b>	<b>62,955</b>
<b>Inventories</b>				
Inventories held for sale	1,380	1,503	1,582	1,637
Inventories not held for sale	6,957	6,786	6,698	6,588
<b>Total inventories</b>	<b>8,337</b>	<b>8,289</b>	<b>8,280</b>	<b>8,225</b>
<b>Intangibles</b>				
Computer software	3,679	3,528	3,261	3,075
Other	2,680	2,871	3,096	3,721
<b>Total intangibles</b>	<b>6,359</b>	<b>6,400</b>	<b>6,357</b>	<b>6,796</b>
<b>Total investment properties</b>	<b>198</b>	<b>213</b>	<b>218</b>	<b>223</b>
<b>Total biological assets</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>36</b>
<b>Total heritage and cultural assets</b>	<b>10,842</b>	<b>10,854</b>	<b>10,868</b>	<b>10,882</b>
<b>Total assets held for sale</b>	<b>133</b>	<b>95</b>	<b>95</b>	<b>95</b>
<b>Total other non-financial assets</b>	<b>604</b>	<b>360</b>	<b>244</b>	<b>250</b>
<b>Total non-financial assets</b>	<b>118,450</b>	<b>121,316</b>	<b>123,364</b>	<b>126,936</b>

**Note 16: Loans**

	Estimates		Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Promissory notes	7,910	7,437	7,415	7,391
Special drawing rights	5,092	5,122	5,193	5,265
Other	691	446	348	271
<b>Total loans</b>	<b>13,693</b>	<b>13,004</b>	<b>12,957</b>	<b>12,927</b>

Appendix B: Australian Government Budget Financial Statements

**Note 17: Employee and superannuation liabilities**

	Estimates		Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Total superannuation liability(a)</b>	<b>163,240</b>	<b>169,332</b>	<b>175,275</b>	<b>181,334</b>
<b>Other employee liabilities</b>				
Leave and other entitlements	7,357	7,433	7,528	7,651
Accrued salaries and wages	734	537	554	563
Workers compensation claims	3,271	3,350	3,435	3,527
Other	4,616	4,733	4,851	4,993
<b>Total other employee liabilities</b>	<b>15,977</b>	<b>16,054</b>	<b>16,368</b>	<b>16,732</b>
<b>Total employee and superannuation liabilities</b>	<b>179,217</b>	<b>185,386</b>	<b>191,643</b>	<b>198,066</b>

(a) For budget reporting purposes, a discount rate applied by actuaries in preparing Long Term Cost Reports is used to value the superannuation liability. This reduces the volatility in reported liabilities that would occur from year to year if the long term government bond rate were used. Consistent with AAS, the long term government bond rate as at 30 June is used to calculate the superannuation liability for the purpose of actuals reporting.

**Note 18: Provisions and payables**

	Estimates		Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Suppliers payable</b>				
Trade creditors	3,936	3,888	3,861	3,985
Operating lease rental payable	280	279	279	279
Other creditors	689	693	695	694
<b>Total suppliers payable</b>	<b>4,905</b>	<b>4,860</b>	<b>4,835</b>	<b>4,958</b>
<b>Total personal benefits provisions and payables</b>	<b>13,234</b>	<b>12,808</b>	<b>12,484</b>	<b>11,897</b>
<b>Total subsidies provisions and payables</b>	<b>4,397</b>	<b>4,592</b>	<b>4,754</b>	<b>4,797</b>
<b>Grants provisions and payables</b>				
State and Territory governments	105	104	103	99
Non-profit organisations	70	70	70	70
Private sector	237	232	231	231
Overseas	1,499	1,060	2,276	1,811
Local governments	2	2	2	2
Other	9,759	7,953	7,802	7,728
<b>Total grants provisions and payables</b>	<b>11,671</b>	<b>9,420</b>	<b>10,485</b>	<b>9,942</b>
<b>Other provisions and payables</b>				
Provisions for tax refunds	2,377	2,423	2,439	2,427
Other	10,848	12,651	13,064	11,894
<b>Total other provisions and payables</b>	<b>13,225</b>	<b>15,075</b>	<b>15,503</b>	<b>14,321</b>

Appendix B: Australian Government Budget Financial Statements

**Note 19: Reconciliation of cash**

	Estimates		Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Net operating balance (revenues less expenses)</b>	<b>-37,022</b>	<b>-24,801</b>	<b>-15,060</b>	<b>-2,136</b>
<i>less</i> Revenues not providing cash				
Other	1,560	1,543	1,553	1,789
<b>Total revenues not providing cash</b>	<b>1,560</b>	<b>1,543</b>	<b>1,553</b>	<b>1,789</b>
<i>plus</i> Expenses not requiring cash				
Increase/(decrease) in employee entitlements	8,382	6,380	6,635	6,622
Depreciation/amortisation expense	6,787	6,962	7,218	7,401
Mutually agreed write-downs	2,564	2,689	2,906	3,110
Other	1,549	1,184	664	1,800
<b>Total expenses not requiring cash</b>	<b>19,282</b>	<b>17,215</b>	<b>17,423</b>	<b>18,933</b>
<i>plus</i> Cash provided / (used) by working capital items				
Decrease/(increase) in inventories	-248	-219	-181	-156
Decrease/(increase) in receivables	-6,046	-9,381	-10,512	-11,236
Decrease/(increase) in other financial assets	1,527	1,726	2,597	3,038
Decrease/(increase) in other non-financial assets	-95	-39	-65	-25
Increase/(decrease) in benefits, subsidies and grants payable	-2,174	-2,111	1,142	-713
Increase/(decrease) in suppliers' liabilities	568	-56	-32	39
Increase/(decrease) in other provisions and payables	-2,068	-854	-1,373	-2,181
<b>Net cash provided / (used) by working capital</b>	<b>-8,537</b>	<b>-10,933</b>	<b>-8,425</b>	<b>-11,234</b>
<i>equals</i> (Net cash from/(to) operating activities)	-27,837	-20,063	-7,616	3,774
<i>plus</i> (Net cash from/(to) investing activities)	-23,762	-27,239	-40,207	-26,567
<b>Net cash from operating activities and investment</b>	<b>-51,599</b>	<b>-47,302</b>	<b>-47,823</b>	<b>-22,793</b>
<i>plus</i> (Net cash from/(to) financing activities)	51,580	47,640	47,459	23,398
<b>equals Net increase/(decrease) in cash held</b>	<b>-19</b>	<b>337</b>	<b>-364</b>	<b>605</b>
<b>Cash at the beginning of the year</b>	<b>3,844</b>	<b>3,825</b>	<b>4,163</b>	<b>3,799</b>
Net increase/(decrease) in cash	-19	337	-364	605
<b>Cash at the end of the year</b>	<b>3,825</b>	<b>4,163</b>	<b>3,799</b>	<b>4,404</b>

**Note 19(a): Consolidated Revenue Fund**

	Estimates		Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Total general government sector cash</b>	3,825	4,163	3,799	4,404
less cash balances of corporate Commonwealth entities	1,767	1,817	2,001	2,273
plus monies held by the Commonwealth on behalf of other parties	173	173	173	173
<b>Balance of Consolidated Revenue Fund at 30 June</b>	<b>2,231</b>	<b>2,519</b>	<b>1,971</b>	<b>2,304</b>

The estimated and projected cash balances reflected in the balance sheet for the Australian Government GGS (Table B2) include the reported cash balances controlled and administered by Australian Government entities subject to the *Public Governance, Performance and Accountability Act 2013* from 1 July 2014 and previously subject to the *Financial Management and Accountability Act 1997* (FMA Act) (non-corporate Commonwealth entities) or the *Commonwealth Authorities and Companies Act 1997* (CAC Act) (corporate Commonwealth entities), that implement public policy through the provision of primarily non-market services.

Revenues or monies raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For the purposes of this report and consistent with the presentation of previous notes, total Australian Government GGS cash, less cash controlled and administered by corporate Commonwealth entities, plus monies held by the Commonwealth on behalf of other parties (previously described as special public moneys), provides estimates and projections of the Consolidated Revenue Fund as presented in the table above.

## 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, 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 and GGS outcome reporting (including the PNFC and PFC sectors), 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 2001*.<sup>1</sup>

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

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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).

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.

### **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

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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.



(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 less 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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<sup>3</sup> 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.

*Appendix B: Australian Government Budget Financial Statements*

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.

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.

#### 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.

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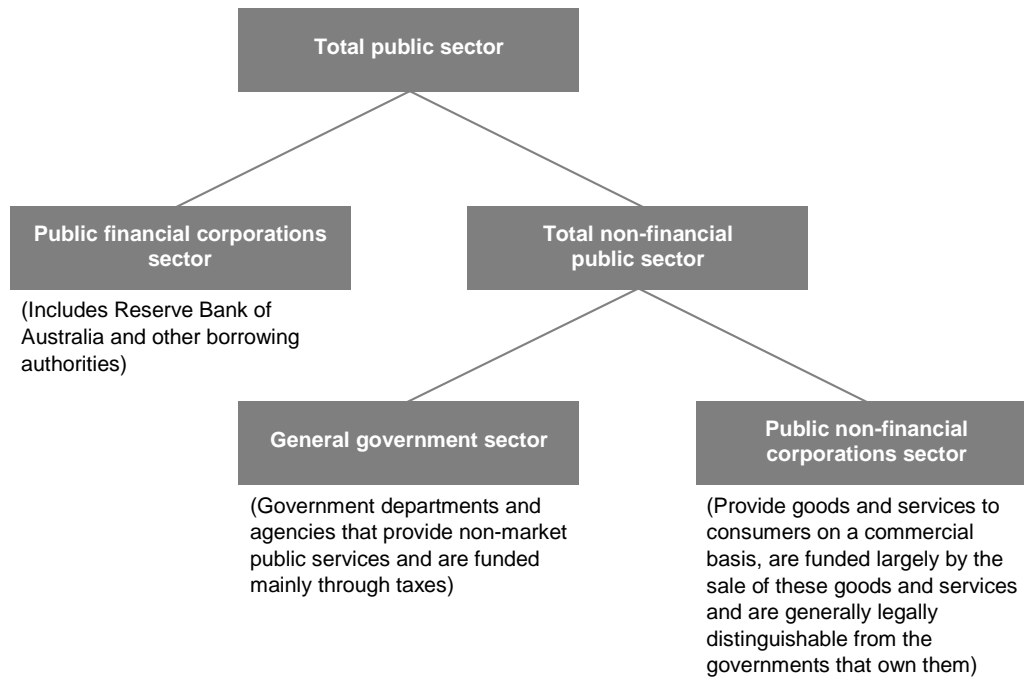
5 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease – acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases 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.

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 B11).

A table which provides a full list of public sector principal entities is available on the Department of Finance website at [www.finance.gov.au/sites/default/files/list-ggs-pnfc-pfc-pgpa.pdf](http://www.finance.gov.au/sites/default/files/list-ggs-pnfc-pfc-pgpa.pdf).

<sup>6</sup> Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

**Table B11: Entities outside of the general government sector**

<b>Public financial corporations</b>
Employment Portfolio Coal Mining Industry (Long Service Leave Funding) Corporation
Foreign Affairs and Trade Portfolio Export Finance and Insurance Corporation
Treasury Portfolio Australian Reinsurance Pool Corporation, Reserve Bank of Australia
<b>Public non-financial corporations</b>
Attorney General's Portfolio Australian Government Solicitor
Communications Portfolio Australian Postal Corporation, NBN Co Ltd
Finance Portfolio Albury-Wodonga Development Corporation, ASC Pty Ltd, Australian River Co. Ltd
Industry Portfolio ANSTO Nuclear Medicine Pty Ltd
Infrastructure and Regional Development Portfolio Airservices Australia, Australian Rail Track Corporation Ltd, Moorebank Intermodal Company Ltd
Prime Minister and Cabinet Portfolio Voyages Indigenous Tourism Australia Pty Ltd
Social Services Portfolio Australian Hearing Services

**Attachment B**

**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 B12, the Australian Government's revised estimate for the 2014-15 LCA is a \$49.1 billion deficit, which is a deterioration of \$11.6 billion from the LCA deficit of \$37.4 billion at the 2014-15 Budget. The revised LCA estimate falls outside the tolerance limit set at Budget. This change primarily reflects write-downs in tax receipts and higher payments than estimated at the time of the 2014-15 Budget.

**Table B12: 2014-15 Commonwealth Loan Council Allocation**

	2014-15 Budget estimate	2014-15 MYEFO estimate
	\$m	\$m
GGs cash surplus(-)/deficit(+)	26,705	37,042
PNFC sector cash surplus(-)/deficit(+)	5,162	5,432
NFPS cash surplus(-)/deficit(+)(a)	31,867	42,474
<i>plus</i> Acquisitions under finance leases and similar arrangements	0	0
<i>equals</i> ABS GFS cash surplus(-)/deficit(+)	31,867	42,474
<i>minus</i> Net cash flows from investments		
in financial assets for policy purposes(b)	-6,819	-6,821
<i>plus</i> Memorandum items(c)	-1,239	-202
<b>Loan Council Allocation</b>	<b>37,447</b>	<b>49,093</b>

(a) May not directly equate to the sum of the GGS and the PNFC sector due to inter-sectoral 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) and 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 2014-15*. The following statement updates fiscal risks and contingent liabilities and assets that have materially changed since the 2014-15 Budget.

The forward estimates of revenue and expenses in the Mid-Year Economic and Fiscal Outlook 2014-15 (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 in particular.

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 programmes. 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 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 2014-15 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, agencies and non-budget entities.

Appendix C: Statement of Risks

**Table C1: Summary of material changes to the Statement of Risks since the 2014-15 Budget<sup>(a)</sup>**

<b>Fiscal risks</b>	
<b>Defence</b>	
Major overseas operations of the Australian Defence Force in the Middle East in 2014-15	Modified
<b>Treasury</b>	
Standby loan facility for the Government of Indonesia	Modified
<b>Significant but remote contingencies</b>	
<b>Communications</b>	
NBN Co Limited — Equity Agreement	Modified
Telstra Financial Guarantee	Modified
<b>Defence</b>	
Remote contingencies	Modified
Litigation cases	Modified
<b>Treasury</b>	
Financial Claims Scheme	Modified
Guarantee of State and Territory Borrowing	Modified
Guarantee Scheme for Large Deposits and Wholesale Funding	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</b>	
Compensation claims arising from suspension of livestock exports to Indonesia	Modified
<b>Defence</b>	
Non-remote contingent liabilities	Modified
<b>Finance</b>	
Indemnities relating to other former asset sales, privatisations and information technology outsourcing projects	Modified
Litigation — Davis Samuel case	Removed
<b>Health</b>	
Australian Medical Association — Private Mental Health Alliance	Modified
Termination of Medicare Local Deed for Funding	New
<b>Infrastructure and Regional Development</b>	
Service Delivery Arrangements Indemnities	New
<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
Australian Response to the outbreak of Ebola in West Africa	New
<b>Treasury</b>	
Australian Taxation Office — tax disputes	Modified
International Financial Institutions — uncalled capital subscriptions	Modified
International Monetary Fund	Modified



**Table C1: Summary of material changes to the Statement of Risks since the 2014-15 Budget<sup>(a)</sup> (continued)**

Contingent assets — quantifiable	
<b>Defence</b>	
Claims against the Department of Defence	New
<b>Foreign Affairs and Trade</b>	
Export Finance and Insurance Corporation	New

(a) Risks appearing in Budget Paper No. 1, *Budget Strategy and Outlook 2014-15*, 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.

### Defence

#### Major overseas operations of the Australian Defence Force in the Middle East in 2014-15

The estimates for the Department of Defence include the cost of major overseas operations of the Australian Defence Force in the Middle East in 2014-15. Funding is considered on a year-by-year basis and the forward estimates do not provide for extensions of currently approved operations beyond 2014-15. This is consistent with past practice. Funding for Operation Okra has been agreed to 30 June 2015 and funding for Operation Accordion, originally agreed until 31 December 2014, has been extended to 30 June 2015. The Department of Defence will likely have additional funding requirements for Middle East operations beyond 30 June 2015.

### Treasury

#### Standby loan facility to the Government of Indonesia

Since 19 July 2013, Australia has made up to A\$1 billion available to the Government of Indonesia in the form of a standby loan facility, to be drawn down should Indonesia be unable to raise sufficient funds at reasonable interest rates on global capital markets due to the impact of financial market volatility. Contributions to the standby loan facility have also been provided by the World Bank, the Asian Development Bank and the Government of Japan. Australia's contribution to the facility is available to Indonesia up to 31 December 2014. A drawdown from the facility will be dependent on a request from the Government of Indonesia and subject to certain criteria being met. Any funds provided will be repaid in full with interest.

## **SIGNIFICANT BUT REMOTE CONTINGENCIES**

### **Communications**

#### **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 direct costs arising from that termination. The NBN Co Equity Funding Agreement terminates in 2019. As at 30 September 2014, NBN Co's termination liabilities were estimated at \$7.1 billion.

#### **Telstra Financial Guarantee**

The Australian Government has provided a guarantee to Telstra in respect of NBN Co's financial obligations to Telstra under the Definitive Agreements. The Definitive Agreements are long-term contracts and, in the case of the infrastructure component, involve terms of at least 35 years. The liabilities under the Definitive Agreements arise progressively during the roll out of the National Broadband Network as infrastructure is accessed and subscribers to Telstra's existing network are disconnected. As at 30 September 2014, NBN Co had generated liabilities covered by the guarantee estimated at \$3.5 billion. The guarantee will terminate when NBN Co achieves specified credit ratings for a period of two continuous years and either:

- the company is fully capitalised; 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**

#### **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 30 October 2014, the Department of Defence carried 1,466 instances of quantifiable remote contingent liabilities valued at \$3.8 billion and 23 instances of unquantifiable remote contingent liabilities. In addition, Defence had three instances of quantifiable remote contingent assets valued at \$0.6 million and two instances of unquantifiable remote contingent assets.

As at 30 October 2014, the Defence Materiel Organisation carried 70 contingencies that are quantifiable, to the value of \$1.8 billion and 473 instances of contingencies

(including Foreign Military Sales) that are unquantifiable and are considered remote. While these contingencies are considered remote, they have been reported in aggregate for completeness.

### **Litigation cases**

The Department of Defence is involved in a wide range of litigation and other claims for compensation and/or damages where the matters are not able to be finalised by use of negotiation. The litigation includes common law liability claims, including alleged injuries from workplace systems, practices, conduct and property damage. This includes claims arising out of reviews into Australian Defence Force and Defence culture. A number of claims have also been received for damage caused by the use of a Defence Practice Area. There is also 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.

### **Treasury**

#### **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 2014, deposits eligible for coverage under the Financial Claims Scheme were estimated to be \$732.4 billion, increasing slightly from an estimated \$722.8 billion at 31 December 2013, 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.

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 administration of the Financial Claims Scheme. Under the Financial Claims Scheme, any payments to eligible depositors or claimants will be made out of APRA's Financial Claims Scheme Special Account. Under the legislation, initial amounts available to meet payments and administer the Financial Claims Scheme, in the event of activation are \$20.1 billion 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 31 October 2014, the face value of State and Territory borrowings covered by the guarantee was \$13.3 billion, down from \$19.0 billion at 31 March 2014.

### **Guarantee Scheme for Large Deposits and Wholesale Funding**

The Australian Government announced the guarantee of eligible deposits and wholesale funding for authorised deposit taking institutions (ADIs) from 12 October 2008 under the Guarantee Scheme for Large Deposits and Wholesale Funding.

On 7 February 2010, the then Government announced that the Guarantee Scheme would close to new liabilities on 31 March 2010. Since 31 March 2010, Australian ADIs have been prohibited from issuing any new guaranteed wholesale funding or accepting new guaranteed deposits above \$1 million. Existing guaranteed wholesale funding is guaranteed to maturity until October 2015. Depositors who covered their balances above \$1 million under the Guarantee Scheme can have those funds covered to maturity for term deposits up to five years, or until October 2015 for at call deposits.

Government expenditure would arise under the guarantee only in the unlikely event that an institution 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 institution. The impact on the Government's budget would depend on the extent of the institution's default and its ability to meet the Government's claim.

As at 5 December 2014, total liabilities covered by the Guarantee Scheme were estimated at \$2.5 billion, down from \$25.3 billion at 28 March 2014. This is made up of

\$1.5 billion of large deposits and \$1.1 billion of long-term wholesale funding. All guaranteed short-term wholesale funding matured in March 2011.

As at 31 October 2014, institutions participating in the Guarantee Scheme had paid fees of \$4.5 billion since its inception.

#### **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: \$745.5 million is attributable to liabilities of the Commonwealth Bank of Australia, as at 30 September 2014; and \$4.3 billion is attributable to liabilities of the Commonwealth Bank Officers' Superannuation Corporation, as at 30 September 2014.

#### **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 notes (that is, currency) on issue. Notes on issue amount to \$62.9 billion, as at 29 October 2014, and the total guarantee is \$90.4 billion (\$91.7 billion at the 2014-15 Budget).

### **CONTINGENT LIABILITIES — UNQUANTIFIABLE**

#### **Agriculture**

##### **Compensation claims arising from suspension of livestock exports to Indonesia**

The Australian Government has received a statement of claim seeking compensation for alleged losses due to the temporary suspension of exports of live animals to Indonesia that was put in place on 7 June 2011.

#### **Defence**

##### **Non-remote contingent liabilities**

The Department of Defence has eight instances of unquantifiable non-remote contingent liabilities.

#### **Finance**

##### **Indemnities relating to other former asset sales, privatisations and information technology outsourcing projects**

Ongoing indemnities have been given in respect of a range of asset sales, privatisations and information technology (IT) outsourcing projects that have been conducted by the Department of Finance (Finance), and the former Office of Asset Sales and Commercial Support and its predecessors. The probability of an action being made under one of these indemnities diminishes over time. Details of indemnities in respect of the other asset sales and privatisations have been provided in previous Budget and MYEFO

## *Appendix C: Statement of Risks*

papers, and previous annual reports of Finance and the Office of Asset Sales and Commercial Support.

Indemnities (including the year they were raised) are still current for: ADI Ltd (1998), Australian Airlines (1991), Australian Industry Development Corporation (1996), Australian Multimedia Enterprise (1997), Australian National Rail Commission and National Rail Corporation Ltd (1997 and 2000), Australian River Co Ltd (1999), Australian Submarine Corporation Pty Ltd (2000), ComLand Ltd (2004), Bankstown Airport Limited (2002), Camden Airport Ltd (2002), Commonwealth Accommodation and Catering Services (1988), Commonwealth Bank of Australia (1993 to 1996), Commonwealth Funds Management and Total Risk Management (1996 to 1997), Employment National Ltd (2003), Essendon Airport Ltd (2001), Federal Airports Corporation's Airports (1995 to 1997), Housing Loans Insurance Corporation Ltd (1996), Health Insurance Commission (2000), Hoxton Park Airport Limited (2002), Medibank Private Limited (2014), National Transmission Network (1999), Sydney Airports Corporation Ltd (2001), Telstra (1996, 1999 and 2006), and Wool International (1999). Apart from instances noted elsewhere, Finance does not currently expect any other action to be taken in respect of these indemnities.

### **Health**

#### **Australian Medical Association — Private Mental Health Alliance**

Since the 2014-15 Budget, a new agreement has been entered into between the Australian Medical Association Ltd (AMA), the Commonwealth, the Australian Private Hospitals Association Ltd and Private Healthcare Australia for participation in, and support of the Private Mental Health Alliance. Each party has agreed to indemnify each other in respect of any loss, liability, cost, claim or expense, misuse of confidential information, or breach of the *Privacy Act 1988* in respect of identified information collected, held or exchanged by the parties in connection with the National Model for the Collection and Analysis of a Minimum Data Set with Outcome Measures in Private, Hospital-based Psychiatric Services. The AMA's liability to indemnify the other parties will be reduced proportionally to the extent that any unlawful or negligent act or omission of the other parties or their employees or agents contributed to the loss or damage. The indemnity survives the expiration or termination of the agreement.

#### **Termination of Medicare Local Deed for Funding**

The Government intends to refocus primary care funding by replacing Medicare Locals with Primary Health Networks from 1 July 2015. Due to the early termination of the Medicare Local Deed for Funding, the Commonwealth may be liable for the payment of reasonable costs incurred by the Medicare Locals which are directly attributable to the termination.

## **Infrastructure and Regional Development**

### **Service Delivery Arrangement Indemnities**

A range of services are delivered to the Indian Ocean Territories and Jervis Bay Territory through arrangements that are in place with the WA and ACT governments respectively (referred to as Service Delivery Arrangements or SDAs). In WA, there are 40 government agencies delivering services to the Indian Ocean Territories. For the Jervis Bay Territory, there are six ACT Government Directorates involved with service delivery.

The Australian Government has provided certain indemnities for the WA and ACT Governments, 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 11 instances of unquantifiable non-remote contingent assets.

## **CONTINGENT LIABILITIES — QUANTIFIABLE**

### **Defence**

#### **Claims against the Department of Defence**

The Department of Defence (Defence) has 16 instances of non-remote, quantifiable contingent liabilities in respect of claims on Defence valued at \$39 million. The estimated figure is determined by conducting an objective analysis of the probable amount payable for all matters managed by the members of Defence's Legal Services Panel 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

## *Appendix C: Statement of Risks*

claims. As at 31 October 2014, the Government's total contingent liability was \$5.3 billion, representing an increase of \$1.9 billion from that reported at the 2014-15 Budget. Further detail on this increase is provided under the contingent asset entry for EFIC. The \$5.3 billion contingent liability comprises EFIC's liabilities to third parties (\$4.3 billion) and EFIC's overseas investment insurance, contracts of insurance and guarantees (\$1.0 billion). Of the total contingent liability, \$4.7 billion relates to EFIC's Commercial Account and \$0.7 billion relates to the National Interest Account.

### **Australian Response to the outbreak of Ebola in West Africa — indemnity**

The Department of Foreign Affairs and Trade has provided an indemnity capped at \$50 million to Aspen Medical for the operation of a 100-bed medical treatment centre in Sierra Leone, as part of Australia's response to the recent outbreak of Ebola Virus Disease in West Africa. The indemnity is for all liabilities suffered or incurred by Aspen Medical in respect of a claim made by a third party (other than an Aspen employee) against Aspen arising out of the transmission of Ebola by an Aspen employee who has contracted Ebola while engaged in the provision of treatment services.

## **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 2014, for which a provision has not been made, is \$5.1 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. The Government is contributing additional resources to the IBRD as part of the general capital increase agreed in 2010. As part of this process, Australia will increase its uncalled capital subscription so that it totals US\$3.6 billion (estimated value A\$4.1 billion as at 31 October 2014).

The Australian Government has also held an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. Australia



increased its uncalled capital subscription (effective 20 April 2011) to the EBRD as part of its 2010 general capital increase, so that it totals EUR237.5 million (estimated value A\$339.6 million as at 31 October 2014).

The Australian Government has further held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. Australia increased its uncalled capital subscription (effective 11 January 2010) to the ADB as part of its 2010 general capital increase, so that it totals US\$7.0 billion (estimated value A\$8.0 billion as at 31 October 2014).

The Australian Government has further held an uncalled capital subscription in the Multilateral Investment Guarantee Agency of US\$26.5 million (estimated value A\$30.1 million as at 31 October 2014).

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. The value of Australia's NAB credit arrangement is Special Drawing Rights (SDR, the IMF's unit of account) 4.4 billion (estimated value A\$7.4 billion at 31 October 2014). 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. As agreed by G20 Finance Ministers and IMF Governors in 2010, the credit arrangements of all NAB participants, including Australia, will be reduced when a proposed increase in IMF quotas comes into effect. The quota increase has not yet occurred, due to a delay in implementing the above agreement by the United States.

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\$7.8 billion at 31 October 2014) 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 against the Department of Defence**

The Department of Defence has 12 instances of non-remote, quantifiable contingent assets in respect of claims on the Department valued at \$3.8 million. Defence is

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expecting to succeed in its claims. The estimated figure is determined by conducting an objective analysis of the probable amounts owing to Defence.

**Foreign Affairs and Trade**

**Export Finance and Insurance Corporation**

As at 31 October 2014, the Government's total contingent asset was \$1.9 billion comprising the associated contingent assets due to changes in the Cross Currency liabilities and Foreign Exchange liabilities.

This contingent asset is being reported for the first time following the introduction of the *AASB 2012-3 Amendments to the Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*. A matching increase to EFIC's contingent liability of \$1.9 billion is also being reported for the first time.

**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 changes to Government loans and new loans that have arisen since the 2014-15 Budget, estimated to exceed \$200 million at 30 June 2015.

Table C2: Summary of material changes to Australian Government loans exceeding \$200 million since the 2014-15 Budget<sup>(a)</sup>

Agency	Loan amount <sup>(b)</sup> (\$m)	Borrower	Interest rate	Term	Status
<b>Department of Education</b>					
Higher Education Loan Programme	30,622	Eligible tertiary education students	Consumer Price Index (CPI)	8.5 years*	Modified
<b>Australian Office of Financial Management</b>					
Commonwealth-State financing arrangements — Housing and Specific Purpose Capital	2,033	State and Northern Territory governments	3.5-6 per cent	Up to 30 June 2042	Modified
<b>Department of the Treasury</b>					
International Monetary Fund New Arrangements to Borrow	916	International Monetary Fund	0.05 per cent at 31 October 2014	10 years	Modified
<b>Department of Infrastructure and Regional Development</b>					
Concessional Loan for Asbestos removal in the ACT — Mr Fluffy loose fill asbestos remediation	750	Australian Capital Territory Government	Commonwealth Government borrowing rate <sup>(c)</sup>	10 years <sup>(c)</sup>	New
<b>Clean Energy Finance Corporation</b>					
Clean Energy Finance Corporation	735	Eligible entities undertaking clean energy technology projects	7 per cent	5-10 years	Modified
<b>Indigenous Business Australia</b>					
Indigenous Home Ownership	679	Eligible Indigenous persons	4.7 per cent*	29.4 years*	Modified
<b>Department of Social Services</b>					
Student Financial Supplement Scheme	554	Eligible recipients of Youth Allowance (student), Austudy and ABSTUDY	CPI	Various	Modified

**Table C2: Summary of material changes to Australian Government loans exceeding \$200 million since the 2014-15 Budget<sup>(a)</sup>  
(continued)**

Agency	Loan amount <sup>(b)</sup> (\$m)	Borrower	Interest rate	Term	Status
<b>Department of Agriculture</b>					
Farm Finance Concessional Loans	420	State governments	4.5 per cent	5 years	Modified
<b>Indigenous Land Corporation</b>					
Voyages Indigenous Tourism Australia Pty Ltd	319	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>					
Papua New Guinea Liquefied Natural Gas	284	Entities associated with the Papua New Guinea Liquefied Natural Gas project	Commercial-In-Confidence	Until 2026	Modified
Development Import Finance Facility	282	The Republic of Indonesia acting through its Ministry of Finance	Various	Various	Modified
<b>Department of Agriculture</b>					
Drought Concessional Loans	270	State governments	4.0 per cent	5 years	New
<b>Department of Social Services</b>					
Zero Real Interest Loans	246	Residential aged care providers establishing new residential aged care facilities	CPI	12-22 years	Modified

\* Average

(a) Loans appearing in Budget Paper No. 1, *Budget Strategy and Outlook 2014-15*, 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 2015 in \$ million.

(c) The final terms of the loan are currently being settled and repayment and interest arrangements are subject to change.

### **Higher Education Loan Programme**

The Higher Education Loan Programme (HELP) is an income contingent loan programme that assists eligible tertiary education students with the cost of their fees and overseas study expenses. As at 30 June 2015, the fair value of loans outstanding is estimated to be \$30.6 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 1,997,973 HELP debtors as at 30 June 2014. The term of a HELP loan can only be determined for people who have fully repaid their debt. As at the end of June 2014, the average duration of HELP loans was 8.5 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 2015, the estimated amortised value of the advances is \$2.0 billion.

The Australian Office of Financial Management manages the receipt of interest and principal repayments from the State and Northern Territory Governments.

### **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. In line with G20 Leaders' commitments, Australia has joined with other countries to increase its credit line under an expanded NAB. 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. As at 30 June 2015, loans outstanding are expected to total \$916 million.

The value of Australia's NAB credit arrangement is Special Drawing Rights (SDR, the IMF's unit of account) 4.4 billion (estimated value A\$7.4 billion at 31 October 2014).

### **Concessional Loan for Asbestos removal in the ACT — Mr Fluffy loose fill asbestos remediation**

The Commonwealth Government has agreed to provide the ACT Government with a concessional loan of up to \$1 billion to deliver a programme to buy-back and demolish houses in the ACT affected by Mr Fluffy loose fill asbestos.

### *Appendix C: Statement of Risks*

This facility will allow the ACT to borrow up to \$1 billion at the Commonwealth's interest rate for a period of 10 years.

#### **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 that, in aggregate, has an acceptable but not excessive level of risk relative to the sector, as required under the *Clean Energy Finance Corporation Investment Mandate Directions 2012* (Investment Mandate). As at 30 June 2015, loans outstanding are estimated to total \$735 million.

The CEFC's portfolio consists of predominantly senior ranking, secured loans, typically secured against assets such as buildings or council rates, or against energy generating assets such as wind or solar farms or biogas facilities.

The Government has announced its intention to abolish the CEFC. Legislation to abolish the CEFC and transfer the CEFC's existing assets and liabilities to the Commonwealth is currently before Parliament.

The CEFC has predominantly made loans as a co-financier either jointly or in consortiums with private sector financial institutions. Interest rates vary with an average expected return of approximately 7 per cent. Loans have various maturity dates, typically in the range of 5-10 years.

#### **Indigenous Home Ownership**

Indigenous Business Australia delivers flexible loans with concessional interest rates to improve Indigenous home ownership across Australia, including in remote Indigenous communities. As at 30 June 2014, loans outstanding were \$598 million. The average interest rate is set at 4.7 per cent per annum, and as at 30 June 2014 the average loan term was 29.4 years.

#### **Student Financial Supplement Scheme**

The Student Financial Supplement Scheme was a programme whereby student income support recipients could trade one dollar of entitlement for two dollars provided as an income contingent loan. The programme closed for new recipients on 1 January 2004. The outstanding debt relates to debtors who received loans prior to 2004. As at 30 June 2015, loans outstanding are estimated to total \$553.2 million.

#### **Farm Finance Concessional Loans**

The Farm Finance Concessional Loans Scheme provides up to \$420 million over two years to 2014-15 for the provision of concessional loans to eligible farm businesses experiencing financial difficulties, but considered commercially viable in the long term. Loans will be issued for the purpose of productivity enhancements and debt refinancing.

Loans are made to state governments that, through state delivery agents, on-lend to eligible farm businesses. Currently the interest rate is at 4.5 per cent, but is reviewed on a six-monthly basis and revised in accordance with material changes in the five-year Commonwealth bond rate. Loans are provided for a term of five years, with an exceptional circumstances clause in some jurisdictions, which allows a maximum two-year extension to the loan, on commercial terms.

### **Indigenous Land Corporation**

The Indigenous Land Corporation (ILC) 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 (VITA) 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. An additional \$26.9 million in accrued interest on the intercompany loan and other advances (between the ILC and VITA) have occurred since the purchase of ARR, with the total amount owing now at \$318.9 million.

### **Export Finance and Insurance Company**

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 2015, the loan amount outstanding is estimated to total \$284 million.

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 2015, loans outstanding are estimated to total \$282 million.

### **Drought Concessional Loans**

The Drought Concessional Loans Scheme provides up to \$270 million until 30 June 2015 for loans to drought-affected farm businesses for debt restructuring, operating expenses, and drought recovery and preparedness activities. The variable interest rate is set at 0.5 per cent below the Farm Finance Concessional Loan rate.

Loans are made to state governments that, through state delivery agents, on lend to eligible farm businesses. Currently the interest rate is at 4.0 per cent, but is reviewed on a six-monthly basis and revised in accordance with changes to the Farm Finance Concessional Loan rate. Loans are provided for a term of five years, with an exceptional circumstances clause, which allows a maximum two-year extension to the loan, on commercial terms.

**Zero Real Interest Loans**

The Zero Real Interest Loans Programme provides loans to assist aged care providers to build or extend residential aged care services in areas of high need. Loans provided under the Programme attract an interest rate equivalent to the Consumer Price Index. Four funding rounds were completed with the final funding round completed in 2013. No further new loan offers will be available under the Programme. As at 30 June 2015, the total amount owed to the Commonwealth is estimated to be \$246.4 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 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;

#### *Appendix D: Historical Australian Government Data*

- 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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<sup>1</sup> Prior to the 2008-09 Budget, cash data calculated under the cash accounting framework was 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.

## **AUSTRALIAN GOVERNMENT GENERAL GOVERNMENT SECTOR CALL ON RESOURCES**

The call on resources series for the Australian Government general government sector provides a measure of the aggregate level of receipts (both tax and non-tax) and borrowings required to fund government activities. Cash data for the call on resources series has been derived from the underlying and headline cash balance data series.

## **DEFLATING REAL SPENDING GROWTH BY THE CONSUMER PRICE INDEX**

The 2014-15 MYEFO, including the historical series, calculates real spending growth using the Consumer Price Index (CPI) as the deflator. Previously the non-farm GDP (NFGDP) deflator was used and has therefore been shown in this appendix for comparative purposes. The non-farm GDP deflator incorporates fluctuations in global commodity prices which are not relevant for Government expenditures.

Appendix D: Historical Australian Government Data

**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)	
	Per cent \$m	Per cent of GDP	Per cent				\$m	Per cent	
			Per cent real growth (\$m)	Per cent real growth (CPI)	Per cent real growth (NFGDP deflator)(f)	Per cent of GDP		\$m	Per cent of GDP
1970-71	8,290	20.6	7,389	na	na	18.3	-	901	2.2
1971-72	9,135	20.6	8,249	4.1	5.0	18.6	-	886	2.0
1972-73	9,735	19.6	9,388	7.7	7.4	18.9	-	348	0.7
1973-74	12,228	20.3	11,078	4.2	4.3	18.4	-	1,150	1.9
1974-75	15,643	22.0	15,463	19.9	14.1	21.8	-	181	0.3
1975-76	18,727	22.5	20,225	15.7	13.9	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	2.8	24.9	-	-2,037	-1.9
1978-79	26,129	22.1	28,272	0.3	3.1	23.9	-	-2,142	-1.8
1979-80	30,321	22.6	31,642	1.5	1.7	23.6	-	-1,322	-1.0
1980-81	35,993	23.7	36,176	4.6	3.6	23.8	-	-184	-0.1
1981-82	41,499	23.6	41,151	2.9	0.6	23.4	-	348	0.2
1982-83	45,463	24.1	48,810	6.3	6.3	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	8.9	27.6	-	-6,037	-2.6
1985-86	66,206	25.4	71,328	1.5	3.6	27.4	-	-5,122	-2.0
1986-87	74,724	26.2	77,158	-1.1	0.8	27.0	-	-2,434	-0.9
1987-88	83,491	25.8	82,039	-0.9	0.0	25.3	-	1,452	0.4
1988-89	90,748	24.7	85,326	-3.1	-4.4	23.2	-	5,421	1.5
1989-90	98,625	24.4	92,684	0.6	1.6	22.9	-	5,942	1.5
1990-91	100,227	24.2	100,665	3.1	3.9	24.3	-	-438	-0.1
1991-92	95,840	22.7	108,472	5.7	5.8	25.6	-	-12,631	-3.0
1992-93	97,633	22.0	115,751	5.6	5.8	26.1	-	-18,118	-4.1
1993-94	103,824	22.2	122,009	3.5	4.5	26.1	-	-18,185	-3.9
1994-95	113,458	22.9	127,619	1.4	2.4	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	-0.8	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	25.2	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	4.2	25.0	-	-1,067	-0.1
2002-03	204,613	25.5	197,243	1.4	1.3	24.6	-	7,370	0.9
2003-04	217,775	25.3	209,785	3.9	2.7	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	2.7	24.1	51	15,757	1.6
2006-07	272,637	25.1	253,321	2.5	0.4	23.3	2,127	17,190	1.6
2007-08	294,917	25.0	271,843	3.8	2.8	23.1	3,319	19,754	1.7
2008-09	292,600	23.3	316,046	12.7	10.3	25.1	3,566	-27,013	-2.1
2009-10	284,662	22.0	336,900	4.2	5.6	26.0	2,256	-54,494	-4.2
2010-11	302,024	21.5	346,102	-0.4	-3.2	24.6	3,385	-47,463	-3.4

**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)	
	Per cent		Per cent		Per cent		Per cent		
	\$m	of GDP	\$m	real growth (CPI)	real growth (NFGDP deflator)(f)	of GDP	\$m	\$m	of GDP
2011-12	329,874	22.2	371,032	4.8	5.3	24.9	2,203	-43,360	-2.9
2012-13	351,052	23.1	367,204	-3.2	-0.6	24.1	2,682	-18,834	-1.2
2013-14	360,322	22.8	406,430	7.8	9.1	25.7	2,348	-48,456	-3.1
<b>2014-15(e)</b>	<b>379,483</b>	<b>23.6</b>	<b>416,526</b>	<b>0.1</b>	<b>3.4</b>	<b>25.9</b>	<b>3,319</b>	<b>-40,362</b>	<b>-2.5</b>
2015-16(e)	403,362	24.0	431,078	0.8	2.0	25.7	3,523	-31,239	-1.9
2016-17(p)	429,228	24.3	446,420	1.0	2.0	25.3	3,653	-20,844	-1.2
2017-18(p)	459,806	24.8	467,362	2.1	3.0	25.2	3,924	-11,480	-0.6

(a) Data have been revised in the 2014-15 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 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 for investments in financial assets for policy purposes and headline cash balance<sup>(a)</sup>**

	Receipts		Payments		Net cash flows from investments in financial assets for policy purposes(b)		Headline cash balance(c)	
	\$m	\$m	\$m	\$m	Per cent of GDP	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	-2.5	-3,539	-4.3		
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	0.7		
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		
2010-11	302,024	346,102	-7,028	-0.5	-51,106	-3.6		

**Table D2: Australian Government general government sector net cash flows for 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)	
	\$m	\$m	\$m	Per cent of GDP	\$m	Per cent of GDP
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
<b>2014-15(e)</b>	<b>379,483</b>	<b>416,526</b>	<b>-6,821</b>	<b>-0.4</b>	<b>-43,863</b>	<b>-2.7</b>
2015-16(e)	403,362	431,078	-14,217	-0.8	-41,933	-2.5
2016-17(p)	429,228	446,420	-17,053	-1.0	-34,244	-1.9
2017-18(p)	459,806	467,362	-14,101	-0.8	-21,657	-1.2

(a) Data have been revised in the 2014-15 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.

(e) Estimates.

(p) Projections.

Appendix D: Historical Australian Government Data

**Table D3: Australian Government general government sector call on resources<sup>(a)</sup>**

	Receipts(b)		Headline cash balance(c)		Call on resources(d)	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
	1970-71	8,290	20.6	50	0.1	8,240
1971-72	9,135	20.6	-101	-0.2	9,236	20.8
1972-73	9,735	19.6	-629	-1.3	10,364	20.8
1973-74	12,228	20.3	-125	-0.2	12,353	20.5
1974-75	15,643	22.0	-2,467	-3.5	18,110	25.5
1975-76	18,727	22.5	-3,539	-4.3	22,266	26.8
1976-77	21,890	22.8	-2,796	-2.9	24,686	25.7
1977-78	24,019	22.9	-3,361	-3.2	27,380	26.1
1978-79	26,129	22.1	-3,216	-2.7	29,345	24.8
1979-80	30,321	22.6	-2,024	-1.5	32,345	24.1
1980-81	35,993	23.7	-1,146	-0.8	37,139	24.4
1981-82	41,499	23.6	-660	-0.4	42,159	24.0
1982-83	45,463	24.1	-4,711	-2.5	50,174	26.5
1983-84	49,981	23.4	-8,144	-3.8	58,125	27.2
1984-85	58,817	25.0	-6,959	-3.0	65,776	28.0
1985-86	66,206	25.4	-5,932	-2.3	72,138	27.7
1986-87	74,724	26.2	-2,979	-1.0	77,703	27.2
1987-88	83,491	25.8	2,109	0.7	81,382	25.1
1988-89	90,748	24.7	5,589	1.5	85,159	23.2
1989-90	98,625	24.4	7,159	1.8	91,466	22.6
1990-91	100,227	24.2	1,125	0.3	99,102	23.9
1991-92	95,840	22.7	-10,475	-2.5	106,315	25.1
1992-93	97,633	22.0	-15,647	-3.5	113,280	25.5
1993-94	103,824	22.2	-14,738	-3.2	118,562	25.4
1994-95	113,458	22.9	-12,614	-2.5	126,072	25.4
1995-96	124,429	23.5	-5,921	-1.1	130,350	24.6
1996-97	133,592	24.0	1,142	0.2	132,450	23.8
1997-98	140,736	23.9	15,303	2.6	125,433	21.3
1998-99	152,063	24.5	10,837	1.7	141,226	22.8
1999-00	166,199	25.2	22,507	3.4	143,692	21.7
2000-01	182,996	25.9	11,545	1.6	171,451	24.3
2001-02	187,588	24.9	2,355	0.3	185,233	24.6
2002-03	204,613	25.5	7,141	0.9	197,472	24.7
2003-04	217,775	25.3	7,538	0.9	210,237	24.4
2004-05	235,984	25.6	12,438	1.3	223,546	24.2
2005-06	255,943	25.6	14,160	1.4	241,783	24.2
2006-07	272,637	25.1	26,720	2.5	245,918	22.6
2007-08	294,917	25.0	28,181	2.4	266,735	22.6
2008-09	292,600	23.3	-31,336	-2.5	323,935	25.7
2009-10	284,662	22.0	-56,516	-4.4	341,178	26.3
2010-11	302,024	21.5	-51,106	-3.6	353,130	25.1
2011-12	329,874	22.2	-47,023	-3.2	376,898	25.3
2012-13	351,052	23.1	-20,954	-1.4	372,006	24.5
2013-14	360,322	22.8	-52,479	-3.3	412,801	26.1
<b>2014-15(e)</b>	<b>379,483</b>	<b>23.6</b>	<b>-43,863</b>	<b>-2.7</b>	<b>423,346</b>	<b>26.3</b>
2015-16(e)	403,362	24.0	-41,933	-2.5	445,295	26.5
2016-17(p)	429,228	24.3	-34,244	-1.9	463,472	26.3
2017-18(p)	459,806	24.8	-21,657	-1.2	481,463	25.9

(a) Data have been revised in the 2014-15 MYEFO to improve accuracy and comparability through time.

(b) Receipts are identical to those in Table 1.

(c) Headline cash balance is equal to receipts less payments, plus net cash flows from investments in financial assets for policy purposes. Headline cash balance is identical to those in Table D2.

(d) Call on resources is equal to receipts less headline cash balance.

(e) Estimates.

(p) Projections.



**Table D4: Australian Government general government sector (cash) receipts**

	Actual	Estimates		Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Individuals and other withholding taxes					
Gross income tax withholding	156,211	166,700	178,800	190,100	203,300
Gross other individuals	34,787	37,300	41,100	45,100	49,200
<i>less: Refunds</i>	27,407	27,500	28,100	29,200	31,200
Total individuals and other withholding tax	163,592	176,500	191,800	206,000	221,300
Fringe benefits tax	4,077	4,350	4,890	5,120	4,960
Company tax	67,273	68,960	70,800	76,300	81,300
Superannuation fund taxes	6,101	7,040	9,630	10,680	11,360
Minerals resource rent tax(a)	143	60	0	0	0
Petroleum resource rent tax	1,368	1,890	1,700	1,650	1,650
<b>Income taxation receipts</b>	<b>242,553</b>	<b>258,800</b>	<b>278,820</b>	<b>299,750</b>	<b>320,570</b>
Goods and services tax	51,394	53,982	57,468	60,662	63,923
Wine equalisation tax	766	800	830	870	900
Luxury car tax	464	400	360	370	390
Excise and customs duty					
Petrol	6,053	5,950	6,150	6,450	6,850
Diesel	8,940	8,930	9,340	9,750	10,180
Other fuel products	3,624	3,260	3,150	3,330	3,500
Tobacco	8,498	8,310	9,560	10,600	10,890
Beer	2,348	2,410	2,470	2,590	2,730
Spirits	1,909	1,970	2,030	2,130	2,240
Other alcoholic beverages(b)	927	950	990	1,040	1,090
Other customs duty					
Textiles, clothing and footwear	789	590	310	220	170
Passenger motor vehicles	921	800	520	510	530
Other imports	1,631	1,570	1,070	930	940
<i>less: Refunds and drawbacks</i>	319	420	420	420	420
Total excise and customs duty	35,321	34,320	35,170	37,130	38,700
Carbon pricing mechanism	4,363	1,800	0	0	0
Agricultural levies	495	454	478	484	501
Other taxes	3,012	3,038	3,477	3,526	3,596
<b>Indirect taxation receipts</b>	<b>95,815</b>	<b>94,794</b>	<b>97,784</b>	<b>103,042</b>	<b>108,009</b>
<b>Taxation receipts</b>	<b>338,368</b>	<b>353,594</b>	<b>376,604</b>	<b>402,792</b>	<b>428,579</b>
Sales of goods and services	8,579	9,114	9,202	11,379	16,004
Interest	3,128	3,469	4,022	3,950	3,976
Dividends	2,978	3,831	3,407	3,367	3,838
Other non-taxation receipts	7,268	9,475	10,128	7,740	7,409
<b>Non-taxation receipts</b>	<b>21,954</b>	<b>25,889</b>	<b>26,759</b>	<b>26,436</b>	<b>31,227</b>
<b>Total receipts</b>	<b>360,322</b>	<b>379,483</b>	<b>403,362</b>	<b>429,228</b>	<b>459,806</b>
<i>Memorandum:</i>					
<i>Total excise</i>	26,075	25,260	26,860	28,400	29,710
<i>Total customs duty</i>	9,246	9,060	8,310	8,730	8,990
<i>Capital gains tax(c)</i>	7,300	8,900	11,300	13,500	15,600
<i>Medicare and DisabilityCare</i>					
<i>Australia levy</i>	10,500	14,130	15,040	15,830	16,650

(a) Net receipts from the MRRT are expected to be around \$40 million in 2014-15 which represents the net receipts impact across different revenue heads. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The Government has announced the MRRT will not apply beyond 30 September 2014.

(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 2013-14 reported figure is an estimate.

**Table D5: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts<sup>(a)</sup>**

	Taxation receipts		Non-taxation receipts		Total receipts(b)	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	7,193	17.9	1,097	2.7	8,290	20.6
1971-72	7,895	17.8	1,240	2.8	9,135	20.6
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	19.8	2,720	2.3	26,129	22.1
1979-80	27,473	20.5	2,848	2.1	30,321	22.6
1980-81	32,641	21.5	3,352	2.2	35,993	23.7
1981-82	37,880	21.6	3,619	2.1	41,499	23.6
1982-83	41,025	21.7	4,438	2.3	45,463	24.1
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	23.3	8,257	2.9	74,724	26.2
1987-88	75,076	23.2	8,415	2.6	83,491	25.8
1988-89	83,452	22.7	7,296	2.0	90,748	24.7
1989-90	90,773	22.5	7,852	1.9	98,625	24.4
1990-91	92,739	22.4	7,488	1.8	100,227	24.2
1991-92	87,364	20.7	8,476	2.0	95,840	22.7
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	21.2	8,537	1.7	113,458	22.9
1995-96	115,700	21.9	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	25.2
2000-01	170,354	24.2	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	206,091	23.9	11,683	1.4	217,775	25.3
2004-05	223,314	24.2	12,669	1.4	235,984	25.6
2005-06	241,215	24.2	14,728	1.5	255,943	25.6
2006-07	257,392	23.7	15,245	1.4	272,637	25.1
2007-08	278,376	23.6	16,540	1.4	294,917	25.0
2008-09	272,627	21.7	19,973	1.6	292,600	23.3
2009-10	260,973	20.1	23,689	1.8	284,662	22.0
2010-11	280,839	19.9	21,185	1.5	302,024	21.5
2011-12	309,943	20.8	19,931	1.3	329,874	22.2
2012-13	326,426	21.5	24,627	1.6	351,052	23.1
2013-14	338,368	21.4	21,954	1.4	360,322	22.8
<b>2014-15(e)</b>	<b>353,594</b>	<b>22.0</b>	<b>25,889</b>	<b>1.6</b>	<b>379,483</b>	<b>23.6</b>
2015-16(e)	376,604	22.4	26,759	1.6	403,362	24.0
2016-17(p)	402,792	22.8	26,436	1.5	429,228	24.3
2017-18(p)	428,579	23.1	31,227	1.7	459,806	24.8

(a) Data have been revised in the 2014-15 MYEFO to improve accuracy and comparability through time.

(b) Receipts are equal to receipts from operating activities and sales of non-financial assets.

(e) Estimates.

(p) Projections.

**Table D6: 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	8.2	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
2010-11	84,551	6.0	4,608	0.3
2011-12	147,334	9.9	6,609	0.4
2012-13	152,982	10.1	8,285	0.5
2013-14	202,463	12.8	10,843	0.7
<b>2014-15(e)</b>	<b>244,836</b>	<b>15.2</b>	<b>10,752</b>	<b>0.7</b>
2015-16(e)	279,574	16.7	11,332	0.7
2016-17(p)	304,383	17.2	12,058	0.7
2017-18(p)	315,764	17.0	12,700	0.7

(a) Data have been revised in the 2014-15 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 D7: Australian Government general government sector face value of Commonwealth Government Securities (CGS) on issue and interest paid**

	Face value of CGS on issue(a)					
	Total CGS on issue(b)		Subject to Treasurer's direction(c)		Interest Paid(d)	
	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	24.6	-	-	675	1.4
1973-74	12,809	21.3	-	-	712	1.2
1974-75	14,785	20.8	-	-	893	1.3
1975-76	17,940	21.6	-	-	1,001	1.2
1976-77	20,845	21.7	-	-	1,485	1.5
1977-78	23,957	22.9	-	-	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	19.9	-	-	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	23.2	-	-	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	19.4	-	-	8,139	2.5
1988-89	56,854	15.5	-	-	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	2.0
1996-97	111,067	20.0	-	-	10,653	1.9
1997-98	93,664	15.9	-	-	9,453	1.6
1998-99	85,331	13.8	-	-	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	6.4	-	-	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	11.4	141,806	10.9	6,411	0.5
2010-11	191,292	13.6	186,704	13.3	9,551	0.7

**Table D7: Australian Government general government sector face value of Commonwealth Government Securities (CGS) on issue and interest paid (continued)**

	Face value of CGS on issue(a)					
	Total CGS on issue(b)		Subject to Treasurer's direction(c)		Interest Paid(d)	
	End of year \$m	Per cent of GDP	End of year \$m	Per cent of GDP	\$m	Per cent of GDP
2011-12	233,976	15.7	229,389	15.4	10,875	0.7
2012-13	257,378	16.9	252,791	16.6	11,846	0.8
2013-14	319,487	20.2	316,952	20.0	13,972	0.9
<b>2014-15(e)</b>	<b>370,000</b>	<b>23.0</b>	<b>367,000</b>	<b>22.8</b>	<b>14,221</b>	<b>0.9</b>
2015-16(e)	415,000	24.7	413,000	24.6	15,354	0.9
2016-17(p)	461,000	26.1	459,000	26.0	16,007	0.9
2017-18(p)	484,000	26.0	481,000	25.9	16,676	0.9

- (a) From 2014-15 onwards, data for CGS on issue are projections and are rounded to the nearest \$1 billion.
- (b) Total CGS on issue includes CGS held on behalf of the States and the Northern Territory, but excludes Commonwealth holdings of CGS.
- (c) 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. 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.
- (d) Interest paid consists of all cash interest payments of the general government sector, including those relating to CGS on issue.
- (e) Estimates.
- (p) Projections.

**Table D8: Australian Government general government sector revenue, expenses, net capital investment and fiscal balance<sup>(a)</sup>**

	Revenue		Expenses		Net capital investment		Fiscal balance <sup>(b)</sup>	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1996-97	141,688	25.5	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	23.7	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	186,110	26.4	180,094	25.5	8	0.0	6,007	0.9
2001-02	190,488	25.3	193,041	25.6	382	0.1	-2,935	-0.4
2002-03	206,923	25.8	201,259	25.1	287	0.0	5,377	0.7
2003-04	222,168	25.8	215,361	25.0	660	0.1	6,148	0.7
2004-05	242,507	26.3	229,245	24.9	1,034	0.1	12,228	1.3
2005-06	261,238	26.2	242,334	24.3	2,498	0.3	16,406	1.6
2006-07	278,411	25.6	259,276	23.9	2,333	0.2	16,801	1.5
2007-08	303,729	25.8	280,188	23.8	2,593	0.2	20,948	1.8
2008-09	298,933	23.8	324,612	25.8	4,064	0.3	-29,743	-2.4
2009-10	292,767	22.6	340,208	26.3	6,433	0.5	-53,875	-4.2
2010-11	309,890	22.0	356,353	25.3	5,297	0.4	-51,760	-3.7
2011-12	338,109	22.7	378,005	25.4	4,850	0.3	-44,746	-3.0
2012-13	360,160	23.7	382,644	25.2	987	0.1	-23,472	-1.5
2013-14	373,950	23.6	413,845	26.2	3,850	0.2	-43,746	-2.8
<b>2014-15(e)</b>	<b>385,876</b>	<b>24.0</b>	<b>422,898</b>	<b>26.3</b>	<b>2,784</b>	<b>0.2</b>	<b>-39,806</b>	<b>-2.5</b>
2015-16(e)	411,682	24.5	436,484	26.0	2,422	0.1	-27,223	-1.6
2016-17(p)	441,036	25.0	456,097	25.8	2,718	0.2	-17,778	-1.0
2017-18(p)	473,174	25.5	475,310	25.6	2,899	0.2	-5,035	-0.3

(a) Data have been revised in the 2014-15 MYEFO to improve accuracy and comparability through time.

(b) Fiscal balance is equal to revenue less expenses less net capital investment.

(e) Estimates.

(p) Projections.

**Table D9: Australian Government general government sector net worth and net financial worth<sup>(a)</sup>**

	Net worth(b)		Net financial worth(c)	
	\$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	-10.4
2002-03	-15,330	-1.9	-82,931	-10.4
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	-11.2
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	-20.6
2013-14	-256,045	-16.2	-370,331	-23.4
<b>2014-15(e)</b>	<b>-229,481</b>	<b>-14.3</b>	<b>-347,931</b>	<b>-21.6</b>
2015-16(e)	-253,511	-15.1	-374,827	-22.3
2016-17(p)	-269,309	-15.3	-392,673	-22.2
2017-18(p)	-271,781	-14.6	-398,716	-21.5

(a) Data have been revised in the 2014-15 MYEFO to improve accuracy and comparability through time.

(b) Net worth is equal to total assets less liabilities.

(c) Net financial worth is equal to financial assets less liabilities.

(e) Estimates.

(p) Projections.

**Table D10: Australian Government general government sector accrual taxation revenue, non-taxation revenue and total revenue<sup>(a)</sup>**

	Taxation revenue		Non-taxation revenue		Total revenue	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1999-00	153,408	23.2	13,896	2.1	167,304	25.3
2000-01	175,881	24.9	10,228	1.5	186,110	26.4
2001-02	178,210	23.7	12,278	1.6	190,488	25.3
2002-03	195,203	24.4	11,720	1.5	206,923	25.8
2003-04	209,959	24.4	12,209	1.4	222,168	25.8
2004-05	229,943	24.9	12,564	1.4	242,507	26.3
2005-06	245,716	24.6	15,522	1.6	261,238	26.2
2006-07	262,511	24.1	15,900	1.5	278,411	25.6
2007-08	286,229	24.3	17,500	1.5	303,729	25.8
2008-09	278,653	22.1	20,280	1.6	298,933	23.8
2009-10	268,000	20.7	24,767	1.9	292,767	22.6
2010-11	289,005	20.5	20,885	1.5	309,890	22.0
2011-12	316,779	21.3	21,330	1.4	338,109	22.7
2012-13	337,323	22.2	22,836	1.5	360,160	23.7
2013-14	351,088	22.2	22,862	1.4	373,950	23.6
<b>2014-15(e)</b>	<b>361,959</b>	<b>22.5</b>	<b>23,917</b>	<b>1.5</b>	<b>385,876</b>	<b>24.0</b>
2015-16(e)	387,249	23.1	24,433	1.5	411,682	24.5
2016-17(p)	413,821	23.4	27,216	1.5	441,036	25.0
2017-18(p)	440,468	23.7	32,706	1.8	473,174	25.5

(a) Data have been revised in the 2014-15 MYEFO to improve accuracy and comparability through time.

(e) Estimates.

(p) Projections.



**Table D11: Australian Government general government sector (accrual) revenue**

	Actual	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m	\$m
Individuals and other withholding taxes					
Gross income tax withholding	157,761	168,430	180,660	192,040	205,370
Gross other individuals	37,561	40,470	44,550	48,850	53,270
less: Refunds	27,407	27,500	28,100	29,200	31,200
Total individuals and other withholding tax	167,915	181,400	197,110	211,690	227,440
Fringe benefits tax	4,285	4,480	5,030	5,260	5,100
Company tax	68,764	70,930	72,500	78,100	83,300
Superannuation fund taxes	6,146	7,130	9,760	10,860	11,560
Minerals resource rent tax(a)	141	60	0	0	0
Petroleum resource rent tax	1,645	1,770	1,700	1,680	1,650
<b>Income taxation revenue</b>	<b>248,897</b>	<b>265,770</b>	<b>286,100</b>	<b>307,590</b>	<b>329,050</b>
Goods and services tax	55,517	56,820	60,390	63,510	66,950
Wine equalisation tax	826	810	840	880	910
Luxury car tax	476	400	360	380	400
Excise and customs duty					
Petrol	5,927	5,970	6,200	6,410	6,820
Diesel	8,758	8,960	9,370	9,750	10,180
Other fuel products	3,572	3,280	3,170	3,330	3,500
Tobacco	8,531	8,320	9,580	10,600	10,890
Beer	2,307	2,430	2,480	2,590	2,730
Spirits	1,902	1,970	2,030	2,130	2,240
Other alcoholic beverages(b)	908	950	990	1,040	1,090
Other customs duty					
Textiles, clothing and footwear	789	590	310	220	170
Passenger motor vehicles	921	800	520	510	530
Other imports	1,633	1,570	1,070	930	940
less: Refunds and drawbacks	319	420	420	420	420
Total excise and customs duty	34,929	34,420	35,300	37,090	38,670
Carbon pricing mechanism	6,623	0	0	0	0
Agricultural levies	491	454	478	484	501
Other taxes	3,329	3,285	3,781	3,886	3,988
<b>Indirect taxation revenue</b>	<b>102,191</b>	<b>96,190</b>	<b>101,149</b>	<b>106,231</b>	<b>111,419</b>
<b>Taxation revenue</b>	<b>351,088</b>	<b>361,959</b>	<b>387,249</b>	<b>413,821</b>	<b>440,468</b>
Sales of goods and services	8,573	9,190	9,258	11,453	16,070
Interest	3,341	3,987	4,672	5,031	5,322
Dividends	4,105	3,396	3,170	3,644	4,113
Other non-taxation revenue	6,843	7,344	7,333	7,087	7,200
<b>Non-taxation revenue</b>	<b>22,862</b>	<b>23,917</b>	<b>24,433</b>	<b>27,216</b>	<b>32,706</b>
<b>Total revenue</b>	<b>373,950</b>	<b>385,876</b>	<b>411,682</b>	<b>441,036</b>	<b>473,174</b>
<i>Memorandum:</i>					
<i>Total excise</i>	25,648	25,360	26,990	28,360	29,680
<i>Total customs duty</i>	9,280	9,060	8,310	8,730	8,990
<i>Capital gains tax(c)</i>	7,300	8,900	11,300	13,500	15,600
<i>Medicare and DisabilityCare Australia levy</i>	10,309	14,130	15,040	15,830	16,650

(a) Net revenue from the MRRT is expected to be around \$40 million in 2014-15 which represents the net revenue impact across different revenue heads. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The Government has announced the MRRT will not apply beyond 30 September 2014.

(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 2013-14 reported figure is an estimate.

Appendix D: Historical Australian Government Data

**Table D12: Australian Government cash receipts, payments and surplus by institutional sector (\$m)<sup>(a)</sup>**

	General government				Public non-financial corporations				Non-financial public sector			
	Receipts(b)	Payments(c)	Underlying balance(d)	Receipts(b)	Payments(c)	Cash surplus(d)	Receipts(b)	Payments(c)	Underlying balance(d)	Receipts(b)	Payments(c)	Underlying balance(d)
1988-89	90,748	85,326	5,421	4,177	6,035	257	93,923	90,312	5,678	93,923	90,312	5,678
1989-90	98,625	92,684	5,942	3,926	11,322	-5,261	101,495	102,883	681	101,495	102,883	681
1990-91	100,227	100,665	-438	4,804	9,351	-2,139	103,837	108,808	-2,577	103,837	108,808	-2,577
1991-92	95,840	108,472	-12,631	3,899	7,713	101	97,937	114,369	-12,530	97,937	114,369	-12,530
1992-93	97,633	115,751	-18,118	4,385	7,819	-196	100,512	122,042	-18,314	100,512	122,042	-18,314
1993-94	103,824	122,009	-18,185	5,178	6,476	1,482	106,747	126,214	-16,703	106,747	126,214	-16,703
1994-95	113,458	127,619	-14,160	5,262	7,318	1,956	116,751	132,965	-12,204	116,751	132,965	-12,204
1995-96	124,429	135,538	-11,109	4,927	8,190	-527	126,593	140,963	-11,636	126,593	140,963	-11,636
1996-97	133,592	139,689	-6,099	4,782	7,373	473	135,259	143,948	-5,626	135,259	143,948	-5,626
1997-98	140,736	140,587	149	6,238	7,923	1,119	144,517	145,985	1,268	144,517	145,985	1,268
1998-99	152,063	148,175	3,889	na	na	-353	na	na	3,536	na	na	3,536
1999-00	166,199	153,192	13,007	na	na	-2,594	na	na	10,413	na	na	10,413
2000-01	182,996	177,123	5,872	na	na	391	na	na	6,264	na	na	6,264
2001-02	187,588	188,655	-1,067	na	na	1,210	na	na	143	na	na	143
2002-03	204,613	197,243	7,370	27,386	26,105	1,280	na	na	8,650	na	na	8,650
2003-04	217,775	209,785	7,990	27,718	26,142	1,575	238,236	228,669	9,564	238,236	228,669	9,564
2004-05	235,984	222,407	13,577	29,621	28,071	1,550	257,946	242,818	15,128	257,946	242,818	15,128
2005-06	255,943	240,136	15,757	30,875	31,874	-999	278,254	263,445	14,759	278,254	263,445	14,759
2006-07	272,637	253,321	17,190	16,882	18,641	-1,759	285,336	267,778	15,431	285,336	267,778	15,431
2007-08	294,917	271,843	19,754	7,758	8,232	-473	300,503	277,903	19,281	300,503	277,903	19,281
2008-09	292,600	316,046	-27,013	7,987	8,960	-973	297,421	321,841	-27,986	297,421	321,841	-27,986
2009-10	284,662	336,900	-54,494	8,419	9,341	-922	290,681	343,841	-55,416	290,681	343,841	-55,416
2010-11	302,024	346,102	-47,463	8,558	9,733	-1,175	308,258	353,511	-48,638	308,258	353,511	-48,638
2011-12	329,874	371,032	-43,360	8,845	10,847	-2,002	336,122	379,282	-45,362	336,122	379,282	-45,362
2012-13	351,052	367,204	-18,834	9,766	14,135	-4,369	358,088	378,609	-23,203	358,088	378,609	-23,203
2013-14	360,322	406,430	-48,456	11,042	16,322	-5,280	368,521	419,910	-53,737	368,521	419,910	-53,737
<b>2014-15(e)</b>	<b>379,483</b>	<b>416,526</b>	<b>-40,362</b>	<b>10,558</b>	<b>15,990</b>	<b>-5,432</b>	<b>387,471</b>	<b>429,945</b>	<b>-45,794</b>	<b>387,471</b>	<b>429,945</b>	<b>-45,794</b>
2015-16(e)	403,362	431,078	-31,239	na	na	na	na	na	na	na	na	na
2016-17(p)	429,228	446,420	-20,844	na	na	na	na	na	na	na	na	na
2017-18(p)	459,806	467,362	-11,480	na	na	na	na	na	na	na	na	na

(a) Data have been revised in the 2014-15 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, distributions paid and net acquisition of assets under finance leases.  
 (d) These items exclude 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 D13: Australian Government accrual revenue, expenses and fiscal balance by institutional sector (>\$m)<sup>(a)</sup>**

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
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	186,110	180,094	6,007	25,869	24,762	-826	207,372	200,250	5,181
2001-02	190,488	193,041	-2,935	26,638	25,341	793	212,518	213,774	-2,142
2002-03	206,923	201,259	5,377	24,339	22,916	1,975	226,135	219,089	7,311
2003-04	222,168	215,361	6,148	25,449	23,444	2,143	241,873	233,060	8,291
2004-05	242,507	229,245	12,228	26,965	25,191	1,473	263,587	248,552	13,700
2005-06	261,238	242,334	16,406	28,143	29,531	-2,442	282,597	265,080	13,964
2006-07	278,411	259,276	16,801	15,443	16,360	-1,763	290,067	271,850	15,038
2007-08	303,729	280,188	20,948	6,854	6,686	-584	309,215	285,506	20,364
2008-09	298,933	324,612	-29,743	6,998	7,576	-1,495	303,733	329,991	-31,238
2009-10	292,767	340,208	-53,875	7,288	7,297	-1,079	298,412	345,863	-54,954
2010-11	309,890	356,353	-51,760	7,563	7,787	-1,446	315,688	362,375	-53,205
2011-12	338,109	378,005	-44,746	8,046	8,238	-2,158	344,507	384,595	-46,904
2012-13	360,160	382,644	-23,472	8,863	9,415	-4,189	367,306	390,342	-27,661
2013-14	373,950	413,845	-43,746	9,537	11,127	-6,070	381,770	423,256	-49,816
<b>2014-15(e)</b>	<b>385,876</b>	<b>422,898</b>	<b>-39,806</b>	<b>9,708</b>	<b>11,723</b>	<b>-5,878</b>	<b>394,050</b>	<b>433,087</b>	<b>-45,684</b>
2015-16(e)	411,682	436,484	-27,223	na	na	na	na	na	na
2016-17(p)	441,036	456,097	-17,778	na	na	na	na	na	na
2017-18(p)	473,174	475,310	-5,035	na	na	na	na	na	na

(a) Data have been revised in the 2014-15 MYEFO to improve accuracy and comparability through time.

(b) 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.

