

Barton Deakin Brief: Commonwealth Budget 2016-17

3 May 2016

Today the Treasurer, the Hon. Scott Morrison MP, delivered the 2016-17 Commonwealth Budget in the House of Representatives. The Treasurer announced that there will be an expected underlying cash deficit of \$37.1 billion deficit in the 2016-17 financial year (2.2 per cent of GDP).

The underlying cash deficit is expected to reduce to \$6 billion (0.3 per cent of GDP) in 2019-20.

Real GDP growth is forecast to grow by 2.5 per cent in the 2016-17 financial year, and strengthen to 3 per cent in the 2017-18 financial year.

Government payments in 2016-17 are expected to be 25.8 per cent of GDP. This is expected to fall to 25.2 per cent over the forward estimates.

The unemployment rate is forecast to fall from 5.75 per cent in 2015-16 to 5.5 per cent to in 2017-18. It is projected to stay steady at 5.5 per cent until 2019-20.

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Tax and Superannuation Reform

As part of the Superannuation Tax Reform Package, the Turnbull Government has announced:

- A \$1.6 million superannuation transfer balance cap for individuals transferring into retirement phase accounts;
- The lowering of superannuation concessional contributions cap to \$25,000 in a single year;
- A low income superannuation tax offset for those earning a taxable income of less than \$37,000 per year. Such individuals will receive an effective refund of their tax paid on their concessional contributions up to \$500;
- A catch-up concessional superannuation contribution to be introduced in order to allow unutilised caps to be carried forward for up to five years where a superannuation account has a balance of \$500,000;
- A \$500,000 lifetime cap for non-concessional contributions to superannuation; and
- That households with a combined income of greater than \$250,000 will pay 30 per cent tax on their concessional contributions. This amounts to an increase from the current rate of 15 per cent.

The Government has introduced a number of changes to combat tax avoidance. The Government will:

- Introduce a new diverted profits tax, to be operational from 1 July 2017. The diverted profits tax will apply to multinational corporations and impose a 40 per cent rate where there is an attempt to shift profits out of the Australian jurisdiction. Combined with the Government's Multinational Anti-Avoidance Laws (introduced in 2014), these measures will raise \$650 million over the next four years;
- Establish a new Tax Avoidance Taskforce, within the [Australian Taxation Office \(ATO\)](#). This unit will include up to 1,000 specialist staff to pursue tax avoidance by multinationals and high wealth individuals. This taskforce is expected to raise \$3.7 billion over the forward estimates;
- Introduce new laws protecting whistleblowers who inform the ATO about tax avoidance and misconduct. Whistleblowers will be protected from both civil and criminal actions for disclosing relevant information; and
- Increase penalties for breaching tax reporting obligations for companies with a total global income greater than \$1 billion. The maximum penalty for failing to lodge relevant documents such as tax returns will be increased from \$4,500 to \$450,000 and increase penalties for providing false information to the ATO.

The Government has made changes to the tax levels for individuals and businesses as part of its 10 Year Enterprise Tax Plan:

- In personal income tax, the 32.5 per cent marginal rate tax threshold will be increased from \$80,000 to \$87,000, effecting approximately 500,000 Australians;
- The Government will reduce the company tax rate for businesses with a turnover of less than \$10 million in a year to 27.5 per cent, beginning on 1 July 2016;
- The Government will commit to reduce the company tax rate for all companies to 25 per cent by 2026-27. This will be done by gradually increasing the threshold at which the 27.5



per cent rate begins, from \$10 million in 2016-17 to \$1 billion in 2021-22. In 2023-24 the tax rate for all companies will be reduced to 27.5 per cent, decreasing yearly by 0.5 per cent until 2026-27; and

- Provides an unincorporated small business discount to be available to businesses with an annual turnover of less than \$5 million, an increase in the threshold from \$2 million. The rate of the unincorporated small business discount will be increased to 8 per cent, and gradually increased over the next 10 year to 16 per cent.

There will also be benefits for small business by increasing the threshold for access to a number of Government programmes from \$2 billion to \$10 million. These initiatives include:

- Simplified asset depreciation rules including the ability to immediately claim deductions for assets worth less than \$20,000 before 30 June 2017;
- Simplified Pay As You Go (**PAYG**) methods;
- The option to account for GST on a cash basis and pay GST instalments as calculated by the ATO; and
- Fringe benefits tax (**FBT**) exemptions (from 1 April 2017 to align with the FBT year).

The Government will increase the current tobacco excise for the next four years by 12.5 per cent annually, with the first increase to take effect on 1 September 2017.

Further information on the changes in the Treasury Portfolio can be found in the Treasury section of the Budget papers [here](#).

Infrastructure and Regional Development

The Government has committed to delivering over \$33 billion in infrastructure investment over the next four years. The Government has stated that it will:

- Continue with previous commitments worth \$50 billion for the period from 2013-14 to 2019-20 under the National Infrastructure Plan;
- Increase funding in the Roads to Recovery Programme, raising the annual commitment from \$350 million to \$400 million each year to support the construction and maintenance of roads and highways after 2019-20;
- Invest \$1.5 billion in the Victorian Infrastructure Package, to including upgrades to the Monash Freeway, M80 Ring Road, the Murray Basin Freight Rail, and the Rural and Regional Roads Package;
- Build the inland rail project through the Australian Rail Track Corporation (**ARTC**) and private sector investment. The ARTC will receive an additional \$594 million in equity funding to acquire land for the project;
- Commit \$115 million to a preparation fund for the Western Sydney Airport project, such that operations for the airport may commence in the mid-2020s;
- Continue funding the Financial Assistance Grant programme, providing approximately \$9.7 billion to Local Governments for their infrastructure needs between 2016-17 and 2019-20, equaling approximately \$2.4 billion per year;
- Establish a \$2 billion Water Infrastructure Loan Facility to work with the private sector to develop dams and water pipelines in Australia, complimenting the current work on the



National Water Infrastructure Development Fund and Northern Australia Infrastructure Facility; and

- Provide \$43.8 million over five years (including \$11.7 million in 2020-21) to establish the Northern Australia Infrastructure Facility (**NAIF**) as a corporate Commonwealth entity. The NAIF will deliver up to \$5 billion in financing over five years (from 2016-17) to support economic infrastructure in northern Australia. The NAIF will be administered by a Board which will be guided by an investment mandate to be issued by the Minister for Resources, Energy and Northern Australia.

Further information on the changes in the Infrastructure and Regional Development Portfolio can be found [here](#).

To view Barton Deakin's Brief on the Northern Australian Infrastructure Facility, click [here](#).

To view Barton Deakin's Brief on the Australian Infrastructure Plan and Infrastructure Priority List, click [here](#).

Health and Aged Care

The Budget outlines \$62 billion in spending across the Health and Aged Care portfolio.

In Health, the Government will:

- Reform public dental services by providing \$1.7 billion over four years from 2016-17 for a new Child and Adult Public Dental Scheme to be delivered by the states and territories under a National Partnership Agreement. The cost of the NPA will be offset by terminating the Child Dental Benefits Schedule and the NPA for Adult Public Dental Services from 2016-17;
- Provide \$178.3 million over five years from 2015-16 to develop a National Cancer Screening Register to replace current State and Territory registers for the National Cervical Screening Program and the current register for the National Bowel Cancer Screening Program;
- Continue the pause on indexation of the income thresholds for the Medicare Levy Surcharge and Private Health Insurance Rebate for a further three years. This will achieve efficiencies of \$744.2 million over three years from 1 July 2018;
- Achieve efficiencies of \$925.3 million over two years from 1 July 2018 by extending the pause on indexation of Medicare Benefits Schedule fees for all services provided by general practitioners, medical specialists, allied health and other health practitioners until 30 June 2020; and
- Provide up to \$2.9 billion over the forward estimates in additional funding to the states and territories (the states) for public hospitals. On 1 April 2016, the Council of Australian Governments (**COAG**) agreed to retain key features of Activity Based Funding (**ABF**), including the National Efficient Price (**NEP**), with the Commonwealth agreeing to fund 45 per cent of the growth in hospital services based on the NEP for three years from 2017-18. Growth in the Government's contribution will be capped at 6.5 per cent per year over this period.



In Aged Care, the Government will:

- Achieve savings of \$1.2 billion over four years through changes to the scoring matrix of the Aged Care Funding Instrument (**ACFI**) that determines the level of funding paid to aged care providers. The Government will also reduce indexation of the Complex Health Care component of the ACFI by 50 per cent in 2016-17 and establish a \$53.3 million transitional assistance fund to support providers;
- Provide \$102.3 million over four years from 2016-17 to target the aged care viability supplement more effectively to areas of greatest need by replacing the current outdated remoteness classification system with the more up to date Modified Monash Model;
- Provide \$392.9 million over two years from 1 July 2016 to continue the National Partnership Agreement for Home and Community Care services in Western Australia;
- Provide \$136.6 million over four years from 2016-17 to support the operation of the My Aged Care contact centre. The funding will assist with the aged care system; and
- Provide \$10.1 million in 2016-17 to continue unannounced compliance site visits by the Australian Aged Care Quality Agency to aged care providers until 30 June 2017.

Further information regarding the changes and developments in the Health Portfolio can be found [here](#).

Education and Training

The Commonwealth will spend approximately \$39 billion on education portfolio initiatives in 2016-17. It will:

- Provide an additional \$40.0 million over four years from 2016-17 to the Australian Institute of Aboriginal and Torres Strait Islander Studies, as well as investment in additional expertise and digitisation equipment;
- Delay the implementation of the higher education reforms announced in the 2014-15 Budget and not proceed with the deregulation of university fees announced in the 2014-15 Budget;
- Achieve savings of \$247.2 million over five years from 2015-16 by reducing the annual funding available under the Industry Skills Fund. Funding of \$206.9 million over five years will continue to be provided to support the training needs of small and medium enterprises;
- Provide \$199.4 million over four years from 2016-17 to fund the development of an Information and Communication Technology system and to support implementation of the child care measures announced in the Families Package in the 2015-16 Budget. Funding for this measure is contingent on a second pass business case;
- Defer implementation of the Child Care Subsidy, Additional Child Care Subsidy and Community Child Care Fund by one year to 1 July 2018 due to the Family Tax Benefit reforms required to fund the child care package not being passed by the Senate;
- Child care fee assistance will continue to be provided under the Child Care Benefit, Child Care Rebate, Jobs, Education and Training Child Care Fee Assistance, Community Support Program and Budget Based Funded Program until 30 June 2018;
- Provides that the Interim Home Based Carer Subsidy Pilot Programme, which commenced on 1 January 2016 and subsidises care provided by a nanny in a child's home, will also be



extended for six months to 30 June 2018. The hourly fee cap will be increased from \$7 to \$10 from 1 June 2016;

- Provide \$118.2 million over two years from 2016-17 in additional support for school students with a disability; and
- Provide \$1.2 billion over four years from 2017-18 to provide funding support for Government and non-Government schools for the 2018 to 2020 school years. Total school funding will be indexed by an education sector specific index of 3.56 per cent, with an allowance for changes in enrolments.

Further information regarding the affected programmes is contained in the Education and Training section of the Budget papers can be found [here](#).

Defence

This Budget outlines total defence funding for 2016-17 to be \$32.8 billion and subsequently total defence resourcing for 2016-17 to be \$38 billion. To deliver plans outlined in the 2016 Defence White Paper, the Commonwealth will provide \$29.9 billion over 10 years from 2016-17 to 2025-26. This will enable total Defence Funding to reach two per cent of Gross Domestic Product (**GDP**) at \$42.4 billion by 2020-21.

The Government's Budget allocations to continue existing operations include:

- Provisions of \$183.8 million over three years to extend Operation Accordion in 2016-17 to support the ADF's broader activities in the Middle East Region and Australia's continuing military contribution to international stabilisation and counter-terrorism efforts, including Operation Okra, Operation Highroad and Operation Manito;
- Provisions of \$58.7 million over three years to extend Operation Highroad until 31 December 2016. Operation Highroad is the ADF contribution to the NATO-led 'train, advise and assist' Resolute Support mission in Afghanistan;
- Provisions \$60.9 million over three years from 2016-17 to extend Operation Manitou to support international efforts to promote maritime security, stability and prosperity in the Middle East Region;
- Provide \$363 million over three years to extend Operation Okra in 2016-17. Operation Okra is Australia's military contribution to the international effort to disrupt and degrade Daesh (or ISIL), in Iraq and Syria;
- The Government will provide \$19.6 million over two years for to extend Operation Resolute in 2016-17. Operation Resolute is the Australian Defence Force contribution to the whole-of-Government effort to protect Australia's borders and offshore maritime interests. This includes Defence support to Operation Sovereign Borders; and
- Extending targeted assistance to eligible fishers and businesses affected by the closure of Hunter River and Port Stephens fisheries, noting that the New South Wales Government is due to make a decision regarding the fisheries by 30 June 2016.

Further information on defence funding commitments can be read [here](#).

To view Barton Deakin's Brief on the Defence White Paper 2016, click [here](#).



To view Barton Deakin's Brief on the Future Submarines Build Programme, click [here](#).

Cyber Security

In line with the commitments made in Government's Cyber Security Strategy, the 2016-17 Budget incorporates commitments totaling \$194.9 million. These initiatives include:

- A \$23.5 million pledge towards the implementation of Australia's Cyber Security Strategy with this amount estimated to increase to \$34 million in 2017-18 as part of the broader Defence Industry Transformation Plan;
- \$38 million to relocate the Australian Cyber Security Centre as part of the overall strategic aim of stimulating private and public partnerships in cyber security research and investment;
- \$82.3 million allocated to the Attorney-General's Department to establish the Joint Cyber Threat Centre, expand the Computer Emergency Response Team, and deliver security governance 'health checks' for ASX 100 listed companies;
- Expanding the capacity of the Australian Federal Police and Australian Crime Commission to combat cyber crime; and
- A commitment of \$3.5 million in funding over four years toward the establishment of academic centers of 'cyber security excellence' within the Department of Education and Training.

These commitments are in addition to the funding and projects put forward as part of the National Innovation and Science Agenda's Data 61 Initiative and also met within the existing resources of Defence.

To view Barton Deakin's Brief on the Australian Government's Cyber Security Strategy, click [here](#).

Industry, Innovation & Science

In addition to the \$1.1 billion in initiatives outlined in the Government's National Innovation and Science Agenda, the 2016-17 Budget delivers \$1.7 billion for funding in industry, innovation and science.

The Commonwealth Government will:

- Provide \$100.5 million over four years from 2016-17 to produce geographical modelling of mineral, petroleum and groundwater resources in targeted areas across northern Australia and South Australia;
- Redirect funding of \$39.4 million over three years from 2016-17 to allow for the reprocessing of spent fuel from the Australian Nuclear Science and Technology Organisation's (ANSTO) Open Pool Australian Lightwater Reactor in France rather than in the United States of America as previously planned. The processed fuel will eventually be returned to Australia for storage at the National Radioactive Waste Management Facility which is expected to be operational from 2020;
- Provide \$23.8 million over four years from 2016-17 to support Australia in working to meet the International Energy Agency's (IEA) oil stockholding requirements. The funding includes a Collective Action Response Mechanism, the establishment of an Energy Security Office in



the Department of Industry, Innovation and Science and the establishment of a counsellor position to represent Australia's interests at the IEA in Paris;

- Achieve efficiencies of \$27.4 million over two years from 2015-16 from the Carbon Capture and Storage Flagships Programme and the National Low Emissions Coal Initiative;
- Achieve savings of \$20.2 million over two years from 2015 - 16 in order to extend funding for the Australian Astronomical Observatory and partially fund a communications and compliance campaign for the new Country of Origin Labelling framework;
- Provide \$19.4 million over six years from 2015 - 16 (including \$0.7 million in 2020 - 21) to implement changes to the Country of Origin Labelling (**CoOL**) framework for food. This measure includes an information campaign to inform consumers and producers of the new framework, and funding for the Australian Competition and Consumer Commission;
- Provide \$15 million over three years from 2016-17 for the development and initial implementation of a National Carp Control Plan. This funding delivers the release of a carp bio-control agent (Cyprinid Herpes Virus 3) into the Murray - Darling Basin by the end of 2018;
- Provide \$12.6 million in 2019-20 for the operating costs of the Australian Astronomical Observatory (**AAO**). The AAO, a division of the Department of Industry, Innovation and Science, operates the Anglo-Australian and UK Schmidt telescopes providing observing facilities for Australian optical astronomers; and
- Provide funding of \$7.5 million over three years from 2016 - 17 to provide a benefits package to the shortlisted communities selected for consideration under the National Radioactive Waste Management Project.

For further information on the 2016-17 Industry, Innovation and Science Budget, click [here](#).

To read Barton Deakin's Brief on the National Innovation and Science Agenda announced in December 2015, click [here](#).

Social Services

The Government stated it would continue to improve the integrity of the social services safety net, and would continue to target social services to ensure it is most efficiently spent.

The Government stated it would:

- Establish a \$96.1 million Try, Test and Learn Fund to build develop the methodology of the Australian Priority Investment Approach and apply actuarial analysis to social security data to better target and develop social security policies;
- Commit \$100 million over three years to developing and implementing initiatives to that would reduce violence against women and their children. This will follow the recommendations included in the Third Action Plan and complement the \$101.2 million investment in the Women's Safety Package;
- Provides \$7.1 million in the coming 2016-17 year for the Commonwealth Financial Councillors for Problem Gamblers programme; and
- Continue the trial of the Cashless Debit Card trial in South Australia, the third trial location for the pilot programme.



The Government also stated it would continue to fund the National Disability Insurance Scheme (**NDIS**) through the initial deposit of \$2.1 billion into the NDIS Savings Fund Special Account, once the fund is created. The NDIS will be delivered in all seven States and Territories. It will commence in Western Australia from 1 July, 2017 providing the agreement is finalised.

The Government will continue to provide the Family Tax Benefit to qualifying families.

Further information on changes in the Social Services portfolio can be found in the Social Services section of the Budget Papers [here](#).

Trade and Investment

The 2016-17 Budget includes \$4.8 billion in DFAT spending. The Government will:

- Provide \$42.3 million (including \$16.8 million in capital funding) over five years from 2015-16 to expand Australia's diplomatic network by opening a consulate in Lae (Papua New Guinea) and another post in China as well as extending the interim embassy in Kyiv (Ukraine) until September 2016;
- Achieve efficiencies of \$74.5 million over five years (including \$1.8 million in 2015—16) within the Department of Foreign Affairs and Trade (**DFAT**) and the Australian Trade and Investment Commission (**Austrade**). Following DFAT's Functional and Efficiency Review;
- Provide an additional \$46.7 million over four years from 2016-17 to meet the increased costs of producing and providing passports to Australian citizens;
- Provide \$9.2 million over four years from 2016-17 to enable the Department of Foreign Affairs and Trade to continue initiatives to prevent people smuggling. This measure provides for the continuation of the People Smuggling Taskforce, the Ambassador for People Smuggling and Human Trafficking, and Ministerial and senior officials meetings of the Bali process to strengthen cooperation in our region;
- Provide \$5.3 million (including \$0.2 million capital in 2016-17) over four years to re-open an Australian Trade and Investment Commission (**Austrade**) office in Iran;
- Provide \$2.4 million over two years from 2016-17 to bring forward the opening of the Singapore and Berlin Landing Pads from 2018-19 to 2016-17. The Landing Pads will support emerging Australian companies in global innovation hotspots; and
- Provide \$1.8 million over four years from 2016-17 to enhance the online Free Trade Agreement Portal managed by the Department of Foreign Affairs and Trade.

Further information regarding the 2016-17 Foreign Affairs and Trade Budget can be read [here](#).

Agriculture

The Government will continue with the \$4 billion in funding allocated under the Agricultural Competitiveness White Paper and the \$1.2 billion allocated under the White Paper on Developing Northern Australia. In addition, the Government will also provide:

- \$13.8 million in funding for the Farm Cooperative and Collaboration Pilot Programme, which will aid farmers develop their export capabilities; and
- \$7.1 million in funding to the Rural Financial Counsellors, to ensure that farms in drought-affected have access to financial advice.



To view Barton Deakin's Brief on the Agricultural Competitiveness White Paper, click [here](#).

To view Barton Deakin's Brief on the White Paper on Developing Northern Australia, click [here](#).

Further information regarding the 2016-17 Agriculture Budget can be found [here](#).

Communications

The Government will continue to fund public broadcasters over the next three years. This funding will amount of \$3.1 billion for the ABC and \$814.2 million for SBS. This will include new funding for \$49.7 million over three years to ensure the delivery of local news and current affairs programming (\$41.1 million for the ABC and \$8.3 million for the SBS);

The Government will also reduce commercial television and radio licensing fees by 25 per cent, with the first of the staggered reduction increments occurring at the end of the 2015-16 financial year.

Other Measures

The Government has committed to providing \$840.3 million over four years to fund the Youth Employment Package. The Package will assist young people seeking employment by providing access to employable skills training, facilitating short-term internship placements, and giving a Youth Bonus Subsidy worth between \$6,500 and \$10,000 to businesses that employ eligible job-seekers.

The Government stated that it would continue to protect the Great Barrier Reef, and committed \$171 million to its preservation. This includes a \$70 million contribution to the Reef Trust, bring the total Trust investment by the Coalition Government to \$210 million, and \$101 million for the National Landcare Programme, which supports the implementation of the Government's [Reef 2050 Plan](#). The Government plans to provide funding to protection the Great Barrier Reef worth more than \$2 billion over the next 10 years.

Further Information

To view the Treasurer's press release, click [here](#).

To view the Commonwealth Government's Budget Papers, click [here](#).

To view the Treasurer's Budget Speech, click [here](#).

To view Barton Deakin's complete series of Budget Briefs, click [here](#).

For further information, please contact [Grahame Morris](#) on +61 411 222 680, [David Alexander](#) on +61 457 400 524, [Stefanee Lovett](#) on +61 407 667 917, or [Christopher Reside](#) on + 61 400 829 933.

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