



# BUDGET

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2014-15

Overview

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# Contents

Budget at a glance	1	Strengthening the higher education system	19
Economic outlook	2	Innovation and research	20
The case for budget repair	3	Self-reliant, competitive industries	21
Living within our means	4	Reducing the size of government	22
All Australians making a contribution	5	Freeing up resources for Australia's businesses	23
Temporary Budget Repair Levy	6	Reducing waste and enhancing public sector efficiency	24
Towards a functioning Federation	7	Reducing regulation	25
Our population is changing	8	Stronger regions	26
Our welfare system must be sustainable	9	Practical environmental action	27
Fostering a work culture	10	Restoring border integrity	28
Supporting workforce engagement	11	Delivering stronger Defence	29
Medical Research Future Fund	12	Appendix A Budget aggregates	30
Patient contributions for health care	13	Appendix B Revenue and spending	31
Building future prosperity	14	Appendix C Major initiatives	32
Building Australia's infrastructure	15	Appendix D Major savings	33
Boosting infrastructure investment	16	Appendix E Temporary Budget Repair Levy	34
Removing infrastructure bottlenecks	17	Appendix F Detailed economic forecasts	35
Building a world-class higher education system	18	Appendix G Historical budget and net financial worth data	36

# Key initiatives of the 2014-15 Budget

## Delivering balanced and credible budget repair

- The 2014-15 Budget is part of the Government's Economic Action Strategy to repair the budget and build a strong and prosperous economy.
- The substantial savings decisions in this Budget put Australia back on track to a sustainable and responsible budget position, with surpluses projected to build to well over one per cent of GDP by 2024-25, taking into account future tax relief.
- Debt in 2023-24 is projected to be nearly \$300 billion lower, even when assuming future tax relief, at \$389 billion compared with the \$667 billion at the 2013-14 Mid-Year Economic and Fiscal Outlook.

## All Australians contributing

- Introducing a Temporary Budget Repair Levy on incomes over \$180,000 for the three years from 2014-15.
- Requiring young people to be earning, learning or participating in Work for the Dole.
- Tightening the eligibility for Family Tax Benefit Part B (FTB-B). Low income single parents will be assisted with a new allowance of \$750 per annum for each child aged 6 to 12.
- Indexing pensions to the CPI, rather than wages, from September 2017.
- Continuing the move by the former Government to increase the age pension age to 67 by 1 July 2023, by further increasing the Age Pension age to 70 by 1 July 2035.
- Indexation of many payments and programmes will be temporarily paused, including: eligibility thresholds for Family Tax Benefit and Newstart; thresholds for the Medicare Levy Surcharge, Private Health Insurance Rebate and most Medicare Benefits Schedule fees; Official Development Assistance funding; Local Government Financial Assistance Grants; and 112 government grant programmes.
- Making the States more accountable for spending and delivery of services by reducing the growth in public hospital and education funding and reducing some Commonwealth payments.
- Establishing a sustainable source of future productivity-enhancing road funding through the reintroduction of indexation of fuel excise from 1 August 2014.

## Building Australia's future

- Creating an \$11.6 billion Infrastructure Growth Package, to boost total infrastructure investment by Commonwealth, State and local governments, as well as the private sector, to over \$125 billion by 2019-20.
- Reforms to higher education, including \$820 million to expand access to higher education and removing fee caps on Commonwealth-supported places for new students from 1 January 2016.
- Establishing the biggest medical research fund of its kind in the world, the \$20 billion Medical Research Future Fund. Every dollar of savings from health in this Budget will be invested to build this Fund, until the Fund reaches \$20 billion.
- Incentivising businesses to employ Australians over the age of 50 through the new Restart programme.
- Starting to repair Defence funding, with efficiencies re-invested in Defence capability.
- Enhancing the protection of our borders by consolidating operational border protection services into the Australian Border Force. The success of Operation Sovereign Borders has resulted in a \$2.5 billion saving and will provide further savings as expensive detention centres are closed.

# Budget at a glance

This Government is transforming the role of the government in people's lives and will meet its commitment to put Australia's finances back on track and lay the groundwork for future prosperity

## Transforming the role of Government

The 2014-15 Budget marks a major step by the Government to transform the role of government in people's lives. The Government will provide equality of opportunity for all Australians.

This Budget redirects taxpayers' dollars from unaffordable consumption today to productive investment for the future, while maintaining a strong safety net.

## A shared contribution

In this Budget we are asking all Australians to contribute to budget repair — businesses, individuals and state and local governments —

while continuing to support those who need it most. Australia cannot afford a culture of entitlement when people have the capacity to work. We need all Australians who are able to be earning or learning.

## Building Australia's future

The \$11.6 billion Infrastructure Growth Package will support the transition to non-resource sector driven growth and catalyse nation-wide infrastructure investment building to over \$125 billion by 2019-20.

Deregulating the higher education sector will ensure it remains world class and we are investing all

health savings in this Budget into a \$20 billion Medical Research Future Fund.

These important structural reforms will facilitate future growth in living standards.

## Tracking to surplus

After inheriting a decade of deficits and debt rising to \$667 billion, this Budget puts the Government's finances onto a realistic path to surplus.

Medium-term projections show surpluses building to well over one per cent of GDP by 2024-25, taking into account future tax relief. Debt is lower by nearly \$300 billion in 2023-24.

## Budget aggregates and major economic parameters

	Actual	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Underlying cash balance (\$b)(a)	-18.8	-49.9	-29.8	-17.1	-10.6	-2.8
Per cent of GDP	-1.2	-3.1	-1.8	-1.0	-0.6	-0.2
Fiscal balance (\$b)	-23.5	-45.1	-25.9	-12.2	-6.6	1.0
Per cent of GDP	-1.5	-2.8	-1.6	-0.7	-0.4	0.1

(a) Excludes net Future Fund earnings

	Outcomes	Forecasts			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Real GDP	2.6	2 3/4	2 1/2	3	3 1/2	3 1/2
Employment	1.2	3/4	1 1/2	1 1/2	2 1/4	2
Unemployment rate	5.6	6	6 1/4	6 1/4	6	5 3/4
Consumer Price Index	2.4	3 1/4	2 1/4	2 1/2	2 1/2	2 1/2
Nominal GDP	2.5	4	3	4 3/4	5	5

(a) Year average unless otherwise stated. In 2013-14, 2014-15 and 2015-16 employment, wages and the consumer price index are through the year growth to the June quarter and the unemployment rate is the rate for the June quarter. Source: ABS cat. no. 5206.0, 6202.0, 6345.0, 6401.0 and Treasury.

# Economic outlook

The Australian economy will face an ongoing transition

The Government has been left with an economy growing below trend for four of the past five years and rising unemployment. A transition period continues with the mining construction boom now ending, the population ageing and low productivity growth.

For the economy to once again reach its full potential, we need to increase activity in the non-resources sectors, fostering a work culture and boost productivity growth.

There are some signs that the economy is coping well with the transition already. Household consumption is improving and

dwelling investment is forecast to rise strongly on the back of low interest rates. Resources exports will also grow strongly, reflecting newly finished capacity.

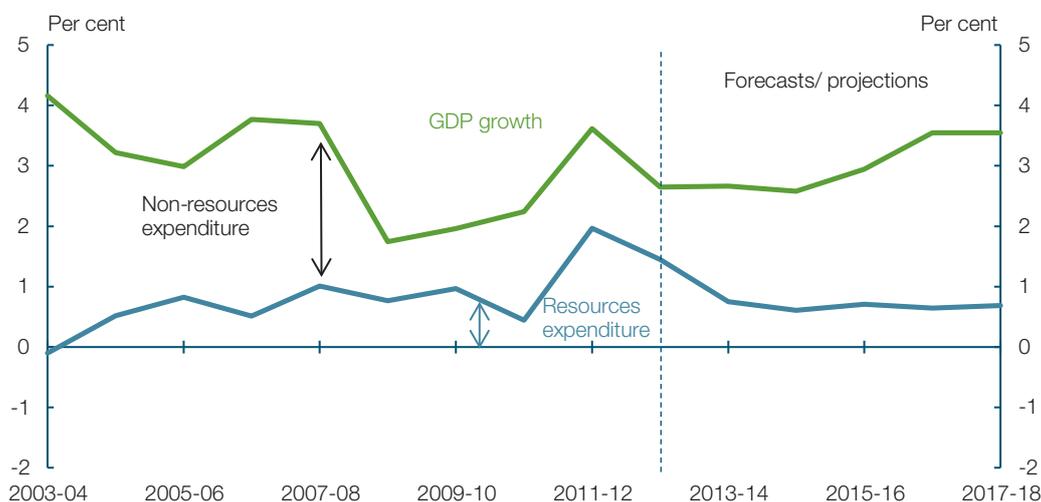
But more needs to be done and this Budget is squarely pitched at building our future growth potential and job opportunities while not placing additional near-term pressure on the economy.

A credible path to surplus is being forged, with structural reforms delivering growing medium-term savings that are projected to build to a surplus of well over one per cent of GDP by 2024-25.

The \$11.6 billion Infrastructure Growth Package will increase total infrastructure investment by the Australian Government, State and local governments and the private sector to over \$125 billion, which will boost annual GDP by one percentage point.

Reforms to the role of Government, including higher education reform and welfare reform, will provide greater incentives for all age groups to enter and stay in the workforce. Deregulation and the continued streamlining of the Australian Public Service will also support growth potential.

Contributions to GDP growth from the resources and non-resources sectors



Note: Assumes that mining investment has an import share of 50 per cent.  
Source: ABS Cat. No. 5204.0, 5206.0 and 5302.0, BREE and Treasury.

# The case for budget repair

The Government inherited a budget in urgent need of repair and is taking tough decisions to avoid decades of debt and deficits

Repairing the Budget is necessary to protect living standards and prepare for an ageing population. Without action we face a decade of deficits and debt growing to \$667 billion by 2023-24. This equates to \$23,000 for every person in Australia, and would see the Government spending more on interest than on aged care by 2023-24.

This budget position is driven by excessive and unnecessary spending. Real government spending per person has almost tripled over the last 40 years and the International Monetary Fund (IMF) warns that, without policy change, Australia would record

the fastest spending growth of the top 17 surveyed advanced economies and the third largest increase in net debt as a share of the economy.

Budget repair involves cutting back on unsustainable spending and putting a stop to unconstrained increases in debt.

To restore budget sustainability the Government has focused on taking savings decisions that build over time.

As a result of the decisions in this Budget medium-term projections show:

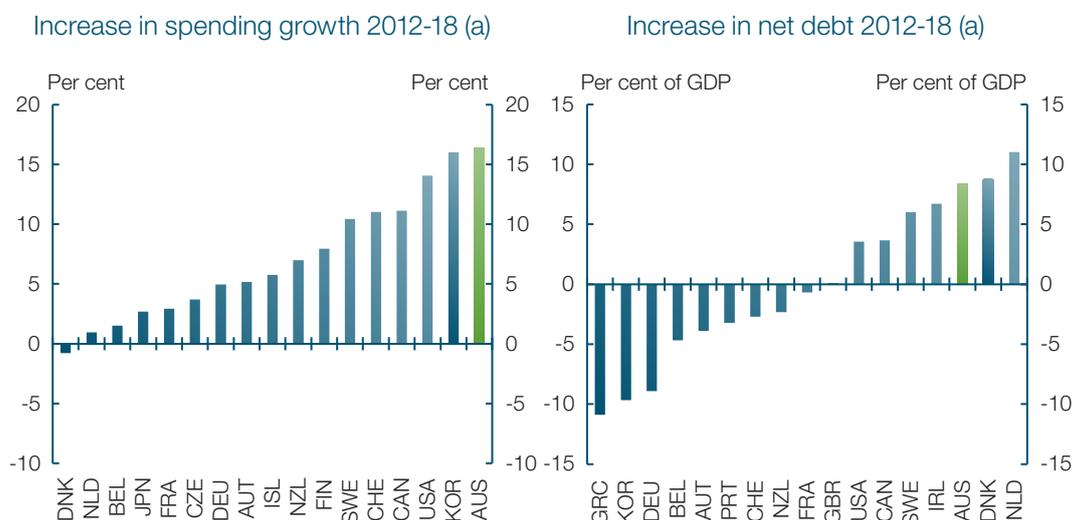
- surpluses building to well over one per cent of GDP by 2024-25, taking into account future tax relief; and
- debt lower by nearly \$300 billion in 2023-24 compared to the \$667 billion at the 2013-14 MYEFO.

Budget repair will allow us to respond to future unexpected events, and to make room for future tax relief.

Budget repair also ensures future generations are not left to pay the price for a level of Government services and support that we are simply not prepared to pay for.

We need to end the days of borrow and spend.

## Without action Australia has the fastest spending growth and third largest increase in net debt



Source: International Monetary Fund  
(a) Of the 17 countries surveyed by the IMF

# Living within our means

This Budget puts an end to growing debt and deficits, ensuring we will be able to live within our means, by outlining a credible path back to surplus

## The budget outlook

This Budget puts Australia back on track to a credible path to surplus through significant structural measures that require a contribution from all Australians.

The sustained savings achieved mean that our budget position should strengthen over time to surpluses of well over one per cent of GDP by 2024-25, taking into account future tax relief.

This improvement in the Budget position would see debt decline to \$389 billion by 2023-24, even when assuming future tax relief, compared to the \$667 billion projected at the 2013-14 MYEFO. This decline

in debt is equivalent to \$10,100 per Australian.

The significant improvement in the medium-term outlook is built on structural savings, not an arbitrary rule to cap spending.

## The Government's fiscal strategy

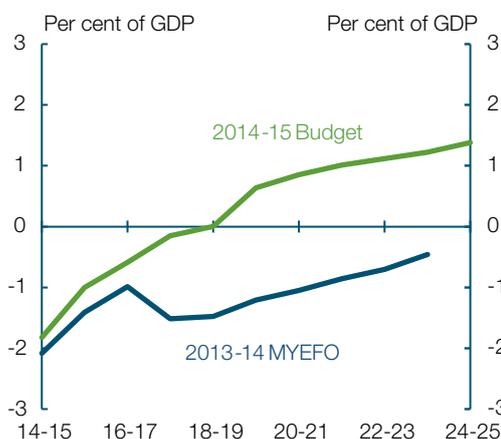
The Government's medium-term fiscal strategy contributes to building a stronger economy by:

- redirecting government spending to investments that boost productivity and participation;
- reducing the Government's share of the economy over time; and

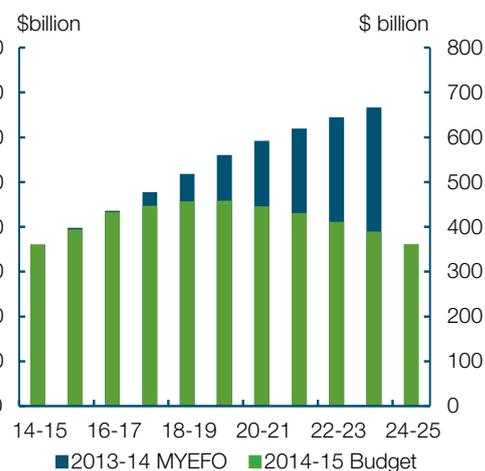
- strengthening the Government's balance sheet over time so we are well placed to respond to any future external shocks.

Delivering on this fiscal strategy will take time. The Government has also committed to a budget repair strategy in the 2014-15 Budget, which requires all new spending to be more than offset and all unexpected improvements in receipts and payments to be banked as improvements to the budget bottom line. These disciplines are designed to deliver budget surpluses building to well over one per cent of GDP by 2024-25.

A clear path to surplus



Decreasing debt



Note: The charts above show 2013-14 MYEFO projections as published.

# All Australians making a contribution

In line with the Government's commitment to fairness and equity all sectors of Australian society will be asked to make a contribution to budget repair

In order to repair the budget and deliver important structural reforms that will facilitate future growth in living standards, we are asking all Australians to contribute — business, state and local governments, high income earners, families, seniors and individuals.

Business welfare stifles innovation and enterprise. This Budget continues the evolution of industry assistance away from corporate welfare towards programmes that facilitate innovation and self reliance. Existing industry assistance programmes will be significantly reduced and reshaped.

In addition to major structural budget reforms to health, welfare and higher education, the Government is also implementing some time limited measures to deliver budget repair that is fair and equitable.

Indexation for a large number of payments and programmes will be paused for two to three years. These include eligibility thresholds for transfer payments, thresholds for the Medicare Levy Surcharge and Private Health Insurance Rebate, and Medicare Benefits Schedule fees (except General Practitioner Services).

As a group, lower income households will continue to receive significant transfer payments.

Higher income earners, who already pay significant amounts of tax, will contribute further through the Temporary Budget Repair Levy.

Public hospitals and schools funding paid to the States with borrowed money will be placed on a more sustainable footing.

The indexation of Official Development Assistance funding, Local Government Financial Assistance Grants, and 112 government programmes will be temporarily paused.

## Working age families and singles in 2016-17



Note: Families are sorted into lower, middle and higher income groups based on their disposable income adjusted for family size.

# Temporary Budget Repair Levy

The Government is committed to simplifying and lowering taxes, with the Temporary Budget Repair Levy ensuring that high income earners contribute to budget repair

## Temporary Budget Repair Levy

The Temporary Budget Repair Levy ensures that high income Australians are contributing to repairing Australia's finances. This measure will raise \$3.1 billion over the forward estimates.

From 1 July 2014 until 30 June 2017, the Temporary Budget Repair Levy will be payable by individuals whose taxable income exceeds \$180,000 at a rate of two per cent.

Around 400,000 taxpayers with taxable income above \$180,000 in 2014-15 will directly incur the Temporary Budget Repair Levy.

This means that:

- individuals with taxable income of \$180,000 or below will not pay the levy;
- individuals with taxable income of \$200,000 will pay two per cent of \$20,000, or \$400 of levy; and
- individuals with taxable income of \$300,000 will pay two per cent of \$120,000, or \$2,400 of levy.

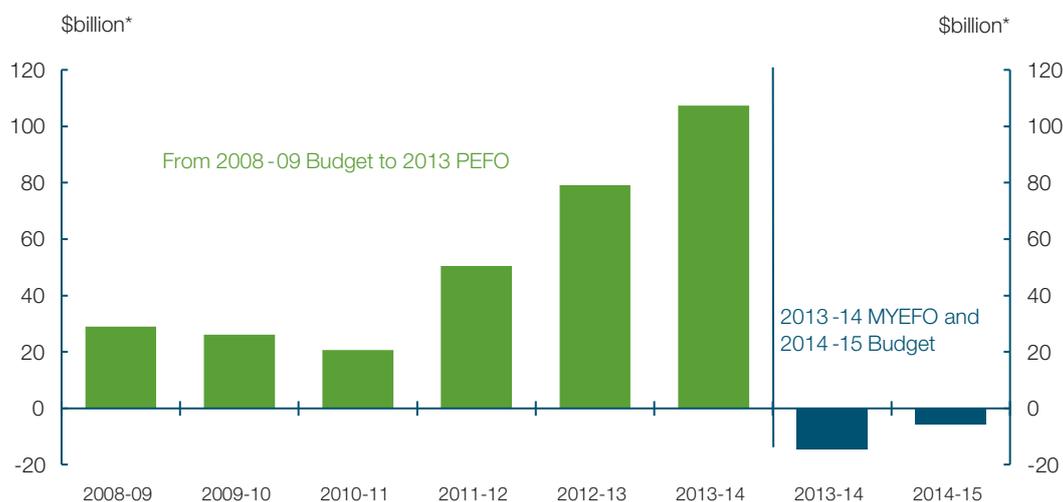
The Temporary Budget Repair Levy will also be reflected in a number of other tax rates that are currently based on calculations that include the top personal income tax rate, including fringe benefits tax.

## Reducing the tax burden

The Government is committed to simplifying the tax system and lowering the tax burden on individuals and business. Since taking office, the Government has cleared the backlog of announced but unlegislated tax measures and remains determined to repeal the minerals resource rent tax and the carbon tax.

Revenue decisions taken by this Government have reduced revenue by \$5.7 billion in accrual terms compared with decisions taken by the former Government.

## Government decisions have lowered the overall impact of revenue measures



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

# Towards a functioning Federation

The Government's new funding arrangements will ensure that States are more accountable for their schools and public hospital systems

State Governments have primary responsibility for running and funding public hospitals and schools. The extent of existing Commonwealth funding to public hospitals and schools blurs these accountabilities and is unaffordable.

## Reforming unsustainable or ineffective agreements with the States

The Government is addressing this unsustainable situation by moving to more realistic funding arrangements.

In this Budget the Government is adopting sensible indexation arrangements for schools from 2018, and hospitals from 2017-18,

and removing funding guarantees for public hospitals. These measures will achieve cumulative savings of over \$80 billion by 2024-25.

The Government will also reduce or terminate some Commonwealth payments that are ineffective or duplicate state responsibilities.

These include National Partnership Agreements on Preventive Health, Improving Public Hospital Services and Certain Concessions for Pensioners and Seniors Card Holders.

The States will be expected to continue contributing to these arrangements at their expense.

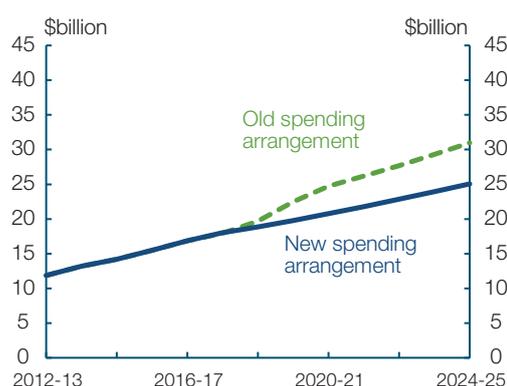
## Further reform

The changes in this Budget provide a platform to consider longer-term arrangements in the context of the White Paper on the Reform of the Federation and the White Paper on the Reform of Australia's Tax System.

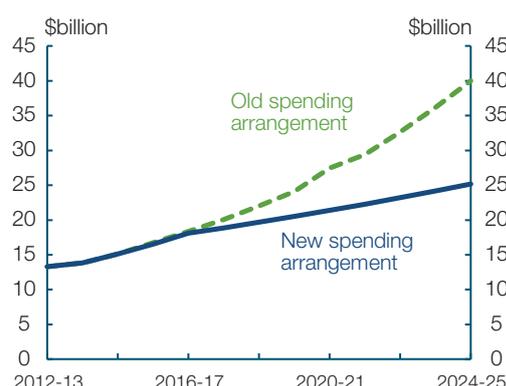
The White Papers, to be completed by the end of 2015, will consider the spending and taxation roles and responsibilities of the different levels of government in Australia to ensure that, as far as possible, the States are sovereign in their own sphere.

## More sustainable spending arrangements for schools and public hospitals

Schools



Hospitals



# Our population is changing

Social security and welfare payments are growing rapidly and unsustainably as Australia's population ages

Longer life expectancy is a cause for celebration but the current pressures on social security and welfare payments are not sustainable.

We must tighten the current safety net to focus on supporting and protecting the most vulnerable Australians.

Between 2010 and 2050 the number of people aged 65 to 84 is expected to double and the number of people 85 and older is expected to quadruple. In contrast, the number of people of traditional 'working age' to support each person over the age of 65 will decline from five in 2010 to just under three in 2050.

## Increases in welfare payments

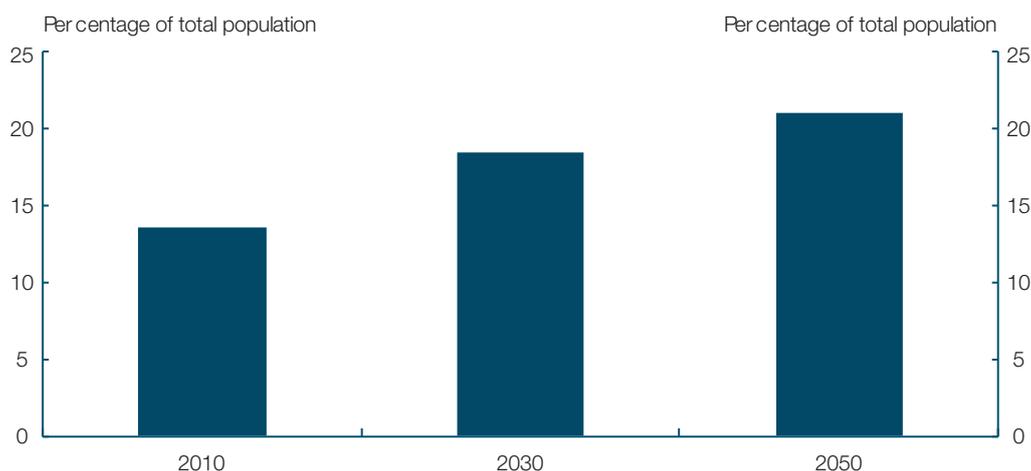
Social security and welfare spending, including pensions, family payments, unemployment benefits and childcare support, make up 35 per cent of the Budget, or around \$145 billion of spending in 2014-15.

Over the last ten years real spending on social security and welfare has increased. Without policy change, over the next ten years spending on the Disability Support Pension is projected to increase by 75 per cent.

There are periods in life when people are unable or not expected to participate in paid employment, for example if they are caring, or retired. During these times the Government will continue to support those who need it most.

However, we have made decisions to pull back payments where it is too easy for capable and able people neither to work nor study. This will support the sustainability of the welfare system as the population ages.

The proportion of Australians 65 years and older is increasing



# Our welfare system must be sustainable

The Government will improve the sustainability of the welfare system by establishing more equitable eligibility criteria and indexation arrangements across a range of welfare payments

## Pressure on Age Pension payments

Someone who retires today could expect to receive the Age Pension for about 20 years after retirement. Without policy change the spending on the Age Pension is projected to increase by 70 per cent over the next decade. Over the past 100 years, there has been little change in the Age Pension eligibility age; however, over the same period the average life expectancy has increased by 25 years to around 85 years.

## Pension reform

Building on the former Government's move to increase the pension age to 67 by 1 July 2023, we are further

increasing the Age Pension age to 70 by 1 July 2035.

The Government will also index pensions, including the Age Pension and the Disability Support Pension, to inflation rather than wages from September 2017. At the same time, eligibility thresholds will be paused for three years. This will assist in meeting the rising costs of providing the pension, while ensuring pensions keep up with the cost of living.

The Government is delivering on its election commitment to index the Commonwealth Seniors Health Card income thresholds from September 2014. To ensure people with similar incomes are treated consistently, untaxed superannuation

income will be included in the income test for the Commonwealth Seniors Health Card for new recipients.

## Payment reform

The Government is targeting family and working age payments to those who need it most by:

- changing indexation arrangements; and
- tightening eligibility for Family Tax Benefit Part B (FTB-B), particularly where the youngest child is six years or older.

Low income single parents will receive new assistance of \$750 per annum for each child aged between 6 and 12.

## A fair and sustainable welfare system

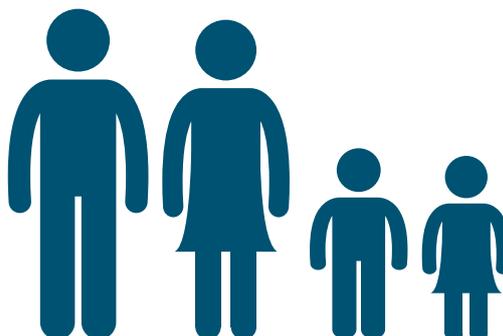
Creating a more **sustainable age pension** but pensions will still **increase**



**Encouraging everyone** who can to work



**Better targeting payments** to those most in need



# Fostering a work culture

Assistance to the unemployed should help them move into employment, rather than encouraging them to be on welfare

## Young jobseeker reforms

The Government believes that assistance to the unemployed should help them move into employment, rather than encouraging them to remain on welfare.

In order to reach their full potential, all young Australians who can work should be earning, learning or participating in Work for the Dole.

## Income support eligibility changes

From 1 January 2015, new jobseekers up to 30 years of age applying for Newstart or Youth Allowance (Other) will participate in

job search and employment services activities which are funded by the Government for up to six months before receiving the payment.

Current recipients of Newstart who are up to 30 years of age and recipients of Youth Allowance (Other) will also be covered by the same requirements from 1 July 2015.

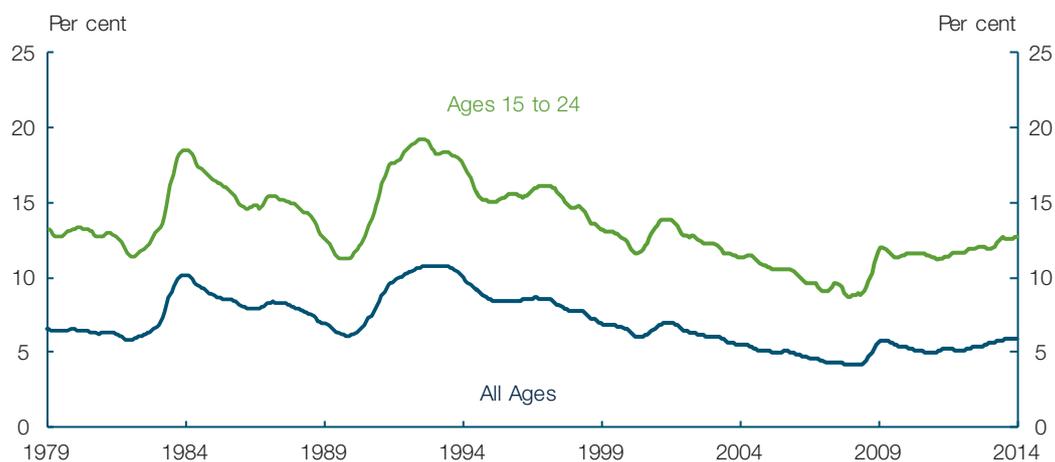
Young people who do not have a full capacity to work (i.e. their capacity is less than 30 hours), are in education or training, or have a significant disability will all be exempt from these requirements, as will those with parenting responsibilities.

## Recognition for past employment

The waiting period will reduce depending on past employment. Part-time employment will also be recognised on a pro-rated basis.

After six months, the jobseeker will be required to participate in at least 25 hours per week of Work for the Dole activities and will be eligible to receive income support for six months.

Unemployment rates by age



# Supporting workforce engagement

The Government is establishing the Restart programme to encourage mature-aged Australians to re-enter the workforce and the new Paid Parental Leave scheme will support women's workforce engagement

## Employer wage subsidy

If a job seeker is unable to secure employment after six months of Work for the Dole and Newstart or Youth Allowance (Other), a wage subsidy may become available to an employer for six months.

## Other assistance

Rather than continue looking for work, job seekers can elect to undertake training or study which may make them eligible for student benefits.

## Restart

To help overcome discrimination against older unemployed Australians, the Government is

strengthening incentives for them to re-enter the workforce.

The Government will introduce a new wage subsidy, Restart, to encourage businesses to employ Australians who are aged 50 and over and have been on income support for at least six months.

From 1 July 2014, employers who hire an eligible mature-aged job seeker, on a full-time basis, will be paid a subsidy of \$10,000 over 24 months. Employers that hire mature-aged job seekers on a part-time basis (12-29 hours per week) will be eligible for a pro-rated subsidy based on actual hours worked.

32,000 mature-aged job seekers are expected to benefit from Restart annually.

## Paid Parental Leave

From 1 July 2015 the Government will introduce a genuine Paid Parental Leave scheme with an income cap of \$100,000 per annum, which will include superannuation.

It will support mothers to remain engaged with their employer and help address the disparity between the average retirement incomes of men and women.

## The new Restart programme



# Medical Research Future Fund

The Government will establish a \$20 billion Medical Research Future Fund to provide secure funding for medical research over the coming decades, keeping us at the forefront of medical research

From 1 January 2015, the Government will establish a Medical Research Future Fund (the Fund) that will grow to \$20 billion — the largest of its kind in the world.

The Fund will facilitate Australia maintaining a world class medical research sector, with access to cutting edge innovation and clinical breakthroughs in our hospitals — the underpinnings of the health system of the future.

The Fund will provide significant new funding to medical research in addition to existing funding profiles. Every dollar of estimated savings from health reforms in this Budget will be reinvested in the Fund until it reaches \$20 billion.

To establish the Fund, approximately \$1 billion in uncommitted funds from the existing Health and Hospitals Fund will be transferred into the Fund at its inception.

The Fund is estimated to reach the \$20 billion target capital level by 2020 and the capital base is set to be preserved in perpetuity.

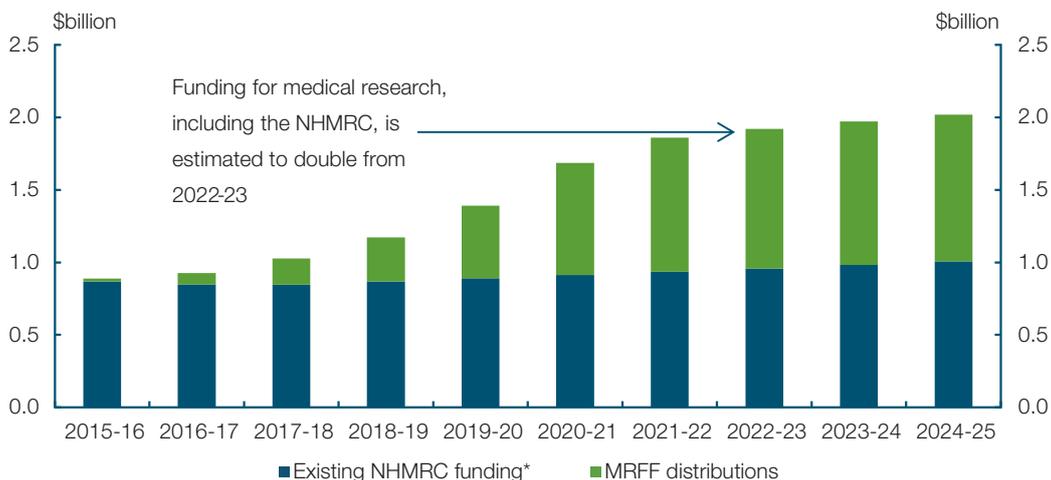
From 2015-16, the net earnings from the Fund will serve as a permanent revenue stream, primarily to the National Health and Medical Research Council (NHMRC). The Fund will distribute around \$1 billion a year into medical research from 2022-23.

The additional \$1 billion a year in funding will roughly double the Government's direct funding to medical research.

The establishment of the Fund ensures that the Government meets its commitment to maintain health investment, while delivering a sustainable health system into the future.

This investment, to be managed by the Future Fund Board of Guardians, will help to ensure Australia can continue to advance world leading medical research projects, attract and retain first class researchers and deliver improved health and medical outcomes for all Australians.

Medical research funding increasing by around \$1 billion ongoing from 2022-23



\*NHMRC funding is grown at 2.5 per cent per annum from 2018-19 onwards for illustrative purposes.

# Patient contributions for health care

New patient contributions towards the costs of medical services and medicines will ensure Australians can continue to affordably access world-class health care and medicines

The Government's health reforms will build a stronger and more sustainable health system that delivers quality health care for all Australians.

This Budget will take steps to put health spending growth on a sustainable path, with all Australians making a contribution to the cost of health services.

## Contributing to the cost of health care

From 1 July 2015, previously bulk-billed patients can expect to contribute \$7 per visit towards the cost of standard GP consultations

and out-of-hospital pathology and imaging services.

For each \$7 patient contribution, \$5 will be reinvested in the new Medical Research Future Fund. This will come from reducing Medicare Benefits Schedule rebates for these services by \$5. \$2 will go to the provider.

For concessional patients and children under 16 years the contribution will be for the first 10 services each calendar year.

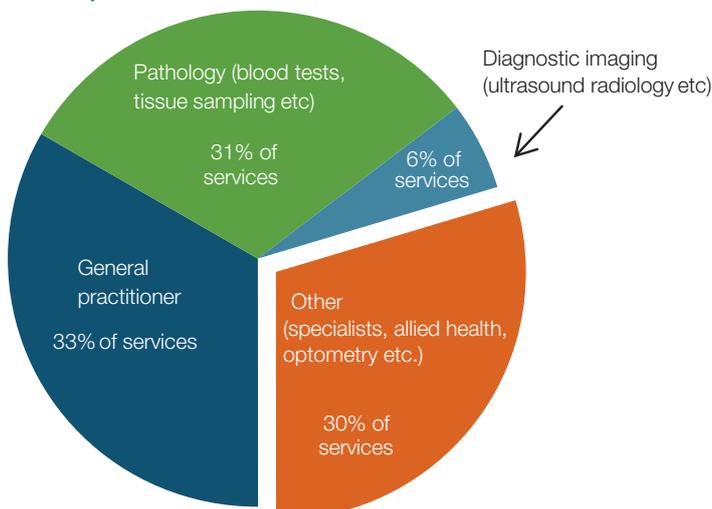
From 1 January 2015, increased costs of PBS medicines and Safety Net thresholds will keep the PBS sustainable, ensuring the

Government can continue to provide access to new and innovative medicines.

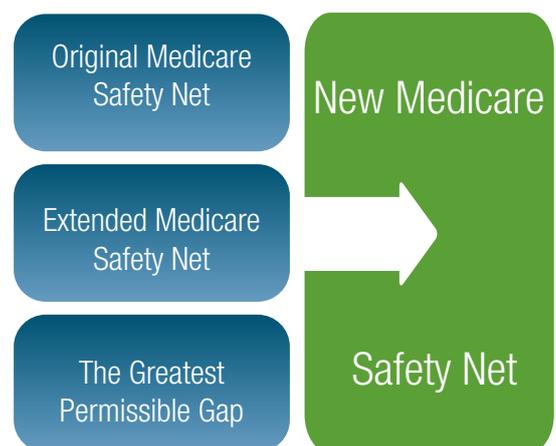
## New Medicare Safety Net — Three safety nets into one

From 1 July 2016, a new Medicare Safety Net will simplify existing safety nets for out-of-hospital services whilst continuing to protect vulnerable patients. The new Medicare Safety Net will have lower thresholds for most people. Safety net benefits, and fees that count towards safety net thresholds, will be capped.

### Patient contributions will apply to 70 per cent of Medicare services



### New, simple Medicare Safety Net



# Building future prosperity

This Budget takes ambitious steps to boost annual GDP by one percentage point through a package of measures focused on investment in infrastructure, increased participation, higher education reform, funding innovation and enhancing competition

This Budget takes significant steps to boost growth and secure the future living standards of all Australians through a major growth package that targets infrastructure, higher education, innovation, fostering a work culture and competition.

This growth package supports Australia's leadership of the G20 global growth agenda.

## Infrastructure

The Government has committed an additional \$11.6 billion to transport infrastructure spending through the Infrastructure Growth Package. This takes investment from all levels of government and the private sector to over \$125 billion to 2019-20.

## Higher education

The Higher Education Reform package will improve the flexibility, competitiveness and responsiveness of the sector. Students will benefit from access to a wider range of providers and continued access to HELP loans.

## Innovation and research

In addition to the higher education reforms, the Government is providing funding to innovation and research, including \$150 million for the funding of critical research infrastructure.

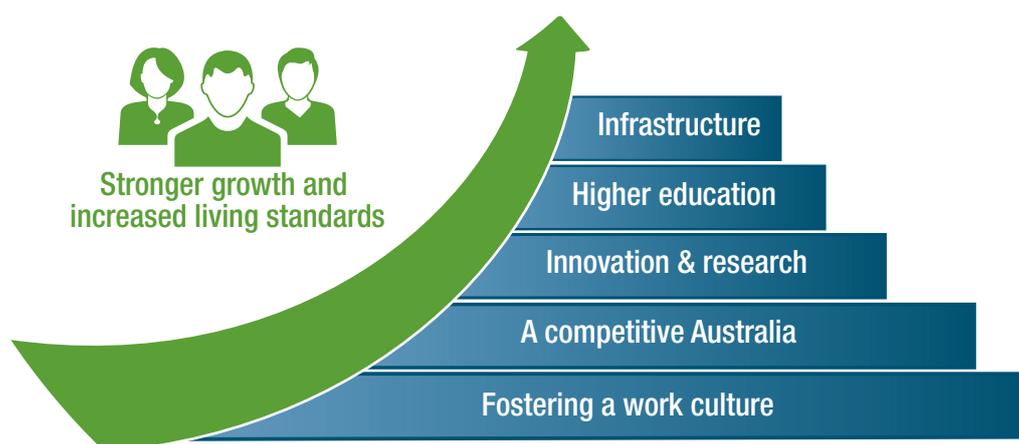
## Fostering a work culture

The Government will encourage workforce participation through assisting young Australians to earn or learn or Work for the Dole, and the new Restart programme to assist Australians aged 50 and over back into work.

## A competitive Australia

A root and branch review of our competition laws is due to report by March 2015. The findings of the review, along with new free trade agreements with Japan and Korea and refocusing support for industry and exporters, will deliver more competitive markets.

### Delivering stronger growth



# Building Australia's infrastructure

The Government is building the infrastructure for the future and addressing infrastructure bottlenecks in our cities and regions

The Government is getting on with the job of delivering infrastructure that Australia urgently needs by building high-quality road and rail projects and addressing transport bottlenecks that are a drag on business and communities.

## Infrastructure Growth Package

The Infrastructure Growth Package provides an additional \$11.6 billion for infrastructure. This will bring the Government's investment to \$50 billion by 2019-20 which, combined with State and private sector funding, will catalyse over \$125 billion of additional infrastructure investment nationwide.

The Budget package consists of a \$5 billion Asset Recycling Initiative to unlock capital from State and Territory assets, an additional \$3.7 billion for the Infrastructure Investment Programme and \$2.9 billion for the Western Sydney Infrastructure Plan.

These initiatives are designed to expedite critical infrastructure, create real activity at a time when the economy is going through a significant transition, and boost long-term productivity and living standards.

## Stable and growing funding source

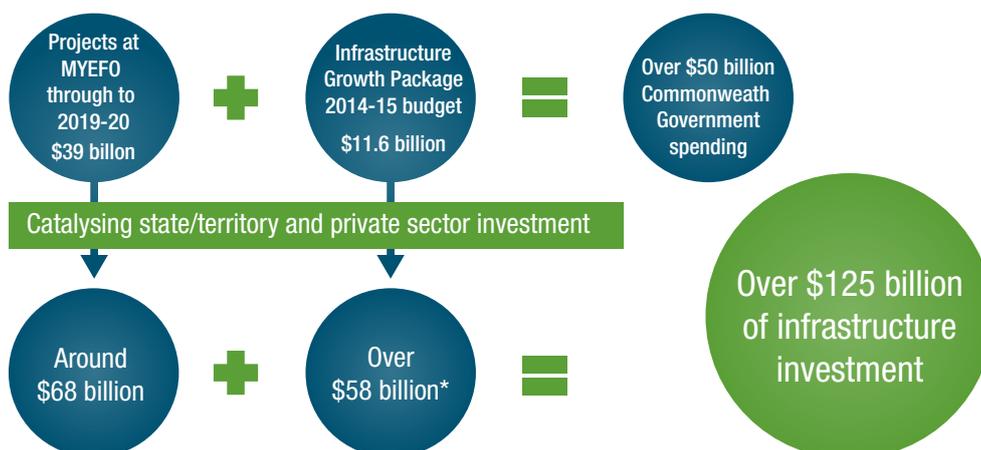
The Government is reintroducing indexation of fuel excise from

1 August 2014 to create a more stable source of Commonwealth road funding over the longer term. The Government is also redirecting recurrent spending to address immediate infrastructure funding challenges and setting up a new Asset Recycling Fund.

## Asset Recycling Fund

The Asset Recycling Fund will be set up on 1 July 2014 to facilitate the Government's investment in new infrastructure. It will include unspent funds from the Building Australia Fund and Education Investment Fund, and proceeds of the sale of Medibank Private and other possible privatisations.

Australian Government investment in transport infrastructure



\*This figure does not include potential additional private sector funding stimulated by the Asset Recycling Initiative.

# Boosting infrastructure investment

The Government is increasing infrastructure investment through direct investments and providing incentives to States and Territories to free up capital locked in existing assets

## Asset Recycling Initiative

The Government has committed \$5 billion to provide financial incentives over five years to the States and Territories to sell assets and reinvest the sale proceeds into additional productive infrastructure. This historic National Partnership Agreement with the States and Territories has the potential to catalyse close to \$40 billion of new infrastructure.

The Initiative will leverage a significant increase in private sector investment and create opportunities for investors, including superannuation funds, to invest in quality infrastructure.

## Funding new priority road infrastructure

Insufficient investment in transport infrastructure can impede the competitiveness of businesses and reduce their ability to provide services efficiently to their customers. The Government is determined to remove transport bottlenecks that constrain Australian firms and cost commuters valuable time.

By removing bottlenecks, the Government is encouraging construction, driving real activity in the economy and modernising the nation's economic infrastructure.

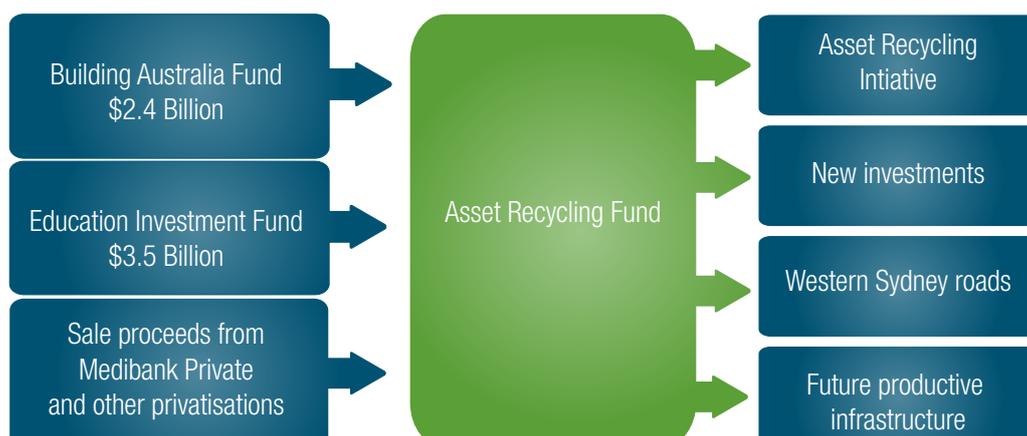
The Government is prioritising road infrastructure as it provides strong economic benefits for our major cities and regional areas.

The Government's investment will help ensure that there are sufficient resources and momentum to deliver improved safety, capacity and flood mitigation works for vital highways.

## New investments

This Budget commits \$3.7 billion to new investments as part of the Infrastructure Growth Package. This funding will be used to expedite construction of high-productivity projects.

## Funding new infrastructure in the States and Territories



# Removing infrastructure bottlenecks

The Government has committed an additional \$3.7 billion to upgrade national highways and other key roads and is delivering vital infrastructure through the Western Sydney Infrastructure Plan

## National highways

A substantial amount of the Government's new investments funding will go to major roads and highways. These roads include:

- Stage 2 of the East West Link in Melbourne;
- North-South Road Corridor in Adelaide;
- Toowoomba Second Range Crossing in Queensland;
- the Perth Freight Link; and
- Northern Territory road upgrades.

The Government is also providing:

- \$229 million for a new National Highway Upgrade Programme;

- an additional \$200 million to the Black Spot Programme; and
- a further \$350 million to the Roads to Recovery Programme.

## Western Sydney Infrastructure Plan

Both the Australian and New South Wales Governments are fast-tracking new infrastructure to support future growth in this region, including major road infrastructure and the new airport at Badgerys Creek.

The Australian Government is investing \$2.9 billion over 10 years in major road upgrades. The region is finally receiving the infrastructure it

needs, unlocking economic capacity by easing congestion and creating thousands of local jobs.

The Badgerys Creek airport development is expected to create 35,000 jobs by 2035, increasing to 60,000 jobs over time. By 2060, the new airport has the potential to drive an increase in Australia's economic output to almost \$24 billion.

To accelerate the WestConnex project, which upgrades the major roads connecting Western Sydney to the CBD, the Government is providing a loan of up to \$2 billion for stage two of the project, in addition to its existing \$1.5 billion grant for WestConnex.

## Unlocking economic capacity in Western Sydney



**Badgerys Creek** airport development is expected to create **35,000 jobs** by 2035, increasing to **60,000 jobs** over time.



By 2060, the **new airport** has the potential to drive an increase in Australia's economic output of almost **\$24 billion**.

By mid-2030, **one** in every **two** Sydney residents will live in **Western Sydney**.



# Building a world-class higher education system

The Government is helping to build a sector that is more responsive, diverse and innovative to ensure we remain an attractive destination for international education and are not left behind by global competition

## Building a world-class higher education system

The Government's higher education reforms aim to ensure that Australia has one of the world's best higher education systems. The reforms will:

- expand opportunities for students;
- ensure Australia is not left behind in global competition at a time of rising performance by universities around the world;
- offer more support for disadvantaged students through a new scholarship scheme;

- support more courses, greater diversity and more skills for our workforce; and
- ensure that Australia's higher education system is sustainable into the future.

## The current situation

Higher education is one of the most successful new export industries in Australia. Higher education comprises two thirds of education exports, which is now our fourth largest export earner.

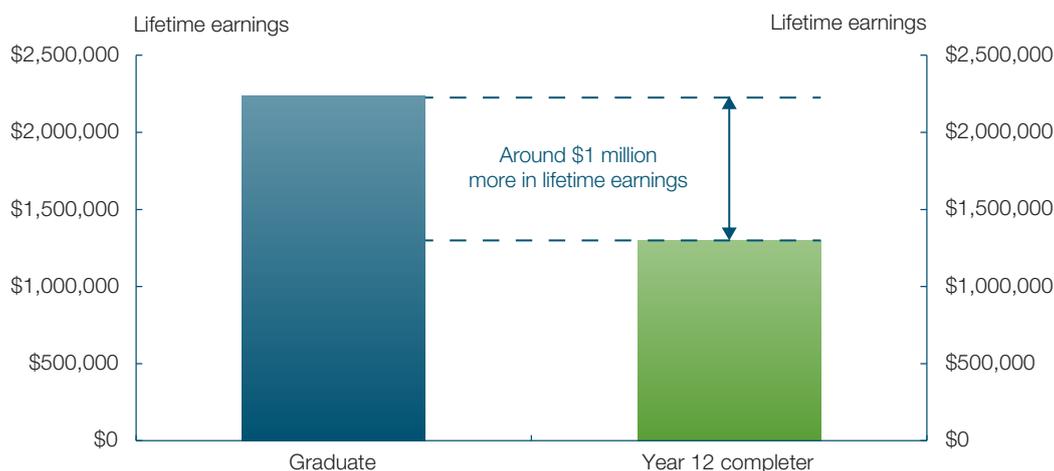
However, the sector remains highly regulated, which is constraining diversity, innovation and quality.

Uncapping Commonwealth-supported places in public universities has led to a sharp rise in students, which has also led to increased costs for higher education incurred by the Government.

Uncapped student places are now estimated to cost an additional \$7.6 billion over the five years from 2013-14.

Australian university graduates on average earn 75 per cent more than school leavers.

## University graduates have substantially higher lifetime earnings than non-graduates



Source: Department of Education estimates, based on Graduate winners, August 2012, Grattan Institute, p51.

# Strengthening the higher education system

The Government's reforms place higher education on a strong and sustainable financial footing, sharing fairly the cost between students — who benefit from having tertiary qualifications — and taxpayers

## Expanding access to higher education

For the first time, the Government will provide direct financial support to all students studying diplomas, advanced diplomas and associate degree courses, as well as those studying bachelor degrees, at all approved higher education institutions. This will see the Government supporting over 80,000 more students by 2018, at a cost of \$820.4 million over three years.

## Strengthening the higher education system

From 1 January 2016 higher education providers in Australia will be able to set their own tuition fees for the courses that they offer.

Fees will remain the responsibility of higher education providers. With these changes, some course fees may rise and some course fees may fall, as education providers compete for students and as the Government funding increases for some courses.

## A more sustainable HELP system

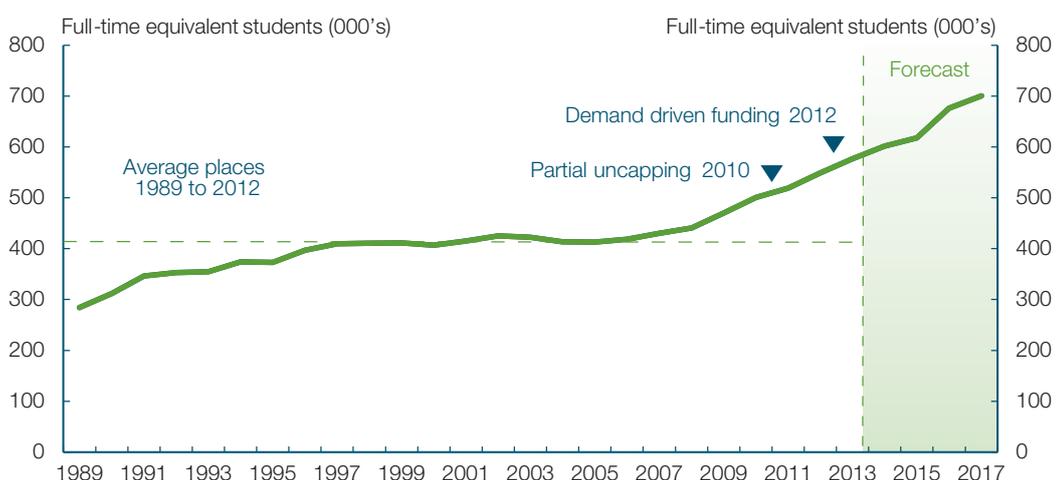
The Government will continue to help students defer the cost of their study until they reach a point where it is fair that they begin to repay their loan. To help ensure the HELP loan scheme will be sustainably and fairly funded into the future:

- graduates will begin to repay their HELP debt only once they start earning over \$50,638 from 1 July 2016; and
- the interest rate applied to HELP loans will be changed to a rate that reflects the cost of Government borrowings, with a maximum rate of 6 per cent.

## Commonwealth Scholarships

Higher education providers will be required to direct 20 per cent of the additional revenue raised to Commonwealth scholarships, supporting access for disadvantaged students.

Commonwealth supported full-time equivalent students



# Innovation and research

The Government is making a substantial investment in Australia's innovation and research capability, research infrastructure and Australian researchers and is also raising science awareness

## Encouraging innovation and research

The Government is establishing the largest medical research fund of its kind in the world — the \$20 billion Medical Research Future Fund.

The Government is also providing funding for a range of strategic initiatives that will encourage and support leading innovation and research.

- The National Collaborative Research Infrastructure Strategy will receive \$150 million in 2015-16.
- \$139.5 million will be provided to continue the Australian Research Council (ARC) Future Fellowships

Scheme, with a renewed focus on Australian researchers.

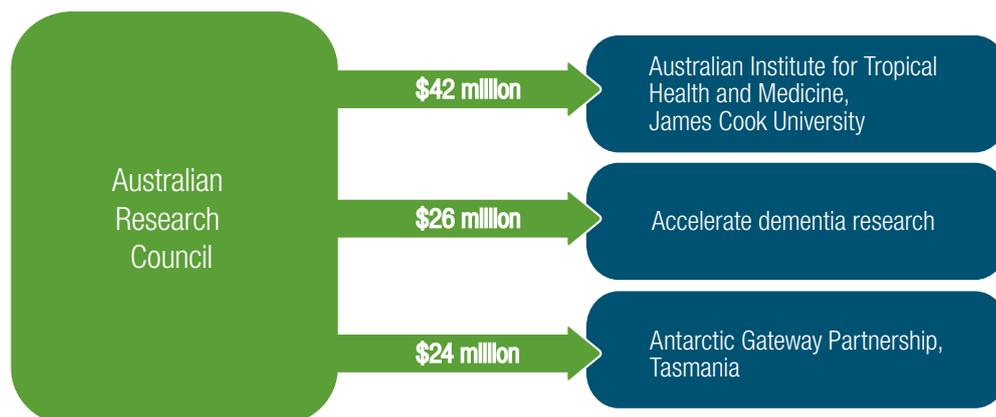
- \$92 million will be redirected from the ARC to boost research into tropical health and medicine, dementia and the Antarctic.
- Australian-Chinese business and research collaboration will be boosted by \$10 million for the Australia-China Science and Research Fund.
- A range of science awareness programmes will be supported, including \$13.4 million for National Science Week and the Strategic Science and Communication initiative, and \$5.5 million for the Prime Minister's Prizes for Science.

## Better targeting of our innovation and research

The Government will better target innovation and research funding to areas of national and strategic priority undertaken by our key national research institutions, including the Commonwealth Scientific and Industrial Research Organisation, the Australian Nuclear Science and Technology Organisation, and the Australian Institute of Marine Science.

This will achieve savings of \$146.8 million over four years.

## Delivering on the Government's election commitments to fund priority research areas



# Self-reliant, competitive industries

The Government is supporting individual enterprise and the competitiveness of our businesses by simplifying industry programmes and boosting support for exporters

Past industry assistance policies have delivered rapid growth in annual assistance per employee over the last decade to over \$6,000, but have failed to arrest the decline in the share of national employment in assisted industries.

The Government is taking a new approach to industry based on greater self-reliance and flexibility.

By concluding free trade agreements, facilitating access to markets, supporting capability development, and cutting taxes and red tape over time, businesses have greater opportunities and confidence to invest and expand.

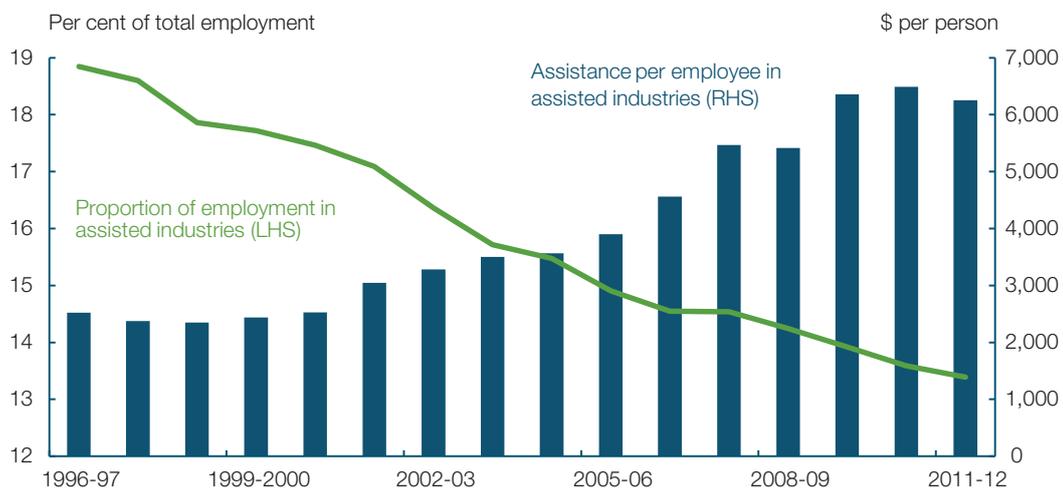
A \$200 million boost to the Export Finance and Insurance Corporation's capital base, and a \$50 million boost to the Export Market Development Grants programme will help more small and medium-sized businesses to access export markets.

The Government is fulfilling its election commitment for a \$50 million Manufacturing Transition Grants Programme to help businesses transition to competitive industries and drive new and innovative opportunities for growth. A \$155 million growth fund will also support regions facing pressures following the announced closures of motor vehicle manufacturers.

A new approach to industry policy will be implemented through the \$484.2 million Entrepreneurs' Infrastructure Programme, which will improve the capabilities of small to medium enterprises and streamline business access to Government programmes.

The Government is developing the National Industry Investment and Competitiveness Agenda — to be outlined in more detail later this year — which will facilitate further improvements in the competitiveness of Australian businesses.

## Employment in assisted industries has fallen as budgetary assistance has grown



# Reducing the size of government

To free up resources and assist individuals and businesses to succeed the Government will reduce spending, privatise assets and shift to a fully funded military superannuation scheme

The Government is transforming its role to be smaller and as efficient and well-targeted as possible, with some changes informed by the National Commission of Audit's recommendations.

## Reducing spending

The Government understands that the money it spends comes from taxpayers and that every hard earned dollar must be respected.

This Budget contains substantial savings across the forward estimates from reducing wasteful spending, improving the sustainability of our safety net and redirecting resources to productive investments.

Payments as a share of GDP are expected to decline from 25.3 per cent in 2014-15 to 24.8 per cent in 2017-18. This is down from 25.9 per cent of GDP projected at MYEFO for 2017-18. There is, however, more to be done.

## Privatising government assets

The Government has announced the sale of Medibank. It will continue selling assets where no compelling reason for government ownership exists with scoping studies to be undertaken into the ownership of Australian Hearing, Defence Housing Australia, the Australian Securities and Investment Commission Registry

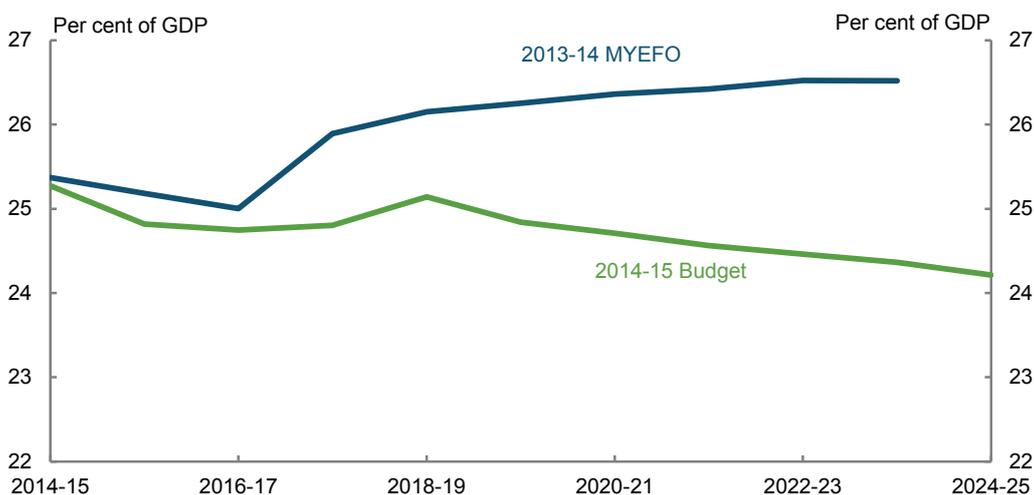
function and the Royal Australian Mint. The proceeds from future privatisations will be reinvested into the Asset Recycling Fund for new productive infrastructure.

## Military superannuation

The Government is shifting to a fully funded military superannuation scheme. This change does not affect any current or ex-contributory personnel and will see future members who serve shorter service periods better off.

This shift will also strengthen the Australian Government's balance sheet by reducing unfunded superannuation liabilities by \$126 billion by 2050.

Government payments as a percentage of the economy are decreasing



# Freeing up resources for Australia's businesses

The Government remains committed to cutting company tax and repealing the mining and carbon taxes, and is providing a new tax incentive for mineral exploration to improve the business climate and unleash our economic potential

Cutting company tax, repealing the mining and carbon taxes and introducing the new Exploration Development Incentive will free up resources for the private sector and create better incentives and more opportunities for business and individuals to succeed.

## Company tax cuts

The Government remains committed to cutting the company tax rate by 1.5 percentage points from 1 July 2015. For large companies, the reduction will offset the cost of the Government's Paid Parental Leave levy. For up to 800,000 small and medium-sized companies it will provide a net boost to profitability.

## Repealing the mining and carbon taxes

The Government is determined to deliver its election commitments to repeal the minerals resource rent tax (MRRT) and the carbon tax.

The MRRT is a failed tax which raises almost no revenue, yet imposes an unnecessary regulatory and compliance burden on the Australian mining industry.

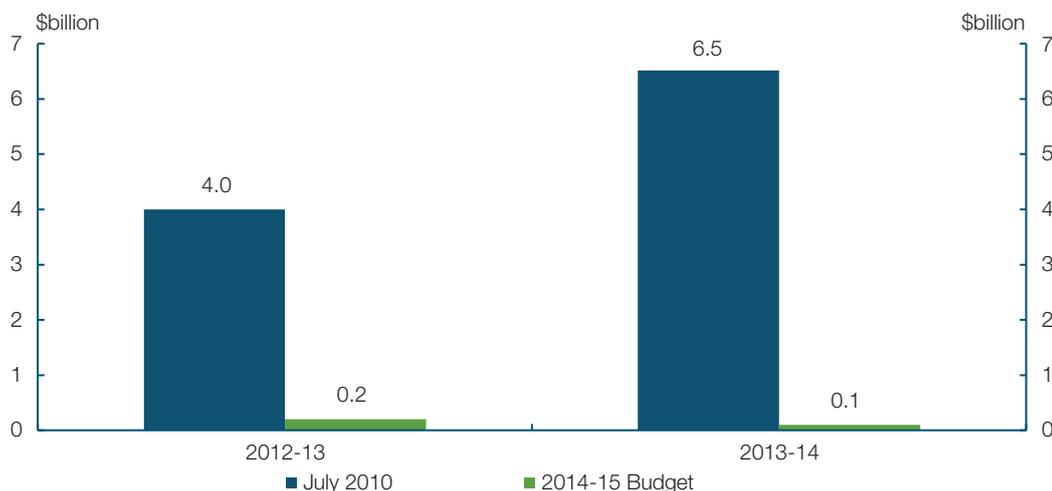
Repealing the carbon tax will ease cost of living pressures on families, help small business and restore confidence in the economy.

Abolishing these taxes will improve Australia's international competitiveness and reduce tax on business.

## Exploration Development Incentive

The Government is delivering its election commitment to introduce an Exploration Development Incentive to encourage investment in small exploration companies undertaking greenfields mineral exploration in Australia. Australian shareholders of these companies will receive a tax offset for the company's greenfields exploration.

Tax receipts from MRRT are well below original estimates\*



\*These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes.

# Reducing waste and enhancing public sector efficiency

To deliver more with less the Government is undertaking a range of measures to increase public sector efficiency including trimming down the public sector, consolidating government programmes and bodies and outsourcing some service delivery

The Government will reduce waste and duplication within the public sector by reducing the size of the public service, consolidating government programmes and bodies and examining service delivery options.

## Reducing the size of the Australian Public Service

The Australian Public Service will reduce by 16,500 across the four years to 2016-17, including the previously hidden 14,500 reduction as a result of decisions taken by the previous Government. The Government is streamlining the public service through the ongoing efficiency dividend, line-by-line

savings within each portfolio, reviewing grants funding, and undertaking efforts to reduce expenditure on staff. A leaner public sector will deliver better value for each taxpayer dollar and ensure resources are directed to policy priorities.

## Consolidation of programmes and bodies

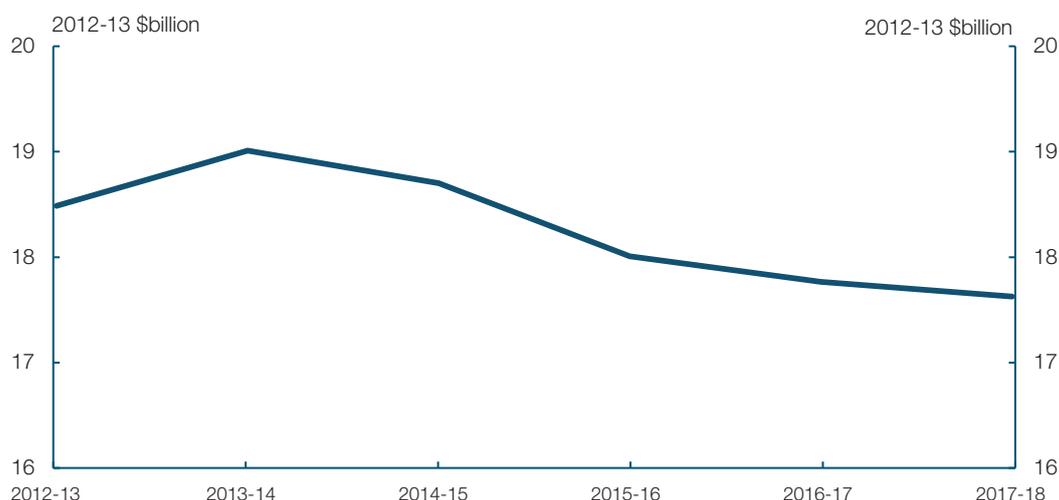
The Government has abolished over 230 programmes. It also has an ongoing process that has seen 70 bodies, boards, committees and councils abolished so far to streamline accountabilities and improve efficiency.

## Outsourcing and enhanced competition

The Government is systematically assessing whether government functions should be open to competition and outsourced. Over time, this process will lead to new private sector opportunities and more efficient and effective service delivery.

The Government should be active only where it is needed and where the private sector cannot adequately fulfil the function. Outsourcing non-essential functions and enhancing competition will lead to more efficient and effective service delivery and reduced expenditure.

Real spending on wages and salaries for employees in the Australian Government general government sector are declining



# Reducing regulation

The Government has cleared the backlog of unenacted tax legislation and is reducing the regulatory burden on business, individuals and the community by \$1 billion a year through an aggressive agenda to cut red and green tape

Regulation has grown rapidly over recent decades, creating substantial costs for business and the community. This has led to complexity and uncertainty, particularly in the tax system, and risks impeding innovation and entrepreneurship.

The Government has set a target of reducing regulatory compliance costs on businesses, individuals and the community by \$1 billion every year.

The first Repeal Day in March reduced the stock of regulation, with over 1,000 Acts and 9,500 legislative instruments, totalling over 50,000 pages, submitted to be abolished.

The Government is dedicating at least two sitting days each year to further repeals.

In a further move to reduce red tape and provide taxpayer certainty, the Government has made decisions on 92 tax and superannuation measures that had been agreed by previous governments but not enacted.

To manage the flow of new regulation, the Government is requiring compliance costs to be calculated for all new regulatory proposals. Where a proposal would increase those costs, the Government will not proceed unless offsetting cost reductions are found.

To reduce green tape, the Government is delivering a 'one-stop shop' for environmental approvals. This has already led to the approval of \$400 billion in new projects and will simplify the process and improve Australia's investment climate, while maintaining high environmental standards.

How regulation is implemented affects compliance costs. The Government has issued statements of expectations to major regulators, stating the importance of administering regulation in a way that reduces compliance costs where feasible. A framework to assess regulators' performance is being developed.

## The case for deregulation

'Australian businesses face regulatory burdens that are far too high. They are growing and... they place us at a competitive disadvantage.'  
(Ai Group, 2014)



'Removing unnecessary processes and red tape will add to the productivity of the economy, improve safety in the workplace and add to job security.'  
(Council of Small Business of Australia, 2014)



'The burden of red tape is costing business and the community, contributing to stagnant productivity growth.'  
(Australian Chamber of Commerce and Industry, 2012)



'We need to rethink our approach to regulation... in order to make our markets work better.'  
(Business Council of Australia 2013)



# Stronger regions

The Government is supporting regions through its \$1 billion National Stronger Regions Fund, assisting drought-affected farmers and developing growth plans for Tasmania and northern Australia

Strong regional communities need an environment that allows businesses to grow and create jobs. This Budget invests in critical infrastructure, and supports farmers and regions to create prosperity and enduring growth.

## Infrastructure for growth

The \$1 billion National Stronger Regions Fund will help construct and improve infrastructure for communities in need, including those with high unemployment. This builds on the \$342 million Community Grants Development Programme providing infrastructure for local and regional economies, and the priority rollout of the National Broadband

Network to regions with the poorest internet services.

A further \$550 million is being committed for the Roads to Recovery and Black Spot Programmes, on top of the \$2.5 billion previously committed. These funds will help improve road safety and economic and social outcomes in rural and regional Australia.

## Supporting farmers and their families

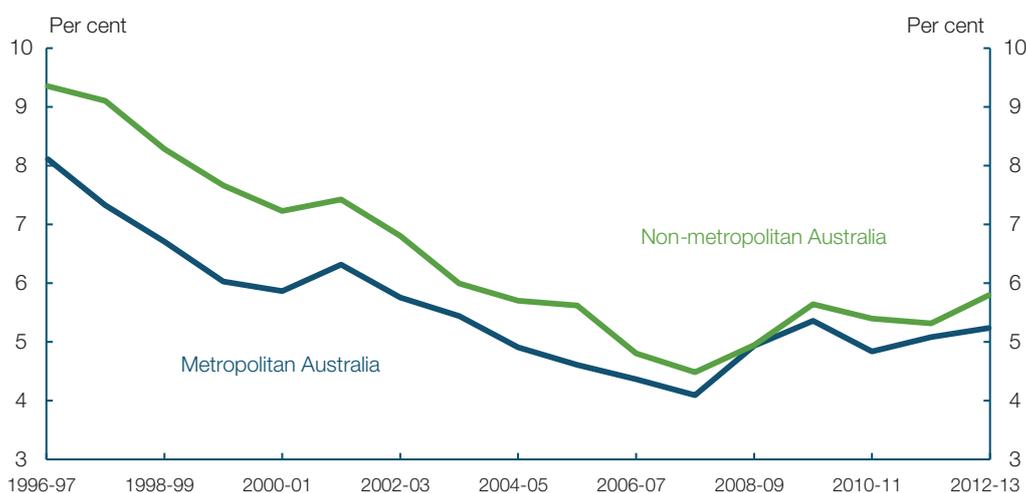
The \$320 million comprehensive drought support package delivers financial, social and mental health support to drought-affected farm families and businesses, helping them to manage and recover from drought.

## A plan for Tasmania and for northern Australia

The Growth Plan for Tasmania will reset the State's course to one of growth, jobs and rising living standards. Over \$60 million will go towards a runway extension at Hobart's international airport and to support the Antarctic Gateway Partnership in Tasmania.

Northern Australia has great economic opportunities waiting to be seized. A new White Paper will identify policies to ensure the region profits from its strengths while realising its growth potential.

Unemployment rates in metropolitan and non-metropolitan Australia



# Practical environmental action

The Government is taking action to reduce carbon emissions, upgrade the Bureau of Meteorology's supercomputer and maintain our presence in Antarctica

The Government is taking practical steps to reduce carbon emissions and protect our environment and support better responses to natural disasters.

## Taking direct action to reduce carbon emissions

The Government is taking direct action to reduce carbon emissions without the burden of the carbon tax, which is hurting the economy and affecting the living standards of Australian families. The Government will invest \$2.55 billion over ten years to establish the Emissions Reduction Fund from 1 July 2014.

The Fund will support the purchase of low-cost abatement

through reverse auctions to achieve emissions reductions and deliver benefits to landholders and businesses.

The Government is also committed to creating a Green Army — a 15,000-strong workforce — and planting 20 million native trees to re-establish green corridors while contributing to emissions reductions.

## Upgrading our weather forecasting capabilities

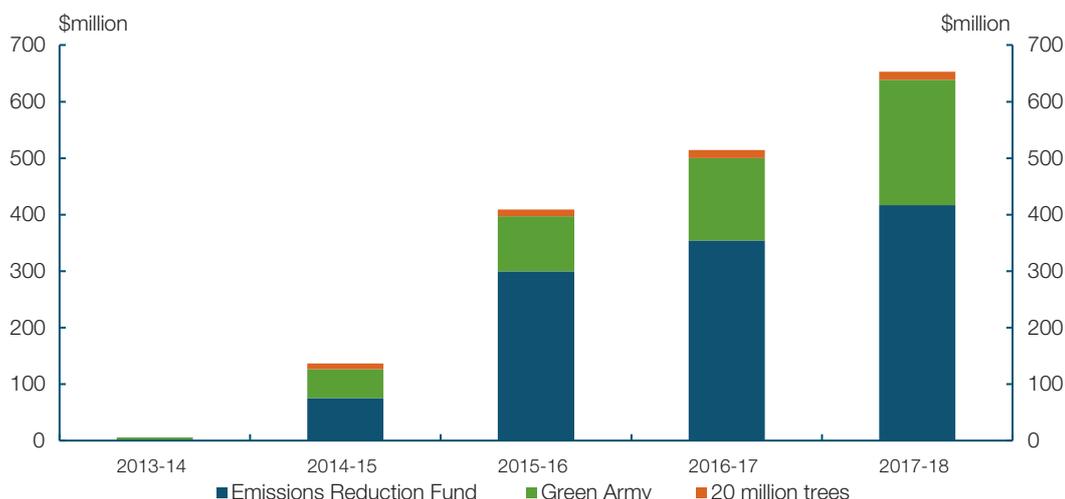
The Government will upgrade the Bureau of Meteorology supercomputer to provide more detailed forecasts, more frequently. This will improve forecasting, which will support responses to natural disasters, deliver better weather

information for the public, and benefit industries that rely on specific forecasting capability.

## Maintaining our strong presence in Antarctica

The Government will progress the acquisition of a new icebreaker and provide \$9.4 million in 2014-15 to maintain Australia's physical and strategic presence in Antarctica. In addition, funding of \$24 million to support collaborative Antarctic scientific research between the University of Tasmania, the Commonwealth Scientific and Industrial Research Organisation and the Australian Government will contribute to the preservation of the Antarctic environment.

Spending to support key environment election commitments



# Restoring border integrity

The Government is restoring the integrity of Australia's borders by stopping the boats and improving the way we manage our borders

The Government has taken strong and immediate action to restore Australia's border integrity by implementing Operation Sovereign Borders and investing in more effective border management.

## Operation Sovereign Borders

The Government's strong and effective border protection policies are stopping the boats and people smugglers now understand that the way to Australia is closed. This is a major achievement when compared with a peak of over 4,000 arrivals in July 2013.

The success of Operation Sovereign Borders has delivered significant savings to the Budget. The reduction in arrivals has resulted in a \$2.5 billion saving this Budget.

The significant reduction in boat arrivals will mean that \$283 million in savings over five years will result from changes to management of the detention network including closure of some centres.

The Government is also continuing to work with regional partners to stem the flow of irregular migrants and put the people smugglers out of business.

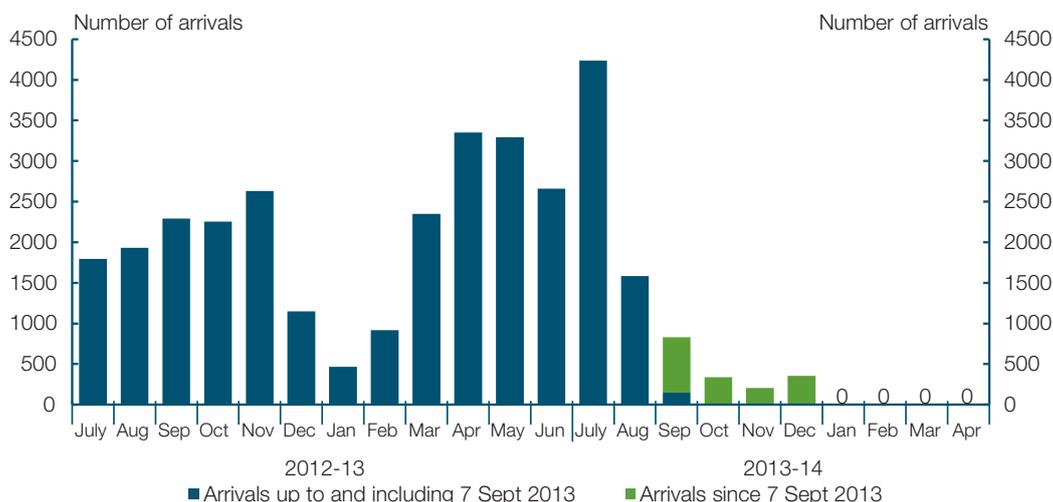
## Effective border management

Efficient and effective border management is crucial to Australia's national security and will support future economic prosperity.

This Budget commits \$711 million over six years to enhance Australia's border management.

From 1 July 2015 the Government will consolidate existing border protection services to establish the Australian Border Force, a single frontline operational border agency, to enforce our customs and immigration laws and protect our border.

Number of illegal maritime arrivals on successful ventures



# Delivering stronger Defence

This Budget delivers improved investment in Defence capability and continues operations that support regional security and stability

## Strong Defence

The Government is committed to a properly resourced, equipped and managed Defence.

To achieve this, the Government will publish a new Defence White Paper in 2015, which will deliver costed, affordable ways to meet Australia's defence and national security objectives. It will also set out how the Government will increase Defence spending to two per cent of GDP.

The Government will also conduct a first principles review of Defence. This will deliver more streamlined and less bureaucratic decision-making.

The new White Paper and the first principles review of Defence will reduce waste, speed up decision-making and restore authority to the commanders responsible for delivering war-fighting capabilities.

## Rebuilding Defence capability

This Budget brings forward \$1.5 billion in spending from 2017-18 to earlier years. This will help Defence to invest in the capability needed to strengthen Australia's Defence Force.

## Defence operations

Australia will continue to play its part in operations, both overseas and in securing our own borders. The Budget delivers, in 2014-15, \$136.1 million for overseas operations, and \$59.7 million for Defence to continue its contribution to securing Australia's borders, including Operation Sovereign Borders.

As the Australian Defence Force returns home from Afghanistan, the Government will give further consideration to Australia's ongoing role in Afghanistan to continue to support global security.

The Government has increased spending on Defence capital



# Budget aggregates

The table below shows the main cash and accrual budget aggregates for the Australian Government general government sector over the period 2012-13 to 2017-18. The underlying cash deficit is estimated to be \$29.8 billion in 2014-15. The fiscal deficit is estimated to be \$25.9 billion

	Actual		Estimates		Projections		Total(a)
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	
	\$b	\$b	\$b	\$b	\$b	\$b	\$
Receipts	351.1	363.5	385.8	410.4	436.8	468.0	2,064
Per cent of GDP	23.1	23.0	23.6	24.0	24.4	24.9	
Payments (b)	367.2	410.7	412.5	424.2	443.9	467.1	2,158
Per cent of GDP	24.1	25.9	25.3	24.8	24.7	24.8	
Net Future Fund earnings	2.7	2.7	3.1	3.3	3.5	3.8	16
Underlying cash balance(c)	-18.8	-49.9	-29.8	-17.1	-10.6	-2.8	-110
Per cent of GDP	-1.2	-3.1	-1.8	-1.0	-0.6	-0.2	
Revenue	360.2	374.3	391.3	419.6	449.8	480.4	2,115
Per cent of GDP	23.6	23.6	24.0	24.5	25.1	25.5	
Expenses	382.6	415.3	414.8	431.1	453.8	475.4	2,190
Per cent of GDP	25.1	26.2	25.4	25.2	25.3	25.3	
Net operating balance	-22.5	-41.0	-23.5	-11.5	-4.0	4.9	-75
Net capital investment	1.0	4.0	2.4	0.7	2.6	4.0	13
Fiscal balance	-23.5	-45.1	-25.9	-12.2	-6.6	1.0	-88
Per cent of GDP	-1.5	-2.8	-1.6	-0.7	-0.4	0.1	
Memorandum item:							
Headline cash balance	-21.0	-53.7	-33.5	-26.6	-22.7	-11.4	-148

(a) Total is equal to the sum of amounts from 2013-14 to 2017-18.

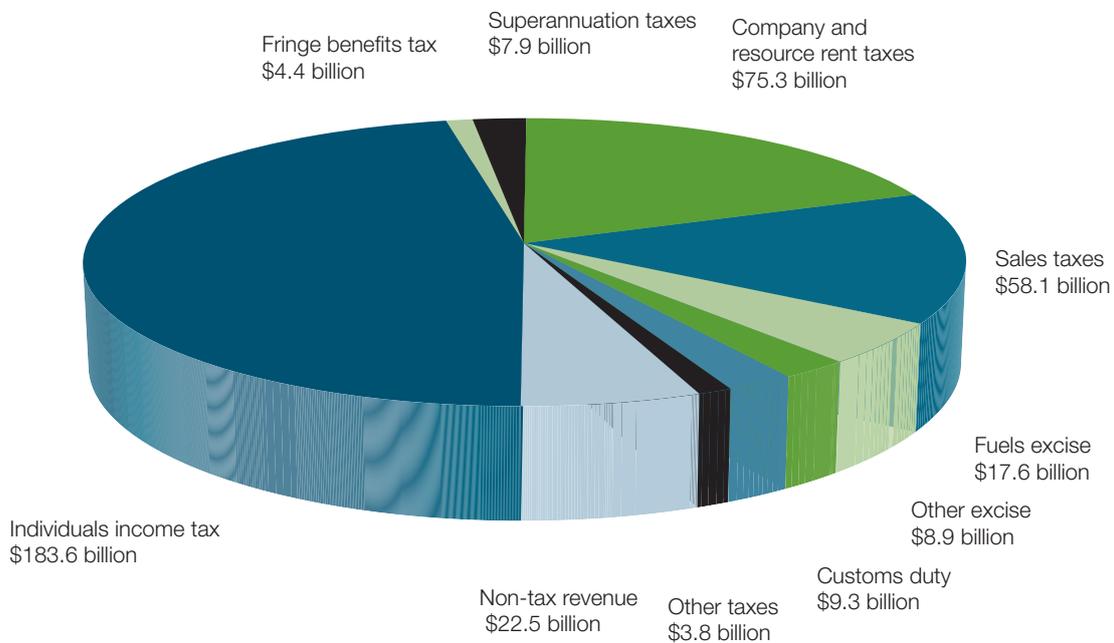
(b) Equivalent to cash payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(c) Excludes net Future Fund earnings.

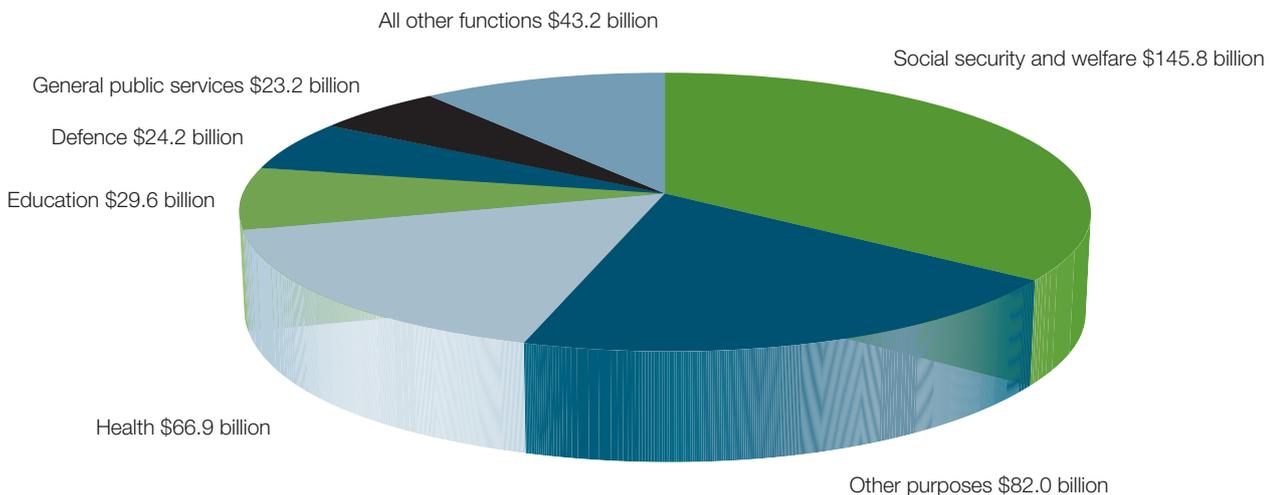
# Revenue and spending

Total revenue for 2014-15 is expected to be \$391.3 billion, an increase of 4.6 per cent on estimated revenue in 2013-14. Total expenses for 2014-15 are expected to be \$414.8 billion, a decrease of 0.1 per cent on estimated expenses in 2013-14.

## Where revenue comes from (2014-15)



## Where taxpayers' money is spent (2014-15)



# Major initiatives

This table summarises the major new initiatives in the 2014-15 Budget and their impact on the fiscal balance. More comprehensive information is provided in *Budget Paper No. 2, Budget Measures 2014-15*.

Initiatives	2013-14	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m	\$m
Infrastructure Growth Package – Asset Recycling Initiative	0	-335	-1,278	-1,285	-1,007
Infrastructure Growth Package – New investments	-1,000	-202	-1,010	-969	-519
Defence Forces Retirement Benefits and Defence Force Retirement and Death Benefits superannuation payments – indexation	0	-318	-332	-344	-357
Infrastructure Growth Package – Western Sydney Infrastructure Plan	0	-103	-210	-352	-531
Emissions Reduction Fund – establishment	0	-76	-300	-355	-417
Higher Education Reform – Expanding opportunity – FEE-HELP and VET FEE-HELP loan fee – cessation	0	0	-135	-287	-324
Infrastructure Growth Package – WestConnex Stage 2 – provision of a concessional loan	0	-4	-97	-339	-289
Korea-Australia Free Trade Agreement	0	-100	-165	-180	-190
National Stronger Regions Fund – establishment	0	0	-200	-200	-200
Support Services and Mutual Obligation Arrangements for Illegal Maritime Arrivals	-3	-85	-115	-162	-210
Trade Support Loans – establishment	-4	-53	-125	-129	-129
Pharmaceutical Benefits Scheme – new and amended listings	-7	-73	-87	-99	-113
Restart – boosting the wage subsidy for mature age job seekers	0	-18	-79	-98	-109
Medical Research Future Fund – investments	0	0	-20	-77	-179
<b>Revenue items</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
	\$m	\$m	\$m	\$m	\$m
Temporary Budget Repair Levy	0	600	1,150	1,200	150
Reintroduction of fuel excise indexation	0	168	380	680	990
Personal income tax – abolish the Mature Age Worker Tax Offset	0	0	290	255	215
Research and Development Tax Incentive – reducing the rates of the refundable and non-refundable tax offsets	0	70	160	200	190
Personal income tax – abolish the Dependent Spouse Tax Offset	0	0	130	100	90
Revenue decreases					
Restoring integrity in the Australian tax system – further decisions	1	-12	-202	-183	38
Personal income tax – increase the Medicare levy low-income thresholds for families	0	-9	-13	-13	-13
Superannuation Excess Contributions Tax	0	-4	-10	-14	-13

# Major savings

This table summarises the major savings in the 2014-15 Budget and their impact on the fiscal balance. More comprehensive information is provided in *Budget Paper No. 2, Budget Measures 2014-15*.

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Official Development Assistance – reprioritised funding	612	601	1,222	1,689	3,521
Medicare Benefits Schedule – introducing co-payments for general practitioner, pathology and diagnostic imaging services	0	-14	1,128	1,153	1,201
Higher Education Reform – Expanding Opportunity – Higher Education Loan Program – repayment thresholds and indexation	0	334	720	906	1,194
Family Payment Reform – maintain Family Tax Benefit payment rates for two years	-1	397	720	736	747
Family Payment Reform – limit Family Tax Benefit Part B to families with children under six years of age	-1	-17	70	236	1,601
Commonwealth Public Hospitals – change to funding arrangements	0	217	260	133	1,163
Pausing indexation of some Medicare Benefits Schedule fees and the Medicare Levy Surcharge and Private Health Insurance Rebate thresholds	0	142	394	504	635
Maintain eligibility thresholds for Australian Government payments for three years	-2	161	295	445	579
Certain concessions for Pensioners and Seniors Card Holders	0	304	314	327	338
Pharmaceutical Benefits Scheme – increase in co-payments and safety net thresholds	0	145	307	367	449
Stronger participation incentives for job seekers under 30	0	221	345	353	329
Family Payment Reform – better targeting of Family Tax Benefit Part B	0	-4	379	430	440
Family Payment Reform – revise Family Tax Benefit end-of-year supplements	-1	-2	395	392	426
Higher Education Reform – Expanding opportunity – Expansion of the demand driven system and sharing the cost fairly	0	0	164	412	551
Commonwealth Seniors Health Card holders – cessation of the Seniors Supplement	0	241	260	276	282
Local Government Financial Assistance Grants – pause indexation for three years	0	96	200	308	321
Australian Apprenticeships Incentives Programme – Tools For Your Trade – cessation	0	142	255	257	260
Aged Care Payroll Tax Supplement – cessation	0	86	181	188	198
Efficiency Dividend – a further temporary increase of 0.25 per cent	0	63	124	189	193
Indigenous Affairs Programmes – rationalisation	41	163	146	118	67

# Temporary Budget Repair Levy

The Temporary Budget Repair Levy will be in place for three years starting 1 July 2014, and will ensure that high-income earners are contributing to the Budget repair task. The levy will be applied at two per cent on taxable income in excess of \$180,000. This measure is expected to raise \$3.1 billion over the forward estimates period.

Taxable Income	Levy payable (\$)			
	2014-15	2015-16	2016-17	2017-18
100,000	0	0	0	0
110,000	0	0	0	0
120,000	0	0	0	0
130,000	0	0	0	0
140,000	0	0	0	0
150,000	0	0	0	0
160,000	0	0	0	0
170,000	0	0	0	0
180,000	0	0	0	0
190,000	200	200	200	0
200,000	400	400	400	0
210,000	600	600	600	0
220,000	800	800	800	0
230,000	1,000	1,000	1,000	0
240,000	1,200	1,200	1,200	0
250,000	1,400	1,400	1,400	0
260,000	1,600	1,600	1,600	0
270,000	1,800	1,800	1,800	0
280,000	2,000	2,000	2,000	0
290,000	2,200	2,200	2,200	0
300,000	2,400	2,400	2,400	0
350,000	3,400	3,400	3,400	0
400,000	4,400	4,400	4,400	0
450,000	5,400	5,400	5,400	0
500,000	6,400	6,400	6,400	0

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

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

	Outcomes(b)	Forecasts		
	2012-13	2013-14	2014-15	2015-16
Panel A - Demand and output(c)				
Household consumption	2.0	2 1/2	3	3 1/4
Private investment				
Dwellings	-0.1	3 1/2	7 1/2	5 1/2
Total business investment(d)	6.1	-4	-5 1/2	-3 1/2
Non-dwelling construction(d)	13.9	-2 1/2	-9 1/2	-12 1/2
Machinery and equipment(d)	-4.3	-9 1/2	-2	7
Private final demand(d)	2.8	1 1/4	1 1/2	2
Public final demand(d)	-1.3	1 3/4	1 1/2	1
Total final demand	1.9	1 1/2	1 1/2	1 3/4
Change in inventories(e)	-0.3	- 1/4	1/4	0
Gross national expenditure	1.6	1 1/4	1 3/4	1 3/4
Exports of goods and services	6.0	5 1/2	5 1/2	7
Imports of goods and services	0.5	-3	2	2 1/2
Net exports(e)	1.2	1 3/4	1	1 1/4
Real gross domestic product	2.6	2 3/4	2 1/2	3
Non-farm product	2.8	2 3/4	2 3/4	3
Farm product	-3.6	5	-4	1
Nominal gross domestic product	2.5	4	3	4 3/4
Panel B - Other selected economic measures				
External accounts				
Terms of trade	-9.8	-5	-6 3/4	-1 3/4
Current account balance (per cent of GDP)	-3.6	-3 1/4	-4	-3 3/4
Labour market				
Employment(f)	1.2	3/4	1 1/2	1 1/2
Unemployment rate (per cent)(g)	5.6	6	6 1/4	6 1/4
Participation rate (per cent)(g)	65.1	64 3/4	64 1/2	64 1/2
Prices and wages				
Consumer price index(h)	2.4	3 1/4	2 1/4	2 1/2
Gross non-farm product deflator	-0.3	1 1/4	1/2	1 3/4
Wage price index(f)	2.9	2 3/4	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 and private sectors.

(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 for the domestic economy are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level — a trade-weighted index of around 71 and a \$US exchange rate of around 93 US cents. Interest rates are assumed to move broadly in line with market expectations. World oil prices (Malaysian Tapis) are assumed to remain around US\$113 per barrel. The farm sector forecasts are based on an assumption of average seasonal conditions in 2014-15 and 2015-16.

## Appendix G

# Historical budget and net financial worth data

This table provides historical data and forward estimates for Australian Government General Government Sector cash receipts, cash payments, the underlying cash balance and net financial worth. More comprehensive information is provided in *Budget Paper No. 1, Budget Strategy and Outlook Statement 10*.

	Receipts(a)		Payments(b)		Underlying cash balance(c)		Net financial worth(d)	
	\$m	Per cent	\$m	Per cent	\$m	Per cent	\$m	Per cent
		of GDP		of GDP		of GDP		of GDP
1984-85	58,817	25.0	64,853	27.6	-6,037	-2.6	na	na
1985-86	66,206	25.4	71,328	27.3	-5,122	-2.0	na	na
1986-87	74,724	26.1	77,158	26.9	-2,434	-0.8	na	na
1987-88	83,491	25.6	82,039	25.2	1,452	0.4	na	na
1988-89	90,748	24.6	85,326	23.1	5,421	1.5	na	na
1989-90	98,625	24.4	92,684	22.9	5,942	1.5	na	na
1990-91	100,227	24.2	100,665	24.3	-438	-0.1	na	na
1991-92	95,840	22.7	108,472	25.6	-12,631	-3.0	na	na
1992-93	97,633	22.0	115,751	26.1	-18,118	-4.1	na	na
1993-94	103,824	22.2	122,009	26.1	-18,185	-3.9	na	na
1994-95	113,458	22.9	127,619	25.7	-14,160	-2.9	na	na
1995-96	124,429	23.5	135,538	25.6	-11,109	-2.1	na	na
1996-97	133,592	24.0	139,689	25.1	-6,099	-1.1	na	na
1997-98	140,736	23.9	140,587	23.9	149	0.0	na	na
1998-99	152,063	24.5	148,175	23.9	3,889	0.6	na	na
1999-00	166,199	25.1	153,192	23.2	13,007	2.0	-67,036	-10.1
2000-01	182,996	25.9	177,123	25.1	5,872	0.8	-71,876	-10.2
2001-02	187,588	24.9	188,655	25.0	-1,067	-0.1	-78,032	-10.4
2002-03	204,613	25.5	197,243	24.6	7,370	0.9	-82,931	-10.4
2003-04	217,775	25.3	209,785	24.3	7,990	0.9	-72,389	-8.4
2004-05	235,984	25.6	222,407	24.1	13,577	1.5	-58,882	-6.4
2005-06	255,943	25.6	240,136	24.1	15,757	1.6	-59,763	-6.0
2006-07	272,637	25.1	253,321	23.3	17,190	1.6	-35,696	-3.3
2007-08	294,917	25.0	271,843	23.1	19,754	1.7	-14,690	-1.2
2008-09	292,600	23.2	316,046	25.1	-27,013	-2.1	-71,490	-5.7
2009-10	284,662	22.0	336,900	26.0	-54,494	-4.2	-144,485	-11.1
2010-11	302,024	21.5	346,102	24.6	-47,463	-3.4	-198,787	-14.1
2011-12	329,874	22.2	371,032	25.0	-43,360	-2.9	-355,834	-23.9
2012-13	351,052	23.1	367,204	24.1	-18,834	-1.2	-312,724	-20.5
2013-14(e)	363,496	23.0	410,662	25.9	-49,855	-3.1	-299,647	-18.9
2014-15(e)	385,778	23.6	412,484	25.3	-29,773	-1.8	-329,239	-20.2
2015-16(e)	410,427	24.0	424,249	24.8	-17,084	-1.0	-342,385	-20.0
2016-17(p)	436,849	24.4	443,913	24.7	-10,562	-0.6	-351,036	-19.6
2017-18(p)	467,985	24.9	467,060	24.8	-2,825	-0.2	-352,659	-18.7

(a) Receipts are equal to cash receipts from operating activities and sales of non-financial assets.

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

(c) 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.

(d) Net financial worth is equal to financial assets less total liabilities.

(e) Estimates.

(p) Projections.

Note: Full historical series going back to 1970-71 are available in Budget Paper No. 1, Budget Strategy and Outlook, Statement 10.