Federal Budget 2015-16

Budget in Depth

A summary of major initiatives and updated budget parameters

12 May 2015
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Statement from Kate Carnell AO

Tonight’s Federal Budget will turbocharge Australia’s 2 million small businesses, giving them the confidence they need to grow, invest and hire new staff.

This budget recognises that it is business, not government, that generates wealth, creates jobs and grows the economy. It shows the government has heard the message of the chamber movement’s Small Business. Too Big to Ignore campaign.

We are pleased to see the $5.5 billion Jobs and Small Business Package, which will help small businesses and the millions of people they employ. The budget will perform a pincer movement on productivity, encouraging more people to enter the labour market while also making it easier for small businesses to hire.

The size of the deficit is concerning given it will load debt on the shoulders of future generations. It is clear we will clock up more than a decade of deficits. While the deficit is projected to decline in coming years, there is scope for more rapid improvement through prudent cuts in spending.

The Budget reflects the political reality of the Senate, where the government needs to work with other parties to get support for its legislation. Australian business cannot afford to see the gridlock of the past year continue.

Kind regards,

KATE CARNELL AO
CEO
KEY POINTS

Key elements of the 2015 Federal Budget

- A forecast deficit of $41.1 billion (2014-15) down from $48.5 billion last year (2013-14), and a forecast deficit of $35.1 billion (2015-16).

- Tax receipts have been downgraded by $52 billion since the 2014 Budget. Over $20 billion of these write-downs have been directly as a result of the fall in the iron ore price.

- A projected return to surplus of 2019-20, one year later than stated in the previous budget.

- $5.5 billion Jobs and Small Business Package including $5 billion of tax relief:
  - 1.5 percentage point company tax cut for businesses under $2 million turnover.
  - 5 per cent tax discount to small unincorporated businesses up to $1,000.
  - Increased instant asset write off of up to $20,000 for items purchased between Budget night and June 30, 2017.

- A $4.4 billion Families Package including $3.5 billion reform package for child care.

- Strengthening anti-tax avoidance for multinationals including:
  - Multinational Anti-Avoidance Law
  - GST applied to digital products and services
  - Increasing penalties for tax avoidance
  - Implementing G20/OECD Base Erosion and Profit Shifting Action Plan
  - No bank deposits levy.
  - Temporary Budget Repair Levy remains unchanged.
NEW INITIATIVES

Figure 1: Major New Initiatives

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<td>Families Package - child care - Workforce Participation Stream</td>
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<td>Medicare Benefits Schedule - changes to GP rebates - reversal</td>
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<td>Growing Jobs and Small Business - Youth Employment Strategy - revised waiting period for youth income support</td>
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<td>Pharmaceutical Benefits Scheme – new and amended listings</td>
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<td>Families package - National Partnership Agreement on Universal Access to Early Childhood Education - extension</td>
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<td>Developing Northern Australia - Northern Australia Infrastructure Facility</td>
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<td>Automotive Transformation Scheme</td>
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Figure 2: Major Revenue Items

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<td>Growing Jobs and Small Business - tax cuts for small business</td>
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<td>Growing Jobs and Small Business - expanding accelerated depreciation for small business</td>
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<td>Personal income tax - modernising the methods used for calculating work-related car expense deductions</td>
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<td>Strengthening Australia’s foreign investment framework</td>
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<td>166</td>
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<td>Personal income tax - changes to tax residency rules for temporary working holiday makers</td>
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<td>98</td>
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<td>GST - compliance programme - three year extension</td>
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<td>132</td>
<td>160</td>
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<td>Cost of Recovery of Citizenship and adjustment of Visa Application Charges</td>
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<td>103</td>
<td>109</td>
<td>111</td>
<td>113</td>
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## MAJOR SAVINGS

### Figure 3: Major Savings

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<tr>
<td>Social Security Assets Test - rebalance asset test thresholds and taper rate</td>
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<td>0</td>
<td>445</td>
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<td>Strengthening the integrity of Welfare Payments</td>
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<td>559</td>
<td>623</td>
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<td>Commonwealth contribution to the East West Link project</td>
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<td>600</td>
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<td>Removing Double Dipping from Parental Leave Pay</td>
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<td>Rationalising and streamlining Health programmes</td>
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<td>Management of the Immigration Detention Network</td>
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<td>111</td>
<td>142</td>
<td>137</td>
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<td>No Jab No Pay</td>
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<td>72</td>
<td>148</td>
<td>147</td>
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Growth transition underway

The transition of the Australian economy away from mining-led investment to broader based growth is well underway. Household consumption, dwelling investment and exports are rising on the back of accommodative monetary policy, a lower exchange rate, lower fuel and energy prices and rising household wealth.

Household consumption is being boosted by energy costs and interest on borrowings taking up less of household budgets. Rising asset prices and a drop in the household saving ratio are also having a positive effect. Dwelling investment has responded positively to lower interest rates and there is a solid pipeline of approvals that should drive an upswing in construction activity. The lower exchange rate is making Australian businesses more competitive, leading to increasing service and manufacturing exports and a reduction in imports.

Non-mining business investment grew solidly in 2014 but forward-looking indicators suggest that businesses are yet to commit to substantial new investments. Conditions are, however, conducive to growth in business investment. Corporate balance sheets have strengthened and lower energy costs, along with a lower exchange rate should encourage capital expenditure going forward.
Figure 4: Treasury Economic Growth Forecast
Labour Market Remains Subdued

The unemployment rate has largely evolved as expected in previous budgets and the forecasts over the forward estimates have only changed modestly since MYEFO. The unemployment rate is projected to peak in 2016-17 rather than 2014-15.

The participation rate is expected to improve slightly compared to MYEFO, driven by improved prospects and some modest policy initiatives aimed at increasing labour supply.

Subdued wage growth is enabling labour market adjustment, allowing firms to retain staff when profit growth is modest and to employ additional labour as demand improves.

Figure 5: Treasury Unemployment Rate Forecast
## Detailed Forecasts

### Figure 6: Selected Economic Forecasts

<table>
<thead>
<tr>
<th>TREASURY, DOMESTIC ECONOMY FORECASTS</th>
<th>Forecasts</th>
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<tr>
<td><strong>Demand and Output</strong></td>
<td>2014-15</td>
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<tr>
<td>Household consumption</td>
<td>2 3/4</td>
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<td>Dwellings</td>
<td>6 1/2</td>
</tr>
<tr>
<td>Business Investment</td>
<td>-5 1/2</td>
</tr>
<tr>
<td>Private Final Demand</td>
<td>1 1/4</td>
</tr>
<tr>
<td>Public Final Demand</td>
<td>1 1/4</td>
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<tr>
<td>Change in Inventories (a)</td>
<td>0</td>
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<tr>
<td>Exports</td>
<td>6 1/2</td>
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<tr>
<td>Imports</td>
<td>-3</td>
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<tr>
<td>Net Exports (a)</td>
<td>2</td>
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<tr>
<td>Real GDP</td>
<td>2 1/2</td>
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<tr>
<td><strong>Other Selected Measures</strong></td>
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<td>Terms of trade</td>
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<tr>
<td>Employment (b)</td>
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<tr>
<td>Unemployment Rate (c)</td>
<td>6 1/4</td>
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<tr>
<td>Consumer Price Index (b)</td>
<td>1 3/4</td>
</tr>
<tr>
<td>Wage Price Index (b)</td>
<td>2 1/2</td>
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FISCAL STRATEGY AND OUTLOOK

Slight slowdown in pace of fiscal consolidation

The 2015-16 Budget contains the same fiscal strategy as that outlined in the previous year. The pace of fiscal consolidation has been slightly reduced from the Mid-year Economic and Fiscal Outlook (MYEFO). The forecast budget deficit for 2014-15 has increased by $759 million in underlying cash terms. Over the course of the forward estimates period, the budget deficits are projected to increase by $12.5 billion, with three quarters of the deterioration attributable to policy decisions. Policy decisions are expected to increase receipts by nearly $800 million over the forward estimates, so the increased deficits are predominantly attributable to new spending initiatives.

In 2014-15, the government made provisions for paid parental leave (including a levy on large businesses) and a company tax cut. The provisions have been used to offset new decisions and the net effect is an improvement in the budget bottom line.

Figure 7: Budget Underlying Cash Balance
PERSONAL TAXATION

Personal income tax — increasing the Medicare levy low-income thresholds

The Government will increase the Medicare levy low-income thresholds for singles, families and single seniors and pensioners from the 2014-15 income year, to take account of movements in the Consumer Price Index so that low-income taxpayers generally continue to be exempted from paying the Medicare levy. The threshold for singles will be increased to $20,896. For couples with no children, the threshold will be increased to $35,261 and the additional amount of threshold for each dependent child or student will be increased to $3,238. For single seniors and pensioners, the threshold will be increased to $33,044. This measure is estimated to have a cost to revenue of $231.0 million over the forward estimates period.

Cessation of the Large Family Supplement of Family Tax Benefit Part A

The Government will achieve savings of $177.3 million over four years from the cessation of the additional Family Tax Benefit (FTB) Part A Large Family Supplement from 1 July 2016.

Families will continue to receive a per child rate of FTB Part A for each eligible child in their family.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.
Families Package — more generous means testing arrangements for youth payments

The Government will provide $262.7 million over five years to amend parental income testing arrangements to provide more support for families with dependent young people who qualify for certain income support payments, including Youth Allowance, ABSTUDY Living allowance (ABSTUDY), and the Assistance for Isolated Children Scheme.

From 1 January 2016, families with dependent children receiving income support payments would be subject to the Parental Income Test arrangements currently in place for Family Tax Benefit (FTB) Part A and will no longer be subject to the Family Assets Test or Family Actual Means Test. The removal of these two tests will result in a more consistent level of support for families, as young people move from FTB Part A to an individual income support payment.

In addition, from 1 July 2016, where a family has a dependent child who receives an individual income support payment and younger siblings who qualify the family to receive FTB Part A, a single Parental Income Test will be applied taking into account all income support benefits the family receive. This will result in a lower rate of reduction to the dependent child’s individual payment than is currently the case where separate Parental Income Tests are applied to each payment.

Family Tax Benefit Part A — reduced portability

The Government will achieve savings of $42.1 million over five years by reducing the amount of time Family Tax Benefit (FTB) Part A will be paid to recipients who are outside Australia.

From 1 January 2016, families will only be able to receive FTB Part A for six weeks in a 12 month period while they are overseas. Currently, FTB Part A recipients who are overseas are able to receive their usual rate of payment for six weeks and then the base rate for a further 50 weeks.

Portability extension and exception provisions which allow longer portability under special circumstances will continue to apply.

Savings for this measure have already been provided for by the Government.
INDIRECT TAX

GST — applying to digital products and services imported by consumers

The application of the GST will be extended to cross border supplies of digital products and services imported by consumers from 1 July 2017. The measure is estimated to have a gain to GST revenue of $350 million over the forward estimates period.

Under the current law, digital products and services imported by consumers are not subject to the GST. This results in forgone GST revenue to the States and Territories and places domestic businesses, which generally have to charge and remit GST on the digital products and services they provide, at a tax disadvantage compared to overseas businesses.

The GST was designed to apply to all products and services, except those specifically exempted, for example fresh food, health and education. This measure ensures that the GST applies to non-exempted products and services, including digital supplies purchased from overseas and from Australia.

This measure will result in Australia being an early adopter of guidelines for business-to-consumer supplies of digital products and services being developed by the Organisation for Economic Co-operation and Development (OECD) as part of the OECD/G20 base erosion and profit shifting project.

This change will require the unanimous agreement of the States and Territories prior to the enactment of legislation.
GST — compliance programme — three year extension

The Government will provide $265.5 million to the Australian Taxation Office over three years from 2016-17 to continue a range of activities to promote GST compliance.

Arrangements for funding these activities will be settled with the States and Territories in accordance with the GST Administration Performance Agreement.

The measure is estimated to increase revenue by $2.5 billion and expenses by $2.1 billion with a net improvement to the Budget of $445 million in fiscal terms over the forward estimates period. The revenue includes an additional GST component of $1.8 billion which will be paid to the States and Territories. Commonwealth tax receipts also increase as GST compliance activity leads to the increased collection of unpaid debts from income tax.

GST — not proceeding with a reverse charge for going concerns and farmland

The Government will not proceed with the previously announced but un-enacted measure to replace the current GST-free treatment for supplies of going concerns and farmland with a reverse charge mechanism. The Government had previously announced that it would proceed with the measure in December 2013.

The original measure was intended to reduce the compliance burden for taxpayers. However, during design of the implementation of this measure, it became apparent that proceeding with this measure would have resulted in adverse consequences for taxpayers.

Not proceeding with this measure is estimated to have a small but unquantifiable cost to GST revenue to the States and Territories over the forward estimates period.
Employee Share Schemes — further changes to tax treatment

Consultations on draft legislation to implement changes to the taxation of the employee share schemes announced in the Mid-Year Economic and Fiscal Outlook 2014-15 (MYEFO) identified some minor technical changes that could be made to the legislation. This measure addresses these issues by:

- excluding eligible venture capital investments from the aggregated turnover test and grouping rules (for the start-up concession);
- providing the capital gains tax discount to employee share scheme interests that are subject to the start-up concession, where options are converted into shares and the resulting shares are sold within 12 months of exercise; and
- allowing the Commissioner of Taxation to exercise discretion in relation to the minimum three-year holding period where there are circumstances outside the employee’s control that make it impossible for them to meet this criterion.

A number of other amendments accompany these changes to make employee share schemes more accessible for Australian businesses and their employees.

These changes will take effect with the remainder of the enabling legislation from 1 July 2015 and are estimated to have a small but unquantifiable cost to revenue over the forward estimates period.
SMALL BUSINESS

Drought preparedness framework — accelerated depreciation for primary producers

The Government will allow all primary producers to immediately deduct capital expenditure on fencing and water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills.

The Government will also allow primary producers to depreciate over three years all capital expenditure on fodder storage assets such as silos and tanks used to store grain and other animal feed.

These changes will be for income years commencing on or after 1 July 2016. Currently, the effective life for fences is up to 30 years, for water facilities is three years and for fodder storage assets is up to 50 years.

This measure is estimated to have a cost to revenue of $70.0 million over the forward estimates period.

Growing Jobs and Small Business package – revenue measures

Allow immediate deductibility for professional expenses

The Government will allow businesses to immediately deduct a range of professional expenses associated with starting a new business, such as professional, legal and accounting advice. This measure will be available to businesses from the 2015-16 income year. This measure is estimated to have a cost to revenue of $30.0 million over the forward estimates period.

Currently, some professional costs associated with a new business start-up are deducted over a five year period. Allowing start-ups to immediately deduct these expenses will provide much needed cash flow for these new businesses.
Capital gains tax roll-over relief for changes to entity structure

The Government will allow small businesses with an aggregated annual turnover of less than $2 million to change legal structure without attracting a capital gains tax (CGT) liability at that point. This measure will be available for businesses that change entity type from the 2016-17 income year. This measure is estimated to have a cost to revenue of $40.0 million over the forward estimates period.

CGT roll-over relief is currently available for individuals who incorporate but all other entity type changes have the potential to trigger a CGT liability. This measure recognises that new small businesses might choose an initial legal structure that they later find does not suit them when the business is more established.

Expanding accelerated depreciation for small businesses

The Government will significantly expand accelerated depreciation for small businesses by allowing small businesses with aggregate annual turnover of less than $2 million to immediately deduct assets they start to use or install ready for use, provided the asset costs less than $20,000. This will apply for assets acquired and installed ready for use between Budget night and 30 June 2017. Assets valued at $20,000 or more (which cannot be immediately deducted) can continue to be placed in the small business simplified depreciation pool (the pool) and depreciated at 15 per cent in the first income year and 30 per cent each income year thereafter. The pool can also be immediately deducted if the balance is less than $20,000 over this period (including existing pools).

The Government will also suspend the current ‘lock out’ laws for the simplified depreciation rules (these prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out) until 30 June 2017.

These changes will improve cash flow for small businesses and provide a boost to small business activity and investment.

Small businesses can access accelerated depreciation for the majority of capital asset types. Only a small number of assets are not eligible (such as horticultural plants and in-house software). In most cases specific depreciation rules apply to these assets.

From 1 July 2017, the thresholds for the immediate depreciation of assets and the value of the pool will revert back to existing arrangements.

Tax cuts for small business

The Government will deliver a tax cut to all small businesses through a 1.5 percentage point tax cut for small companies and a five per cent tax discount on income from unincorporated small business activity. These tax cuts will be available from the 2015-16 income year, and are estimated to have a cost to revenue of $3.3 billion over the forward estimates period.
The Government will reduce the company tax rate to 28.5 per cent for companies with aggregated annual turnover less than $2 million. Companies with an aggregated annual turnover of $2 million or above will continue to be subject to the current 30 per cent rate on all their taxable income.

The current maximum franking credit rate for a distribution will remain unchanged at 30 per cent for all companies, maintaining the existing arrangements for investors, such as self-funded retirees.

Individual taxpayers with business income from an unincorporated business that has an aggregated annual turnover of less than $2 million will be eligible for a small business tax discount. The discount will be five per cent of the income tax payable on the business income received from an unincorporated small business entity. The discount will be capped at $1,000 per individual for each income year, and delivered as a tax offset.

This measure will deliver lower taxes to both incorporated and unincorporated small businesses, improving their cash flow and assisting them to grow, compete and hire new workers.

Changes to the fringe benefits tax system for work-related electronic devices

The Government will allow a fringe benefits tax (FBT) exemption from 1 April 2016 for small businesses with an aggregated annual turnover of less than $2 million that provide employees with more than one qualifying work-related portable electronic device, even where the items have substantially similar functions. This measure is estimated to have a small but unquantifiable cost to revenue over the forward estimates period.

Currently, an FBT exemption can apply to more than one portable electronic device used primarily for work purposes, but only where the devices perform substantially different functions.

Removing the restriction that a tax exemption is only provided for one work-related portable electronic device of each type will remove confusion where there is a function overlap between different products (such as between a tablet and a laptop).

Company Tax - Combatting multinational tax avoidance

A targeted anti-avoidance law

The Government will introduce a new targeted anti-avoidance law in Part IVA of the Income Tax Assessment Act 1936 aimed at multinationals that artificially avoid having a taxable presence in Australia. The new law will apply to tax benefits obtained from 1 January 2016 (under both new and existing schemes). This measure is estimated to have an unquantifiable gain to revenue over the forward estimates period. The new law will target approximately 30 companies where:
• the activities of an Australian company or other entity are integral to an Australian customer’s decision to enter into a contract;

• the contract is formally entered into with a foreign related party to that entity; and

• the profit from the Australian sales is booked overseas and subject to no or low global tax.

Where such arrangements are entered into for a principal purpose of avoiding tax, this measure will ensure that the profits from Australian sales are taxed in Australia.

**New transfer pricing documentation standards**

The Government will implement the Organisation for Economic Co-operation and Development’s new transfer pricing documentation standards from 1 January 2016. The Government will provide the Australian Taxation Office (ATO) with $11.3 million over the forward estimates period to implement the new standards. This measure is estimated to have an unquantifiable gain to revenue over the forward estimates period.

Under the new documentation standards, the ATO will receive the following information on large companies that operate in Australia:

• a Country-by-Country Report showing information on the global activities of the multinational, including the location of its income and taxes paid;

• a master file containing an overview of the multinational’s global business, its organisational structure and its transfer pricing policies; and

• a local file that provides detailed information about the local taxpayer’s intercompany transactions.

Together these reports will provide the ATO with a global picture of how multinational entities operate, assisting it to identify multinational tax avoidance. This measure will apply to companies with global revenue of $1 billion or more.

**Stronger penalties**

The Government will double the maximum administrative penalties that can be applied by the Commissioner of Taxation to large companies that enter into tax avoidance and profit shifting schemes. The increased penalties, under Schedule 1 to the Taxation Administration Act 1953, will help to deter tax avoidance and will apply for income years commencing on or after 1 July 2015. This measure is estimated to have an unquantifiable gain to revenue over the forward estimates period.

Penalties will not change for taxpayers who have a ‘reasonably arguable’ tax position, as defined under Schedule 1. This measure will apply to companies with global revenue of $1 billion or more.
INFRASTRUCTURE SPENDING

Bathurst 200 Commemorative Flagstaff Project — contribution

The Government will provide $250,000 in 2014-15 as a contribution to the Bathurst Regional Council for its Bathurst 200 Commemorative Flagstaff Project (the Project).

Commonwealth contribution to the East West Link project

The Commonwealth Government remains committed to the construction of East West Link.

The Government considers this an important project of national significance that will boost productivity and reduce congestion for Victorians.

The Commonwealth Government will provide $3 billion for the East West Link to any Victorian Government that proceeds with the project.

However, the Victorian Government has advised the Commonwealth that it is not proceeding with the project and announced it is settling its contractual legal obligations on the project. Therefore, the Commonwealth Government has had to revise the forward estimates, including the return of $1.5 billion of unspent funding from the Victorian Government, consistent with obligations under the Memorandum of Understanding between the Victorian Government and the Commonwealth.

The Commonwealth’s commitment to providing $3 billion to build East West Link is formalised as a Contingent Liability in Statement 8 of the 2015-16 Budget Papers.

In addition, the Commonwealth remains willing to consider investing in other major infrastructure projects of national significance in Victoria should the Victorian Government come forward with options.
Community Development Grants programme — extension

The Government will provide $50 million over three years from 2015-16 to extend the Community Development Grants programme. This programme delivers important community projects across Australia.

Developing Northern Australia

Improving northern cattle supply chains

The Government will provide $101.3 million over four years from 2015-16 to improve cattle supply chains in the north, with a particular focus on road infrastructure. This funding will seek to improve the productivity and resilience of cattle supply chains in northern Australia, drawing on the CSIRO’s state-of-the-art logistics modelling, as well as input from livestock transport and beef industry experts, to identify deregulation opportunities and investment priorities. The funding will also provide incentives for private sector investment to improve the road network and transport logistics in the area.

Northern Australia infrastructure projects pipeline

The Government will provide $3.7 million over four years from 2015-16 to develop a new infrastructure projects pipeline which will be informed by the priorities identified in Infrastructure Australia’s Northern Australia Infrastructure Audit.

The pipeline will be developed by the Department of Infrastructure and Regional Development in consultation with northern jurisdictions and will provide business and jurisdictions with information on potential roads, rail, water, electricity, ports, airports and communications projects. It will also form part of the broader National Infrastructure Construction Schedule, complementing Infrastructure Australia’s national infrastructure priority list, and relevant state and territory infrastructure plans.
Infrastructure Investment Programme — savings

The Government will achieve savings of $105 million over five years from reprioritising projects in the Infrastructure Investment Programme. Savings will be achieved from the reduced scope of the Tasmanian Freight Revitalisation project, a reduction in the level of contingency funding for Queensland projects, and minor reductions in some Victorian and New South Wales infrastructure projects.

Savings from this measure will be redirected by the Government to fund policy priorities in the Infrastructure portfolio.

Infrastructure Investment Programme — Victoria — reallocation

The Government will reallocate savings of $187.5 million from the Regional Rail Link project in Victoria to other infrastructure priorities in Victoria. Projects that will be allocated funding include the continued duplication of Western Highway between Ballarat and Ararat ($97.3 million) and the Princes Highway East from Traralgon to Sale ($70 million).

Stronger Communities

The Government will provide $45 million from 2015-16 to establish a programme to fund small capital projects put forward by community groups for an initial two year period. The projects will be required to deliver social benefits to the local community.

Developing Northern Australia — Northern Australia Infrastructure Facility

The Government will establish a concessional loan facility of up to $5 billion, with the objective of increasing private sector investment in infrastructure in northern Australia. The loan facility will be open for applications from 1 July 2015. The loan facility will not impact on the underlying cash balance, but has a negative fiscal balance impact of $793.9 million over three years from 2016-17, reflecting the impact of booking in full the concessional component of the loans in the year that they are made. The Government is expected to receive interest payments from 2021-22.

The Government will also provide $8.5 million to the Department of the Treasury over five years from 2015-16 to engage expert advice on the appropriate eligibility criteria and governance for
the proposed facility and for financial, commercial and legal advice required before entering into any loan contract.

The cost of the Government’s borrowing to finance the loan facility has a negative underlying cash and fiscal balance impact of $138 million over three years from 2016-17. This measure will form part of the Government’s White Paper on Developing Northern Australia.

Western Australia Infrastructure Projects

The Australian Government will provide $499.1 million in 2014-15 towards economic infrastructure projects in Western Australia. This funding will assist Western Australia adjust to the downturn in the resources sector.

Sustainable Rural Water Use and Infrastructure Programme — reduced funding

The Government will achieve savings of $22.7 million over two years from 2017-18 from the Sustainable Rural Water Use and Infrastructure Programme through a reduction in funding for water buybacks. The Government will continue to provide $3.8 billion over nine years from 2015-16 for the programme.
INDUSTRY POLICY

Automotive Transformation Scheme – revised implementation

The Government will not progress the Automotive Transformation Scheme – reduction in funding measure announced in the 2013-14 MYEFO and the Automotive Assistance – reduced funding measure in the 2014-15 Budget. The net impact of this measure is $105 million after parameter variations are taken into account.

Entrepreneurs’ Infrastructure Programme - savings

The Government will achieve $27.3 million in savings over the forward estimates period, in part by changing the implementation of elements of the Single Business Service and Business Management initiatives. There remains $526.4 million in funding over four years from 2015-16 to support the Entrepreneurs Infrastructure Programme.

The savings will be directed to budget repair and funding other priorities.

Industry grant programmes – reduced funding

The Government will reduce funding by $31.7 million over the three years from 2014-15 for the following programmes that were closed to new applications from 1 January 2015:

- Commercialisation Australia;
- Enterprise Connect; and
- Industry Innovation Precincts.

The savings will be directed to budget repair and funding other priorities.
HEALTH AND RETIREMENT

Social Security Assets Test

The Government will achieve savings of $2.4 billion over five years by increasing the asset test thresholds and the withdrawal rate at which pensions are reduced once the threshold is exceeded.

This measure will improve the targeting of Australian Government payments by providing additional assistance for those with moderate asset holdings, while reducing assistance to those with more significant asset holdings.

A Commonwealth Seniors Health Card or a Health Care Card (for those under pension age) will be issued to pensioners who lose their entitlements on 1 January 2017.

The Government will not proceed with the 2014-15 Budget measure Index Pension and Pension Equivalent Payments by the Consumer Price Index. Pension and pension equivalent payment rates will continue to be indexed under current arrangements.

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

Pharmaceutical Benefits Scheme

Increase in the safety net thresholds

The Government will achieve savings of $5.1 million in 2018-19 by extending the increases to the Pharmaceutical Benefits Scheme (PBS) safety net thresholds by one additional year in 2019.

This measure builds on the 2014-15 Budget measure titled Pharmaceutical Benefits Scheme — increase in co-payments and safety net thresholds which increased the PBS safety net thresholds each year for four years from 1 January 2015, with general safety net thresholds to increase by 10 per cent each year and concessional safety nets to increase by the cost of two prescriptions each year.

The Government has revised the start date of this measure to 1 January 2016, with the final increases in the safety net thresholds to now occur on 1 January 2019.
The savings from this measure will be redirected by the Government to fund other Health policy priorities or will be reinvested into the Medical Research Future Fund.

The Government will provide $1.6 billion over five years for a number of new and amended listings on the Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme.

New and amended listings

New and amended listings since the Mid-year Economic and Fiscal Outlook 2014-15 include:

- Myozyme® (Alglucosidase alfa-rch) for the treatment of Pompe disease from 1 February 2015;
- Lemtrada® (Alemtuzumab) for the treatment of relapsing-remitting multiple sclerosis from 1 April 2015;
- Lucrin® (Leuprorelin) for the treatment of Central Precocious Puberty from 1 April 2015;
- Xolair® (Omalizumab) for the treatment of asthma from 1 May 2015;
- Erbitux® (Cetuximab) for the treatment of metastatic colorectal cancer from 1 June 2015;
- Kadcyla® (Trastuzumab Emtansine), Perjeta® (Pertuzumab) and Herceptin® (Trastuzumab) for the treatment of metastatic breast cancer from 1 July 2015; and
- Mekinist® (Trametinib) for the treatment of melanoma from 1 August 2015.

The new listing of Herceptin® mainstreams its treatment, making the previous spending programme unnecessary.

PBS Price amendments

The Government will achieve savings of $252.2 million over five years for price amendments for certain medicines currently listed on the Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme.

Price amendments since the Mid-Year Economic and Fiscal Outlook 2014-15 include:

- Etoposide for the treatment of cancer;
- Ezetimibe with simvastatin for the treatment of dyslipidemia;
- Fluticasone with salmeterol for the management of asthma and chronic obstructive pulmonary disease; and
- Hexamine for the treatment of urinary tract infections.
These price amendments are the result of Pharmaceutical Benefits Advisory Committee recommendations.

**Medicare Benefits Schedule**

The Government will achieve savings of $144.6 million over four years by removing the current duplication between health assessments under the Medicare Benefits Schedule and the child health assessments already provided by the states and territories.

The Government will not proceed with measures originally announced in the Mid-Year Economic and Fiscal Outlook 2014-15 to redefine the time requirements for Level A and B GP consultation items and to reduce rebates by $5 for common GP consultations and after hours services to non-concessional patients aged 16 and over.
Employer wage subsidy for employing Mature-Aged Australians available sooner

Changes to the Restart programme mean that employers can access subsidies for employing jobseekers aged 50 or over who have been unemployed and on income support for six months or more, sooner.

The changes means there will be greater flexibility to negotiate a schedule of Restart payments of up to $10,000, with the capacity for employers to access wage subsidy payments over 12 months, instead of the current 24 months. For example:

- $2,000 by 3 months employment;
- $2,000 by 6 months employment;
- $1,000 by 9 months employment
- $1,500 by 12 months employment; and
- $3,500 restart bonus after 12 months employment.

Employer wage subsidies extended to young people and parents returning to the workforce

Wage subsidies of up to $6,500 over a 12 month period will be available for young job seekers under 30 years of age. In addition, a new wage subsidy of up to $6,500 over a twelve month period will be available for employers to take on Principal Carer Parents wanting to transition from welfare and return to the workforce.
Work experience for young job seekers

$18 million over for years has been allocated to enable approximately 6,000 job seekers annually to undertake work experience of up to 25 hours per week for four weeks while continuing to receive income support. Employers who elect then to offer a young person paid employment will then be eligible to access Wage subsidies of up to $6,500 over a 12 month period (as per above).

This will commence from 1 October 2015.

Youth Employment Strategy

There will be a $331 million Youth Employment Strategy, which will include:

- a $212 million Transition to Work programme commencing 1 January 2016 to help disengaged young people (15-21) at risk of long-term welfare dependence to find employment or take up an apprenticeship or traineeship;

- a further $106 million will be available in intensive support for migrants, parents and those experiencing mental illness who might be at risk of long-term unemployment;

- a $14 million Early School Leaver policy to improve the prospects of early school leavers by ensuring they are either working or studying.

More information is included in the Employment Education and Training section of this document.
TRADE AND INTERNATIONAL AFFAIRS

Export Market Development Grants

No changes to EMDG announced in the budget.

Overseas Development Aid

Australia will provide an estimated $4 billion in total Official Development Assistance (ODA) in 2015-16, making us approximately the 13th largest donor in the Organisation for Economic Cooperation and Development (OECD) in dollar terms. The Australian Government will also establish a $50 million competitive gender equality fund to strengthen gender equality and women’s economic empowerment in our region as part of this package.

In 2014-15, Australia provided an estimated $5,031.9 million in Official Development Assistance (ODA). This would appear to mean that approximately $1 billion has been cut from the aid budget, in line with the previously announced 2014 MYEFO, although this has not been explicitly announced in tonight’s budget.

The aid program will reflect the different development and economic trajectories across the region and will continue the Government’s commitment to development in the Pacific and building economic partnerships across Asia. The Indo-Pacific region has become the focus of Australia’s foreign aid, accounting for 90 per cent of spending. However, the largest recipient – Indonesia – has seen its funding cut by more than $219 million to $323 million.

Cambodia has been immune from cuts at $52.4 million, while Papua New Guinea – another country with close ties over asylum seeker policy – has only seen a cut of less than $25 million to $477.3 million.

Africa and the Middle East bore the brunt of funding cuts, allocated $31.8 million in 2015-16 – down from $106 million the year before.
Free trade agreements

Treasurer Hockey reported that the Government is investing $6 billion in new trade agreements with China, Korea and Japan. It will also be expanded to India, which is the fastest growing economy in the world, but still a very small trading partner of Australia. The Treasurer suggested that if we could lift our service exports like higher education, tourism, health care and financial services to just half the level of our commodity exports, it would add $50 billion to our economy each and every year.

The Government will provide $24.6 million over two years from 2015-16 to promote business understanding of the recently concluded Free Trade Agreements in North Asia and to assist businesses to access and maximise their benefits under these agreements. Advocacy and outreach activities will take place in both Australia and in target offshore markets. Funding of $0.3 million will be met from within the existing resources of the Department of Foreign Affairs and Trade.

The Government has announced $24.6 million to support the recent completion of negotiations and entry into force for the three North Asian Preferential Trade Agreements (PTA) with a programme of works including:

- The continued roll-out of a national FTA seminar series over the next two years;
- Development of supporting materials and creation of a “dashboard” to assist exporters to navigate the acknowledged complex tariff schedules and compliance arrangements. The trade dashboard will be designed to condense the bewildering slabs of documentation that make up FTAs into a digital interface so that an exporter can type in their product and the export destination and the system returns the best possible tariff rate. The dashboard will also contain information on quotas and any other restrictions that apply to the export product. As well as helping exporters get the best out of their existing exports, the dashboard will allow them to road-test the tariffs that would apply to new products they want to research or launch into overseas markets. Crucially, it will allow firms to compare the tariff regime they would face versus competitors from other nations that may or may not have an agreement; and
- FTA ‘kits’ that will be made available for business chambers, industry groups, local councils and others, to deliver their own FTA education activities. The kits will include fact sheets and a video presentation showcasing examples of Australian businesses that are already capitalising on the opportunities created by the Free Trade Agreements.

Austrade

The Government will provide $18 million over four years from 2015-16 to Austrade to expand its current programme of Australia Week events. The events will be held in China, India, ASEAN countries and the United States (to replace the existing trade, investment and tourism aspects of
G’day USA) to build Australia’s reputation as a tourism destination and as a trade and investment partner.

The Department of Foreign Affairs and Trade, the Australian Trade Commission and Tourism Australia will redirect $8.8 million of existing funding over four years to support these events.

The Government will provide $5.2 million over four years from 2015-16 to expand the Match Australia sports business programme showcasing Australia to international business people attending major sporting events such as the 2016 Rio Olympics. Match Australia establishes business networking events aimed at linking Australian firms with business partners by leveraging major sporting events in Australia and overseas. The cost of this measure will be met by ceasing the Asian Business Engagement Plan grants programme.

Australian International Education 2025

In 2015-16, Austrade will develop, along with the education sector, a long-term plan titled Australian International Education 2025, for development of international markets. This plan will support the vision of the Government’s new National Strategy for International Education, which recognises Australian international education as a core element of Australia’s economic prosperity, social advancement and international standing.

Supporting Foreign Investment

The Government has announced an additional $53.2 million to attract vital job-creating investment from priority markets, including Asia, North America and Western Europe.

The Government will provide $30 million over four years to attract major job creating investment in each of the Government’s five investment priority areas: infrastructure; tourism; resources and energy; agribusiness and food; and advanced manufacturing, services and technology.

This funding will establish five senior investment specialists posted offshore, and a new investment promotion and attraction office in Boston, United States of America. This funding will also provide for investment attraction events, detailed market research and analysis to support attracting investment, and provide additional staff dedicated to investment promotion within Australia and overseas.

The additional resources will enable Austrade’s investment teams to work more closely with Australian businesses and significant overseas investors, including companies, sovereign wealth funds and major pension funds.

The Government will expand important promotional activities, including successful Australia Week events in key markets such as China and India, as well as the Match Australia sporting event programme.

The 2015 Budget delivers $30 million to increase promotion of foreign direct investment in priority areas, including increased staff and resources for Austrade’s global investment teams.
Immigration and Border Protection

Cost Recovery — licensing and import processing

The Government will restructure the Import Processing Charge (IPC) and import-related licence charges, resulting in additional revenue of $107.6 million over four years from 2015-16.

The IPC will be restructured to recover the cost of cargo and trade-related reform activities, remove the differential charges for post, air and sea cargo declarations, and introduce higher charges for manual documentary declarations.

Licence charges will be restructured for brokers, depots and warehouses, including introducing warehouse and broker licence application charges, increasing the broker licence renewal charge and introducing a warehouse licence variation charge.

The new charges will come into effect on 1 January 2016.

Embassy funding

Iraq

The Government will provide $106 million over two years to maintain Australia’s diplomatic presence and security arrangements in Baghdad.

The funding will enable Australia’s continued standalone presence in Baghdad, which is crucial for our growing diplomatic, political and operational needs in Iraq as we assist the Iraqi Government to disrupt, degrade and ultimately defeat ISIL.

This measure extends the 2014-15 Budget measure titled Baghdad Embassy — relocation.

Afghanistan

The Government will provide $138.4 million (including $6.3 million in capital funding) over two years to continue Australia’s diplomatic engagement in Afghanistan. The funding will provide for embassy operating costs and security.

This measure extends on the 2014-15 Budget measure titled Australia’s diplomatic engagement in Afghanistan — continuation.
New diplomatic posts

The Government will provide $98.3 million over four years to boost the Department of Foreign Affairs and Trade’s overseas network by opening new diplomatic posts in Buka (Papua New Guinea), Doha (Qatar), Makassar (Indonesia), Phuket (Thailand), and Ulaanbaatar (Mongolia), and providing increased resources for Houston (United States). This measure includes capital funding of $36.6 million. This is in addition to the establishment of new posts in Kiev, Ukraine and Houston, USA in the past six month. This is the single largest expansion of Australia’s diplomatic network in forty years.

This increase in Australia's diplomatic presence will promote Australia's foreign policy, aid and trade interests.

Sale of Chanceries

The Government will achieve proceeds from the sale of the existing chanceries in Jakarta and Bangkok. New chanceries are currently being constructed in these locations.

For commercial confidentiality reasons, the overall positive financial impact of this measure is not for publication (nfp) at this time.

The proceeds from this measure will be redirected to offset the Washington Chancery — construction measure.

The Government will provide $236.9 million over seven years from 2015-16, for the construction of a new Australian chancery in Washington DC, to replace the existing embassy building which has major defects. Funding includes the demolition and temporary relocation of the embassy during construction of the new chancery.
EMPLOYMENT, EDUCATION & TRAINING

Child Care

The Government will provide an additional $3.2 billion over five years to support access to child care to assist parents into work, stay in work, train, study or to undertake other recognised activities.

- A new single Child Care Subsidy (CCS) will be introduced. Families meeting the activity test with annual incomes up to $60,000 (2013 14 dollars) will be eligible for a subsidy of 85 per cent of the actual fee paid, up to an hourly fee cap.

- The subsidy will taper to 50 per cent for eligible families with annual incomes of $165,000. The CCS will have no annual cap for families with annual incomes below $180,000.

- For families with annual incomes of $180,000 and above, the CCS will be capped at $10,000 per child per year. The income threshold for the maximum subsidy will be indexed by the Consumer Price Index (CPI) with other income thresholds aligned accordingly.

- Eligibility will be linked to a new activity test to better align receipt of the subsidy with hours of work, study or other recognised activities.

- The hourly fee cap in 2017-18 will be set at $11.55 for long day care, $10.70 for family day care, and $10.10 for outside school hours care. The hourly fee caps will be indexed by CPI.

Child Care Safety Net

The Government will provide additional funding of $327.7 million over four years from to provide targeted support to disadvantaged families to access child care. The assistance will be provided through the Child Care Safety Net, which consists of three programmes — the Additional Child Care Subsidy (ACCS), a new Inclusion Support Programme (ISP) and the Community Child Care Fund (CCCF).

- The ACCS will provide additional assistance to supplement the Child Care Subsidy (CCS) for eligible disadvantaged or vulnerable families;
• The new ISP will assist families with children with additional needs, such as disabilities, to access child care. The ISP will provide more funding for services to get the necessary skilled staff and equipment to support children with special needs.

• The CCCF will provide grants to child care services to improve access to child care in disadvantaged communities, increase the supply of child care places in areas of high demand and low availability, and improve affordability for low income families in areas where the average fees are greater than the CCS fee cap.

Nannies

A new Interim Home Based Carer Subsidy Programme will subsidise care provided by a nanny in a child’s home from 1 January 2016. The pilot programme will extend fee assistance to the parents of approximately 10,000 children. Families selected to participate will be those who are having difficulty accessing child care with sufficient flexibility. Support for families will be based on the CCS parameters, but with a fee cap of $7.00 per hour per child.

• The CCS will replace the current child care fee assistance provided by the Child Care Benefit, Child Care Rebate and the Jobs, Education and Training Child Care Fee Assistance payments which will cease on 30 June 2017.

• The family income thresholds will be $65,710 (maximum subsidy), $170,710 (minimum subsidy) and $185,710 (application of the annual cap of $10,000). The annual cap will be indexed by CPI from 1 July 2018.

Paid Parental leave- Changes

As announced, the Government will achieve savings from 1 July 2016 of $967.7 million over four years by removing the ability for individuals to apply for the existing Parental Leave Pay (PLP) scheme if receiving benefits from their employer.

Currently individuals are able to access Government assistance in the form of PLP, in addition to any employer provided parental leave entitlements.

The Government will ensure that all primary carers would have access to parental leave payments that are at least equal to the maximum PLP benefit, currently 18 weeks at the national minimum wage.

Education & Training

Across the portfolio, savings of $131.0 million over five years by terminating or redesigning the following programmes: the Industry Workforce Training programme; the Promotion of Excellence in Learning and Teaching in Higher Education programme; the Endeavour Language Teacher Fellowships programme; and the National Workforce Development Fund. A competitive tender for the further development and support of the My Skills website will also be conducted.

Also $5 million over two years from 2014-15 will be spent on a communications campaign to raise awareness of the positive effect parental engagement has on their children’s achievement
in education, paid for by redirecting $5 million from the information campaign component of the Higher Education Reforms — amendments measure announced in MYEFO.

Skills & Vocational Training

No major new initiatives here, other than those already announced or underway. Specific budget measures include:

- $18.2 million funding over four years from 2015-16 (including $3.6 million in capital funding) to implement an enhanced compliance regime for VET FEE-HELP.

- Savings of $1.6 million over five years by replacing seven vocational education and training governance bodies with the Australian Industry and Skills Council. This includes the Data and Performance Measurement Principal Committee; the Workforce Development, Supply and Demand Principal Committee; and five bodies identified in the Mid-Year Economic and Fiscal Outlook 2014-15 for abolition.

- The Government will redesign the Aged Care Workforce Fund (ACWF) target training and skilling opportunities for the aged care workforce to better meet the increasing complexity of older people's care needs. This will achieve savings of $40.2 million over four years. The Aged Care Workforce Development Fund and will continue to provide $220.9 million over four years for training the Aged Care workforce.

Higher Education

- From 2016-17, HELP debtors residing overseas for six months or more will be required to make repayments of their HELP debt if their worldwide income exceeds the minimum repayment threshold at the same repayment rates as debtors in Australia. This is estimated to recover $26 million over four years from 2015-16.

- $4 million over four years from 2014-15 to help establish the Australian Consensus, based on the Copenhagen Consensus approach, will bring together leading economists and other experts to deliver advice on the costs and benefits of solutions to national, regional and global challenges. This is the program that UWA has just pulled out of so it will need another base.

- $150 million in 2016-17 to continue to provide quality research infrastructure through the National Collaborative Research Infrastructure Strategy, which funds the operation and maintenance of critical national research infrastructure. This is paid for by savings of $262.5 million over 3 years from 2016-17 by adjusting the growth in funding available under the Sustainable Research Excellence (SRE) programme. This funding shift was the subject of informed speculation prior to the Budget and is sure to attract more criticism.

- $26.8 million over four years from 2015-16 by reducing funding for the Cooperative Research Centres programme.
Other Education

- $16.9 million over four years from 2015-16 to implement the Government’s response to the Teacher Education Ministerial Advisory Group’s (TEMAG) 2014 report, Action Now: Classroom Ready Teachers. The response aims to improve student learning outcomes by improving the quality of initial teacher education in Australia.

- As announced pre-budget, The Government will provide $843.0 million over three years from 2015-16 to extend the National Partnership Agreement on Universal Access to Early Childhood Education for the 2016 and 2017 calendar years.

- $14.5 million in 2015-16 to expand the Adult Migrant English Programme for one year to include refugees who hold temporary substantive visas, including Temporary Protection Visas, Safe Haven Enterprise Visas and Temporary (Humanitarian Concern) Visas.

Employment

Youth Engagement

Engaging Early School Leavers

The Government will provide $13.5 million over four years to strengthen activity requirements for early school leavers aged 15 to 21 years to improve their employment and education outcomes.

- From 1 January 2016, all early school leavers will be required to actively look for work if they are not in full time education or education

- Early school leavers will be required to meet their activity requirements of 25 hours per week until they turn 22 or have achieved a Year 12 or Certificate III qualification.

- Education outcome payments to jobactive providers will be extended to include Certificate III qualifications and cover all early school leavers under 22 years of age.

Youth Employment Strategy

The Government will provide $212 million over four years from to establish a new intensive support service to help young people at high risk of long term unemployment and welfare dependency.

Funding will be provided to a network of community based organisations to deliver intensive support to early school leavers aged 15 to 21 years, including:

- intensive case management to overcome any personal barriers to education or employment

- one-on-one mentoring

- literacy and numeracy training
• communication skills development
• help to build confidence or to address personal issues.

Outreach services will be provided to assist severely disengaged youth and to facilitate coordinated regional approaches for those at risk. There will be a focus on helping disengaged young people to take up work experience opportunities and undertake training or education to encourage them to take up apprenticeships and traineeships that lead to job outcomes.

**Intensive Support for Vulnerable Youth**

The Government will provide $105.7 million over five years to improve employment, educational and social outcomes for parents and young people who are unemployed, have a mental health condition, are refugees or are vulnerable migrants. This funding includes:

• $55.2 million over five years for community and non-government organisations to implement up to 40 trials to identify and engage early with disadvantaged youth who have multiple barriers to employment and support them to engage with the labour market;

• $19.4 million over four years for two employment support trials to help improve employment outcomes for young people up to the age of 25 with mental illness, who are at risk of disengaging from education and/or at risk of long term welfare dependency;

• $22.1 million over four years to support young refugees and other vulnerable young migrants to build skills and confidence to equip them to participate in education or work; and

• $8.9 million over four years for early intervention assistance in ten locations with high numbers of disadvantaged parents, to ensure that parents with barriers to employment are job ready. A two year trial commencing 1 April 2016 will extend eligibility to parents not on income support, with participation on a voluntary basis.

**National Work Experience Program**

The Government will provide $18.3 million over five years from 2014-15 to support existing unpaid work experience arrangements. This would target job seekers to undertake up to 25 hours per week of unpaid work experience for up to four weeks where there is the likelihood of employment as a result. Participation is on a voluntary basis.

• Participants will continue to receive income as well as a supplement.

• Employers who offer participants ongoing employment may be eligible for a wage subsidy.
Waiting Periods for Payment Access for Youth Reversed

The Government will reverse the 2014-15 Budget measure *Stronger Participation Incentives for Job Seekers under 30* and instead require young people under 25 years of age without significant barriers to employment to actively seek work for a four week waiting period before receiving income support payments in place of the previous 6 month waiting period.

From 1 July 2016, young people under 25 years and who are eligible for a Stream A in JobActive, will be subject to a new rapid activation strategy, RapidConnect Plus, that will require the claimant to undertake a number of additional job search activities within the first four weeks before they receive income support.

Wage Subsidy Consolidation

Four existing wage subsidy programs: the Long Term Unemployed Wage Subsidy, the Youth Subsidy, the Restart Subsidy and the Tasmanian Jobs Programme will be rolled into a single pool with access to funding of approximately $1.2 billion over four years.

Individual program streams will operate from the consolidated subsidy pool.

- Eligibility for the Youth Wage Subsidy will be expanded to include eligible job seekers aged 15 to 29 years of age after six months in JobActive, with a start date of 1 November 2015;
- Payments for the Restart Subsidy will be more accessible by allowing employers to receive the subsidy amount of $10,000 progressively over 12 months, rather than the current 24 months;
- a new wage subsidy stream with payments of up to $6,500 will be introduced for parents who are on income support with participation requirements and are classified as a Principal Carer Parent, or are in receipt of the Parenting Payment, with a wage subsidy provided after six months in JobActive; and
- from 13 May 2015, the wage subsidy under the Tasmanian Jobs Programme will be doubled to $6,500

Job seeker compliance

Savings of $86.1 million over five years by removing the requirement for job seekers to attend Personal Contact Interviews.

The Government will provide $24.9 million over four years to introduce stronger penalties for job seekers who do not meet mutual obligation requirements.

Additional compliance undertakings and fraud recovery processes are expected to achieve savings of $1.7 billion over five years.
• From 1 July 2016, the 'no show no pay' principle will cover missed appointments and other activities like work for the dole.

• Job seekers who fail to undertake adequate job search will be subject to income support payment suspension until they demonstrate genuine job search efforts.

• Estimated to deliver savings of $6.9 million over three years from 2016-17.

Disability Employment Services - A Better Way To Work

The Government redirect $25.2 million from fees paid to DES providers to improve access to employment services and enhance support for job seekers with disabilities.

The Government set up a new JobAccess Gateway, to provide a central entry point for disability employment information and services. Disability Employment Services will be extended to people with disabilities in post school employment programmes and to eligible Australian Disability Enterprise workers.

Australian Disabilities Enterprises

The Government will provide $189.5 million over four years to assist Australian Disability Enterprises (ADEs) work towards new wage arrangements for supported employees following the decision of the Full Federal Court in December 2012 removing the Business Services Wage Assessment Tool scheme. This assistance comprises:

• $140.3 million for wage supplementation paid directly to ADEs;

• $32.2 million to develop and implement a new productivity based wage assessment tool for use in ADEs; and

• $17.0 million to improve the operation of ADEs through the development of a business diagnostic tool to gauge the health of their business, support their business model and develop their business skills.

Indigenous

The Government will provide an additional $5.0 million in 2015-16 to continue the preservation of a range of documentary and audio-visual materials held in non-digital form by the Australian Institute of Aboriginal and Torres Strait Islander Studies. This is paid for by savings from the Higher Education Participation Programme.

$5.4 million over two years from 2015-16 to continue to support specific non-government schools for the additional costs associated with boarding and educating Indigenous students from remote communities.
$6.7 million over three years from 1 July 2015 redirected to the Indigenous Advancement Strategy to provide remote Indigenous internet training. This will replace the existing National Partnership Agreement on Remote Indigenous Public Internet Access.

**Immigration**

**Taxation for working holiday makers**

Working Holiday Makers will no longer enjoy a tax free threshold achieved through a change in the tax residency rules from 1 July 2016 to treat most people who are temporarily in Australia for a working holiday as non-residents for tax purposes, regardless of how long they are here. This means they will be taxed at 32.5 per cent from their first dollar of income. Currently, a working holiday maker can be treated as a resident for tax purposes if they satisfy the tax residency rules, typically that they are in Australia for more than six months. This means they are able to access resident tax treatment, including the tax-free threshold, the low income tax offset (LITO) and the lower tax rate of 19 per cent for income above the tax free threshold up to $37,000.

This measure is estimated to have a gain to revenue of $540.0 million over the forward estimates period. The Government will provide $5.1 million to the Australian Taxation Office to implement this measure.

**Visa Fees**

$437.1 million in revenue over four years by adjusting the visa application charge (VAC) for a range of visas from 1 July 2015 and by moving to full cost recovery for citizenship costs from 1 January 2016. VACs for all visa applications made overseas will increase to align them with application charges in Australia, with the exception of Child Visas, for which domestic VACs will be reduced to match overseas VACs. This measure will also increase VACs for a range of visas.

**Social Services**

**Delayed Implementation of Age Increases to Access Newstart**

The Government will delay implementation of the 2014-15 Budget measure Increasing the age of eligibility for Newstart Allowance and Sickness Allowance until 1 July 2016 at a cost of $171.0 million over five years.
The age of eligibility for Newstart Allowance and Sickness Allowance will increase from 22 to 25 years of age, from 1 July 2016. Current recipients of Newstart Allowance and Sickness Allowance, aged 22 to 24 years of age on 30 June 2016, will remain on those allowances.

Family tax Benefits - Large Family Supplement Removal

The Government will achieve savings of $177.3 million over four years from the cessation of the additional Family Tax Benefit (FTB) Part A Large Family Supplement from 1 July 2016.

Families will continue to receive a per child rate of FTB Part A for each eligible child in their family.

Changes to Means Testing for Dependant Youth Payments

The Government will provide $262.7 million over five years to amend parental income testing arrangements for families with dependent young people who qualify for Youth Allowance, ABSTUDY Living allowance (ABSTUDY), and the Assistance for Isolated Children Scheme.

From 1 January 2016, families with dependent children receiving income support payments would be subject to the Parental Income Test arrangements currently in place for Family Tax Benefit (FTB) Part A and will no longer be subject to the Family Assets Test or Family Actual Means Test.

Low Income Supplement Cessation

The Government will achieve savings of $42.9 million over four years by ceasing the Low Income Supplement from 1 July 2017. Recipients of most Government payments will continue to receive carbon tax compensation through the Energy Supplement, which provides up to $14.10 per fortnight depending on individual circumstances.

National Disability Insurance Scheme IT Platform

The Government will provide $143.0 million over four years for an IT system for the National Disability Insurance Agency (NDIA) to support the full implementation of the National Disability Insurance Scheme (NDIS). $50.3 million will be redirected from earlier interim arrangements.
Income Management Arrangements – Industry Consultation

The Government will provide funding of $2.7 million in 2015-16 to facilitate consultation and engagement with communities and industry on future income management arrangements for people on welfare current under income Management Provisions.

Implementing 457 Visa Changes

$3.7 million over four years to implement recommendations from the Independent Review into the Integrity of the Temporary Work (skilled) visa (subclass 457) programme. This measure funds the simplification and streamlining of visa processing for low risk 457 sponsors, and the investigation of 457 sponsors to determine whether they are complying with their sponsorship obligations.
ACCI MEMBERS

ACCI CHAMBER MEMBERS: BUSINESS SA CANBERRA BUSINESS CHAMBER CHAMBER OF COMMERCE NORTHERN TERRITORY CHAMBER OF COMMERCE & INDUSTRY QUEENSLAND CHAMBER OF COMMERCE & INDUSTRY WESTERN AUSTRALIA NEW SOUTH WALES BUSINESS CHAMBER TASMANIAN CHAMBER OF COMMERCE & INDUSTRY VICTORIAN EMPLOYERS’ CHAMBER OF COMMERCE & INDUSTRY ACCI

MEMBER NATIONAL INDUSTRY ASSOCIATIONS: ACCORD – HYGIENE, COSMETIC AND SPECIALTY PRODUCTS INDUSTRY AIR CONDITIONING & MECHANICAL CONTRACTORS’ ASSOCIATION ASSOCIATION OF INDEPENDENT SCHOOLS OF NSW AUSTRALIAN BEVERAGES COUNCIL AUSTRALIAN DENTAL INDUSTRY ASSOCIATION AUSTRALIAN FEDERATION OF EMPLOYERS & INDUSTRIES AUSTRALIAN FOOD & GROCERY COUNCIL ASSOCIATION AUSTRALIAN HOTELS ASSOCIATION AUSTRALIAN INTERNATIONAL AIRLINES OPERATIONS GROUP AUSTRALIAN MADE CAMPAIGN LIMITED AUSTRALIAN MINES & METALS ASSOCIATION AUSTRALIAN PAINT MANUFACTURERS’ FEDERATION AUSTRALIAN RETAILERS’ ASSOCIATION AUSTRALIAN SELF MEDICATION INDUSTRY BUS INDUSTRY CONFEDERATION CONSULT AUSTRALIA HOUSING INDUSTRY ASSOCIATION LIVE PERFORMANCE AUSTRALIA MASTER BUILDERS AUSTRALIA MASTER PLUMBERS’ & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA (THE) NATIONAL ELECTRICAL & COMMUNICATIONS ASSOCIATION NATIONAL FIRE INDUSTRY ASSOCIATION NATIONAL RETAIL ASSOCIATION OIL INDUSTRY INDUSTRIAL ASSOCIATION PHARMACY GUILD OF AUSTRALIA PLASTICS & CHEMICALS INDUSTRIES ASSOCIATION PRINTING INDUSTRIES ASSOCIATION OF AUSTRALIA RESTAURANT & CATERING AUSTRALIA VICTORIAN AUTOMOBILE CHAMBER OF COMMERCE