

Fiscal outlook

- This Budget continues the Government's commitment to sound fiscal management.
- The 2003-04 Budget provides for an underlying cash surplus of \$2.2 billion while delivering personal income tax cuts.

Economic outlook

- The Australian economy is expected to enjoy solid growth in a very difficult international environment.
- Growth in 2003-04 is forecast to be solid at 3¼ per cent.
- Inflation should be moderate at 2¼ per cent through the year.
- The unemployment rate should be steady at around 6 per cent.

Personal income tax reductions

- Australian taxpayers will share in personal income tax cuts worth \$10.7 billion over the next four years.
- Personal income tax thresholds will be raised and additional assistance for low income earners will be provided through an increase in the low income tax offset from \$150 to \$235 per year and an increase in the income level from which the offset is reduced.
- For example, a taxpayer earning \$35,000 per year will have a reduction in the tax they pay of \$208 per year, a taxpayer earning \$55,000 per year will save \$448 per year; and a taxpayer earning \$75,000 per year will save \$573 per year.
- The changes will mean Australian taxpayers can keep a higher proportion of the earnings they receive after tax, providing improved incentives to pursue work, advancement and higher skills.

Strong defence

- Increased spending on defence of \$2.1 billion over five years from 2002-03.
- \$1.1 billion over five years from 2002-03 to augment logistics and support funding for a range of ships, aircraft and land-based specialist military equipment, and ordnance purchases.
- \$645 million over three years from 2002-03 for Australia's contribution to disarming Iraq and involvement in post-conflict rehabilitation and reconstruction activities.
- \$157 million over the next four years for a Special Operations Command to enhance Australia's capacity to respond to threats to national security.

Enhancing Australian security

- \$411 million to further upgrade Australia's existing domestic security arrangements, including:
- \$148 million to upgrade critical security infrastructure at Australian airports, ports and nuclear research facilities;
- \$152 million to enhance the capacity of Australia's security intelligence agencies to respond to security threats; and
- \$111 million to upgrade protective security services.

Investing in education

- \$1.5 billion over four years growing to an extra \$870 million each year to strengthen Australia's higher education institutions.
- \$775 million over three years from 2005 will increase baseline funding. From 2005 universities will be able to set their course fees lower, as well as up to a maximum of 30 per cent above standard HECS rates.
- A new Higher Education Loans Programme from 2005 to improve access to higher education.
- \$210 million over four years to schools for projects that deliver better learning outcomes for disadvantaged students.

Sustaining first rate health services

- \$42 billion to the State and Territory governments for public hospitals under the new Australian Health Care Agreements.
- \$917 million over five years to make health care more affordable, particularly for concession cardholders and veterans through the *A Fairer Medicare* package.

Participation to address disadvantage

- \$160 million over four years to provide better employment outcomes for people with disabilities.
- \$62 million over four years for 1,000 additional places per year in the Community Development and Employment Project programme for Indigenous Australians.

Developing industry and innovation

- \$150 million over five years to encourage additional investment in R&D in the pharmaceutical industry.
- \$379 million in 2006-07 to facilitate forward planning for longer-term research and development projects.

Support for rural and regional Australia

- Around \$740 million over three years in drought relief to provide direct financial assistance, personal counselling, employment services, as well as tax relief.

Energy reform for the future

- Reforms to the fuel excise system to promote long-term sustainability and support production of cleaner fuels.