

BUDGET

2015-16

Budget Speech

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Delivered on 12 May 2015 by

The Honourable J. B. Hockey MP
Treasurer of the Commonwealth of Australia

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Manager
Media Unit
The Treasury
Langton Crescent
Parkes ACT 2600
Email: medialiaison@treasury.gov.au

BUDGET SPEECH 2015–16

**DELIVERED ON 12 MAY 2015 ON THE
SECOND READING OF THE
APPROPRIATION BILL (NO. 1) 2015–16**

BY

THE HONOURABLE J. B. HOCKEY MP

**TREASURER OF THE
COMMONWEALTH OF AUSTRALIA**

INTRODUCTION

Madam Speaker, I move that the Bill for the 2015 Budget now be read a second time.

Tonight I am speaking directly to you the people of Australia.

I want to inform you of the next steps in the Government's plan to strengthen our nation's economy.

As we all know over the past twelve months, Australia has had to deal with its fair share of challenges.

We have stared down terrorist events in Sydney and Melbourne.

We have had to deal with a terrible drought in Queensland and New South Wales.

On the economic front, iron ore prices have fallen dramatically and the recovery in the global economy has been weaker than expected.

But I say to you, the economic plan laid down by this Government more than a year ago, is in place and it is helping us to deal with these challenges.

Through careful planning we are successfully navigating the difficult transition from a mining investment boom, to one of broader-based growth across our economy.

In the past 12 months we have coped well with weaker than expected global demand, lower commodity prices and falling revenue.

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Even in the face of the largest fall in our terms of trade in half a century, which has contributed to a significant fall in tax receipts, our economic plan has helped Australia to have one of the fastest growing economies in the developed world.

I can report tonight that despite the headwinds, our timetable back to a Budget surplus is unchanged from last year.

We inherited \$123 billion of deficits when we came to office. We have now brought that down to \$82 billion over the next 4 years.

This is despite the fact that we have lost \$90 billion in expected tax revenue over the same period.

A \$40 billion improvement in the bottom line is good, but we need to do more.

On a daily basis we borrow \$96 million just to pay our bills, which is down from the \$133 million a day that we inherited when we came to Government.

So today we have taken steps to continue repairing the Budget with sensible savings and a prudent approach to spending. We are redirecting funding to areas, such as small business, child care and infrastructure, which will boost growth and create jobs.

At the same time we have been repairing the Budget, we have overseen a strengthening of growth in employment, housing construction, retail trade and exports.

This is not an accident.

Since we came to Government, we have abolished job-destroying taxes like the carbon tax and the mining tax.

We have helped create a quarter of a million new jobs and there are more to come ... a lot more.

We have abolished 50,000 pages of regulation and red tape which was costing our economy nearly two and a half billion dollars a year.

We are rolling out the biggest infrastructure programme in Australia's history, with new road and freight corridors being built right across the country.

We have helped to bring down the cost of living – Australians today are paying less for their electricity and less on their mortgages.

I say again, our economic plan is working, and things are getting better.

A lower Australian dollar is now providing a boost to sectors like manufacturing in South Australia and Victoria, and tourism and education in Queensland.

On election night, the Prime Minister declared that Australia was back open for business. His words have been proven true. Since then we have seen a significant increase in approved foreign investment applications in Australia, up 23 per cent in the past year alone.

The world has expressed its growing confidence in Australia's economic future. I too share that optimism.

This Budget is the next step in our economic plan.

This Budget empowers small business to invest, grow and create jobs.

This Budget gives Australians the opportunity and freedom to participate in the workforce — no matter what their circumstances.

This Budget continues to implement our plan to build new roads, new rail and new infrastructure that will generate new growth opportunities across all parts of Australia, from our cities to regional areas, from Tasmania to our northern frontier.

A GREAT ECONOMIC OPPORTUNITY

Madam Speaker, the global economy is turning for the better.

The United States is back to near full employment, Europe is looking a little stronger, and Japan is finally starting to grow.

And our biggest trading partner, China, continues to grow at nearly 7 per cent, despite a recent slowdown.

With more than 1.3 billion consumers living in China, the demand for our exports will continue to grow.

For every dollar we spend buying Chinese goods and services, the Chinese spend two dollars buying our goods and services.

We are the big winners out of this relationship.

Each year we send enough iron ore to China to build the Sydney Harbour Bridge, from Sydney to Perth, and then back to Sydney again.

And in the next five years we will become the world's largest exporter of Liquefied Natural Gas. Together with our annual exports of coal, this is enough energy to power Tokyo, Singapore and Mumbai for an entire year.

And while prices are lower, and we wish they were higher, the opportunities from Asia for our resources are enormous.

People ask me where are the future jobs going to come from. Well consider this, 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.

That's why, in order to open that door, we are investing \$6 billion in new trade agreements with China, Korea and Japan. And we are expanding that to India, which is the fastest growing economy in the world, but still a very small trading partner of Australia.

Australian based businesses, exporting our own home grown skills, in everything from advanced manufacturing to services, will be the big new drivers of wealth creation and job creation over the next decade.

This is the growth opportunity that Australia has been patiently waiting for, and it is here and it is available now.

So as part of our economic plan we need to do more to help business, particularly small business, take advantage of these opportunities.

ENERGISING SMALL BUSINESS

Madam Speaker, I like so many of my colleagues, grew up in a small business family.

That small business put a roof over our heads. It paid the bills. It gave all of the family a chance at a better life.

Small business is often a family business. A business of brothers and sisters, uncles and aunts, cousins, parents and children. And for those who work in a small business, who are not related, well they often become family.

Our future growth will come from growing small business into big business.

Every big company in the world started small.

Every big idea in the world came from just one person, or a handful of people working together.

That is why tonight, I am announcing a package of measures that will make a genuine and permanent difference to small business in Australia.

To start, every small business will get a tax cut. We are giving you back more of your own money.

From 1 July this year, small companies with annual turnover of less than \$2 million will have their tax rate lowered, from 30 per cent to 28 and a half per cent.

This is the lowest small business company tax rate in almost 50 years.

Most small businesses are not run as companies. So we will also give an annual 5 per cent tax discount of up to \$1,000 a year for unincorporated businesses.

We are the only Government that will deliver tax cuts for small business because we want small business to grow and employ more Australians.

But we recognise that small business, in order to succeed, needs better cash flow and better tools for innovation as well.

So I announce, that from 7:30pm tonight, small business can claim an immediate tax deduction for each and every item they purchase up to \$20,000.

From tonight, it can be instantly written off to reduce your tax liability.

And this will benefit the 96 per cent of Australian businesses – more than 2 million of them – that have a turnover of less than \$2 million a year.

This will be of enormous benefit to their bottom line and help businesses with their cash flow.

It means innovation.

It means jobs.

It means more money to invest and grow your business.

If you run a café, it might be new kitchen equipment, or new tables and chairs.

If you're a tradie, it might be new tools or a computer for the home office.

Cars and vans, kitchens or machinery ... anything under \$20,000 is immediately 100 per cent tax deductible from tonight.

We also want Australians to start a new business, and we want them to grow.

Why?

Because new businesses create new jobs.

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That is why we will ease the financial strain by allowing business owners to immediately deduct the costs incurred when starting up a new business, or receive tax relief when restructuring their existing business.

In addition, we are expanding the tax concessions for Employee Share Schemes, to make it easier for small start-up companies to attract the skills and talent they need to grow.

Unlike the old system, under the old government, employees won't have to pay tax on their shares until they actually receive a financial benefit from those shares.

This is great for workers and it is great for innovative start-ups.

And to help small business grow, we are facilitating new opportunities for crowd-source funding, making it easier for small investors to marry up with growing small businesses.

And in a further new policy initiative which is just common sense in the digital age, we are abolishing Fringe Benefits Tax on all portable electronic devices used for work, like mobile phones, laptops and tablets.

We need to keep up with developments in the new digital economy. Accordingly the Government is investing \$255 million to make your dealings with the Tax Office, Centrelink, Medicare, and other government agencies easier, simpler and faster.

FARMERS AND REGIONAL COMMUNITIES

Madam Speaker, in many ways farmers are the most resilient of all Australians and they are also our best environmentalists.

They have to deal with the varied conditions of a big land, fierce global trade and ever increasing competition.

At the moment, we have parts of our country that remain in drought. As such, we are committing over \$300 million to help them get through these tough times.

Equally important, as part of our economic plan, we need to start preparing for the droughts beyond today.

So all farmers will get an immediate tax deduction for new investment in water facilities, and a three-year depreciation allowance for all capital expenditure on fodder storage assets.

In addition, all farmers will be able to fully deduct the cost of new fencing from their tax bill. This initiative will help to improve productivity and environmental management of the land.

Over the next few weeks, after further discussion with farmers, we will be releasing more details about our plans to strengthen agricultural production across Australia.

INVESTING IN THE FUTURE

Madam Speaker, this is a Budget that unleashes our nation's potential.

An extraordinary area of untapped promise is Australia's North. This is an exciting frontier for economic development that is filled with abundant resources and talented people.

Its tropical climate is shared with two thirds of the world's population, and of course it's closer to our key trading markets than any other part of our country.

But the North needs new infrastructure to get things moving. We need to build in order to grow.

I announce tonight a new \$5 billion Northern Australia Infrastructure Facility which is the first major step in our plan for our great North.

We will partner with the private sector and governments of Western Australia, the Northern Territory and Queensland, to provide large concessional loans for the construction of ports, pipelines, electricity and water infrastructure that will open our Northern frontier for business.

This commitment to nation building adds to the record \$50 billion in transport infrastructure we announced in last year's Budget. Infrastructure that is now, as I speak, under construction.

Through this new investment we are laying down strong foundations to get Australia ready for its economic future.

FAMILIES AND CHILD CARE

Madam Speaker, a nation that lives as a family must help to strengthen and support all of its families.

Next year we will spend \$38 billion to support families, which includes more than \$7 billion on child care.

Australian parents work hard to juggle the demands of modern life.

It is a difficult balancing act.

Just weeks after coming to Government in 2013, I initiated a Productivity Commission inquiry into child care. Since that time, we have consulted widely and as a result we are allocating an additional \$3.5 billion to reform the child care system.

We want to give parents a choice about work, and by investing this money we are responding to the demands of 165,000 parents who want to work more, but are prevented from doing so by the current costly and complex scheme.

Our reforms will make the system simpler, and ensure child care is more affordable, accessible and flexible.

ASSISTING JOBSEEKERS

Madam Speaker, this Government knows there are many Australians who want a job and can't get one. As part of our economic plan, we are doing more to help.

The level of youth unemployment in Australia is too high.

So tonight I announce this Government will invest more than \$330 million to help young and disadvantaged Australians get their start.

This will include a new \$212 million Youth Transition to Work programme that will fund community workers, on the ground, in high youth unemployment areas.

Furthermore, there will be an additional \$106 million of intensive support trials for job seekers of all ages, who are facing the most significant barriers to employment.

We are also improving the national work experience programme so that 6,000 people can get genuine work experience in a real workplace.

Whether you are young or old and no matter where you live, we want all Australians to have the opportunity to get a job and stay in a job.

This Budget will have a \$1.2 billion National Wage Subsidy pool to target long-term unemployment. Following consultations across the community, we are reshaping the pool, including the Restart programme for older workers, to ensure that the subsidies are available when and where they are most needed.

A BETTER RETIREMENT

Madam Speaker, I want to reassure all Australian workers they can have confidence in their retirement plans.

There will be no new taxes on superannuation under this Government.

And the Age Pension will continue to increase, twice a year, this year, and every year – at the highest available indexation rate.

The Age Pension is our Budget's biggest item of expenditure, \$44 billion a year. This is more than 10 per cent of all government spending.

The Age Pension is a critically important safety net for many Australians.

That is why as our population ages, we need to ensure the pension is sustainable and affordable.

So from 1 January 2017, we will make changes that benefit pensioners with fewer assets beyond the family home. But we will also tighten eligibility for those pensioners with higher levels of assets.

Importantly anyone who currently has a Pensioner Concession Card will continue to receive a concession card that provides the same benefits, such as subsidised utilities and transport, bulk billing and cheaper PBS prescription medicines.

These measures are all intended to provide security and certainty for older Australians in the years ahead.

A STRONGER HEALTH SYSTEM

Madam Speaker, we are building a stronger and more sustainable health system.

The Pharmaceutical Benefits Scheme has, for over 60 years, given Australians affordable and reliable access to a wide range of drugs.

In this Budget, the Government continues its commitment to new listings on the Pharmaceutical Benefits Scheme, at a total cost of \$1.6 billion.

To give you one example, around 1,000 people will now benefit each year from subsidised access to better treatments for certain types of melanoma. Some of these treatments have until now, cost up to \$131,000 per course of therapy. Now they are accessible for all Australians.

It is however not enough to subsidise existing drugs.

We need to find the next generation of treatments and cures.

Last year I announced the creation of the Medical Research Future Fund, which will become the biggest medical research endowment fund in the world. Starting this year, and over the next four years, the Government will distribute \$400 million from the Fund, to help our best and brightest medical researchers develop the drugs and cures for the future.

KEEPING AUSTRALIANS SAFE

Madam Speaker, the highest responsibility of any government is the safety and security of its citizens.

When it comes to national security, there can be no shortcuts.

This year we will commit a further \$1.2 billion to make Australia safe and secure. This builds on the \$1 billion of extra funding we committed last year.

This is an essential investment for our nation and it is working.

As we know from events as recent as last weekend, the more work we do, the more likely we can prevent tragic incidents from happening in our community.

The threat of terrorism is rising and ever evolving and our response must be swift and uncompromising.

We must have the best counter-terrorism capabilities possible.

Tonight the Government is committing an extra \$450 million for our intelligence capabilities, to ensure that we have the very best equipment and skills necessary to keep our communities safe.

Overseas, our military personnel are leading the fight against terrorism.

The Government is providing \$750 million for military operations this year, including our efforts to disrupt, degrade and ultimately destroy D'aesh in Iraq.

To help pay for this, our tough stand on border protection is delivering a dividend.

Our border protection policies have stopped the boats and they have saved lives. As a result, we are saving more than \$500 million from closing unnecessary detention centres and we are saving on the costs of processing new boat arrivals.

LEVELLING THE PLAYING FIELD

Madam Speaker, fairness is essential to the integrity of our taxation system.

So I say to all Australians, rather than introducing new taxes on you, we simply want people or companies who are avoiding their tax to pay their fair share.

As a result of Tax Office investigations we have identified 30 large multinational companies that may have diverted profits away from Australia to avoid paying their fair share of tax in Australia.

Everyday Australians rightly believe that if a dollar of profit is earned here, then you should pay tax here.

Unfortunately this is not always the case for some multinationals. Many have the capacity to aggressively minimise their tax.

What that means, is that families and small businesses are forced to carry more than their fair share of the tax burden.

Tonight I am releasing the details of a new Multinational Anti-Avoidance Law, that will stop multinationals using complex schemes to escape paying tax.

Under this new law, when we catch companies cheating, they will have to pay back double what they owe, plus interest.

In addition, it is unfair that overseas based businesses selling services into Australia may not charge GST when local businesses have to charge GST.

A local business that employs Australians, pays rent in Australia, pays tax in Australia, and helps build our economy is disadvantaged by the current system.

We will level the playing field for Australian businesses by mandating that foreign businesses supplying digital products and services are subject to the GST.

Madam Speaker, tonight I am also tabling for Parliament's consideration a second Bill that directly addresses this issue.

Everything we spend in this Budget is being paid for by prudent savings in other areas.

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We don't want to increase taxes on Australians, but we do want everyone to pay their fair share along the way.

In this Budget, we are amending the Zone Tax Offset so that it is only available to those who have genuinely moved to specified remote areas, saving \$325 million.

We are limiting Fringe Benefits Tax entitlements on overly generous meal and entertainment expenses, capping them at \$5,000 a year per person, saving \$295 million.

And anyone on a working holiday in Australia will have to pay tax from their first dollar earned, rather than enjoying a tax-free threshold of nearly \$20,000. This will save the Budget \$540 million.

And the need for fairness and a level playing field applies in other areas.

We are making changes to strengthen Australia's foreign investment framework by introducing a new fee regime, better enforcement and stricter penalties. This will deliver \$735 million of revenue to the Budget.

These integrity measures protect those who are doing the right thing.

They promote trust.

And they're all part of responsible budgeting.

FISCAL

Madam Speaker, as I said last year, the debt and deficit mess that we inherited was not of our making, but we have taken positive action that is delivering results.

Australia's budget position is getting stronger each and every year.

From a \$48 billion deficit we inherited, to \$35 billion next year, down to a \$7 billion deficit in another three years' time.

And over the same period, we are reducing the size of government as a share of the economy.

Of course there is more work to be done on Budget repair. Every nation must live within its means, and Australia is no different.

But we cannot tax our way to prosperity. And we must continue to look for sensible savings.

When we invest taxpayer money, we must do so with great care.

Despite the iron ore price having halved, we are still on a clear and credible path back to surplus and gross debt in a decade will be over \$110 billion lower than what we inherited.

CONCLUSION

Madam Speaker, this Budget is responsible, measured and fair.

We are creating opportunities for job seekers, young and old.

We are caring for our most vulnerable.

And we are keeping the country safe and secure.

This is a Budget for small business people who want to innovate and grow.

This is a Budget for young people wanting to get a foot in the door.

This is a Budget for parents juggling the complexities of modern life.

This is a Budget as much for the miners of the Pilbara, as it is for the farmers in the Mallee. It is as much for a family in Brisbane, as it is for a start-up business in Adelaide.

This is a Budget that helps build a stronger, safer and more prosperous Australia.

Madam Speaker, I believe our nation's best days are ahead of us. So now is the time for all Australians to get out there and have a go.

I commend the Budget Bill to the House.