

Mid-Year Economic and Fiscal Outlook 2017-18

DECEMBER 2017

Statement by

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and

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For the information of honourable members

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NOTES

- (a) The following definitions are used in this Mid-Year Economic and Fiscal Outlook (MYEFO):
- 'real' means adjusted for the effect of inflation;
 - real growth in expenses and payments is calculated by the Consumer Price Index (CPI) as the deflator;
 - the Budget year refers to 2017-18, while the forward years refer to 2018-19, 2019-20 and 2020-21; and
 - one billion is equal to one thousand million.
- (b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:
- estimates under \$100,000 are rounded to the nearest thousand;
 - estimates \$100,000 and over are generally rounded to the nearest tenth of a million;
 - estimates midway between rounding points are rounded up; and
 - the percentage changes in statistical tables are calculated using unrounded data.
- (c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.
- (d) The following notations are used:
- | | |
|---------|---|
| - | nil |
| na | not applicable (unless otherwise specified) |
| \$m | millions of dollars |
| \$b | billions of dollars |
| nfp | not for publication |
| (e) | estimates (unless otherwise specified) |
| (p) | projections (unless otherwise specified) |
| NEC/nec | not elsewhere classified |

- (e) The Australian Capital Territory and the Northern Territory are referred to as 'the Territories'. References to the 'States' or 'each State' include the Territories. The following abbreviations are used for the names of the States, where appropriate:

NSW	New South Wales
VIC	Victoria
QLD	Queensland
WA	Western Australia
SA	South Australia
TAS	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

- (f) In this paper the term Commonwealth refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

The term Australian Government is used when referring to the Government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.

FOREWORD

The *Mid-Year Economic and Fiscal Outlook 2017-18* (MYEFO) has been prepared in accordance with the *Charter of Budget Honesty Act 1998*. The Charter requires that the Government provide a mid-year budget report which provides updated information on the Government's fiscal position.

Consistent with these requirements:

- **Part 1: Overview** – contains summary information on the key fiscal and economic indicators and outlook.
- **Part 2: Economic outlook** – discusses the domestic and international economic forecasts and projections that underpin the budget estimates.
- **Part 3: Fiscal strategy and outlook** – provides a discussion of the fiscal strategy and outlook, in addition to a summary of the factors explaining variations in the cash flow statement, the operating statement and the balance sheet since the 2017-18 Budget. This part includes discussion of the sensitivity of the budget estimates to changes in economic parameters, confidence intervals around forecasts, expenses by function, tax expenditures, payments to the States, and a debt statement.
- **Appendix A: Policy decisions taken since the 2017-18 Budget** – provides details of decisions taken since the 2017-18 Budget that affect revenue, expense and capital estimates.
- **Appendix B: Australian Government Budget Financial Statements** – provides financial statements for the general government, public non-financial corporations and total non-financial public sectors.
- **Appendix C: Statement of risks** – provides details of general developments or specific events that may have an impact on the fiscal position, and contingent liabilities which are costs the government may possibly face, some of which are quantified.
- **Appendix D: Historical Australian Government data** – provides historical data for the Australian Government's key fiscal aggregates.

CONTENTS

Foreword	v
Part 1: Overview	1
Updated fiscal outlook	2
Updated economic outlook.....	3
Delivering on the Government's economic plan	4
Stronger growth.....	4
Guaranteeing the essentials	5
Returning the Budget to balance by living within our means	8
Progress on budget repair measures.....	10
Part 2: Economic outlook	11
Overview	11
International economic outlook	11
Domestic economic outlook	14
Medium-term projections.....	20
Part 3: Fiscal strategy and outlook	23
Overview	23
Fiscal strategy	24
Returning the budget to balance	24
Fiscal outlook	32
Budget aggregates	32
Underlying cash balance estimates	33
Receipts estimates	35
Payments estimates	41
Net operating balance estimates.....	43
Revenue estimates.....	44
Expense estimates	48
Net capital investment estimates	49
Headline cash balance.....	49
Recurrent and capital spending	51
Structural budget balance	52

Attachment A	55
Forecast uncertainties, sensitivities and scenarios	55
Overview	55
Confidence intervals around economic and fiscal forecasts	55
Measures of uncertainty around economic forecasts	55
Measures of uncertainty around fiscal forecasts.....	57
Sensitivity and scenario analysis	60
Sensitivity analysis over the forecast period	61
Sensitivity analysis over the medium term	66
Attachment B	69
Tax expenditures.....	69
Attachment C	71
Supplementary expenses table and the Contingency Reserve	71
Attachment D	75
Australia's Federal Relations	75
Overview of payments to the States	75
Payments for specific purposes	76
General revenue assistance	80
Attachment E	84
Debt Statement	84
Commonwealth Government Securities issuance	84
Estimates and projections of key debt aggregates	85
Estimates and projections of net debt.....	86
Estimates and projections of CGS on issue.....	88
Breakdown of CGS currently on issue	91
Non-resident holdings of CGS on issue	93
Interest on CGS.....	93
Climate spending.....	95
Appendix A: Policy decisions taken since the 2017-18 Budget	97
Revenue Measures	97
Expense Measures.....	123
Capital Measures	193

Appendix B: Australian Government Budget Financial Statements	199
Australian Government Financial Statements	200
Notes to the general government sector financial statements	215
Attachment A	231
Financial reporting standards and budget concepts	231
Attachment B	239
Australian Loan Council Allocation	239
Appendix C: Statement of Risk	241
Overview	241
Details of fiscal risks and contingent liabilities	241
Fiscal risks	243
Education and Training	243
Environment and Energy	244
Home Affairs	244
Infrastructure and Regional Development	244
Significant but remote contingencies	244
Communications and the Arts	244
Defence	246
Infrastructure and Regional Development	246
Treasury	246
Contingent liabilities — unquantifiable	248
Agriculture and Water Resources	248
Communications and the Arts	248
Defence	249
Employment	249
Finance	249
Home Affairs	249
Infrastructure and Regional Development	250
Contingent assets — unquantifiable	251
Defence	251
Home Affairs	251
Contingent liabilities — quantifiable	252
Defence	252
Foreign Affairs and Trade	252
Prime Minister and Cabinet	252
Treasury	253
Contingent assets — quantifiable	254
Defence	254

Government loans	254
Higher Education Loan Programme.....	257
NBN Co Loan	257
Clean Energy Finance Corporation.....	257
Commonwealth-State financing arrangements —	
Housing and Specific Purpose Capital.....	258
WestConnex Stage 2 Concessional Loan	258
Concessional loan for asbestos removal in the ACT —	
Mr Fluffy loose fill asbestos remediation.....	258
Drought related and Farm Finance Concessional Loans — Agriculture.....	258
Indigenous Home Ownership, Business Development and Assistance	260
International Monetary Fund New Arrangements to Borrow.....	260
Trade Support Loans Programme.....	261
Student Financial Supplement Scheme	261
Indigenous Land Corporation-Voyages Indigenous Tourism Australia Pty Ltd	261
Zero Real Interest Loans.....	261
Papua New Guinea Liquefied Natural Gas	262
Northern Australia Infrastructure Facility Loans.....	262
Appendix D: Historical Australian Government data.....	263
Data sources	263
Comparability of data across years.....	263
Revisions to previously published data	264

PART 1: OVERVIEW

The Government is continuing to implement its plan to boost economic growth, create jobs, support small businesses and reduce the cost of living pressures faced by Australians. This plan will continue to support the economy as it transitions to broader-based growth.

The Government is taking action to guarantee the essential services relied on by Australians.

- The Government's National Energy Guarantee is a crucial part of the Government's plan to ensure that Australia's energy system delivers affordable, reliable and sustainable power to households and businesses.
- Implementation of the Government's comprehensive housing affordability plan is on track.
- The Government has established the Medicare Guarantee Fund, guaranteeing Australians' access to Medicare and affordable medicines.
- To fill the funding gap and sustainably fund the National Disability Insurance Scheme, legislation has been introduced to increase the Medicare levy from 2.0 per cent to 2.5 per cent of taxable income from 1 July 2019.
- Legislation has been passed to deliver on the Government's commitment to a schools funding model that is genuinely needs-based, simple and transparent.

The Government is delivering on its fiscal strategy and budget repair, with the 2017-18 Mid-Year Economic and Fiscal Outlook (MYEFO) confirming the budget remains on track to achieve a surplus in 2020-21. Since the 2017-18 Budget, the underlying cash balance has improved by around \$9.3 billion across the forward estimates. In particular, the forecast deficit in 2017-18 has improved to 1.3 per cent of GDP, compared with 1.6 per cent of GDP at the 2017-18 Budget.

Australia's economy has now completed its 26th consecutive year of economic growth and is expected to grow at a solid pace in 2017-18 as the drag on growth from falling mining investment nears completion. Support to growth is also expected from non-mining business investment, household consumption, public final demand and exports. Real GDP is forecast to grow by 2½ per cent in 2017-18 and 3 per cent in 2018-19 after growth of 2.0 per cent was achieved in 2016-17.

UPDATED FISCAL OUTLOOK

Reflecting the Government's prudent fiscal management, the underlying cash deficit is expected to continue to narrow from \$23.6 billion (1.3 per cent of GDP) in 2017-18 before returning to a projected surplus of \$10.2 billion (0.5 per cent of GDP) in 2020-21. The average annual pace of fiscal consolidation is 0.6 per cent of GDP over the forward estimates period.

The net operating balance is also expected to improve from a deficit of \$18.2 billion (1.0 per cent of GDP) in 2017-18 to projected surpluses of \$6.8 billion (0.3 per cent of GDP) in 2019-20 and \$20.9 billion (1.0 per cent of GDP) in 2020-21.

Table 1.1: Budget aggregates

	Estimates			
	2017-18		2018-19	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Underlying cash balance(a)	-29.4	-23.6	-21.4	-20.5
Per cent of GDP	-1.6	-1.3	-1.1	-1.1
Net operating balance	-19.8	-18.2	-10.8	-9.9
Per cent of GDP	-1.1	-1.0	-0.6	-0.5
	Projections			
	2019-20		2020-21	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Underlying cash balance(a)	-2.5	-2.6	7.4	10.2
Per cent of GDP	-0.1	-0.1	0.4	0.5
Net operating balance	7.6	6.8	17.5	20.9
Per cent of GDP	0.4	0.3	0.8	1.0

(a) Excludes expected net Future Fund earnings before 2020-21.

The payments-to-GDP ratio is expected to be 25.2 per cent in 2017-18, falling to 24.9 per cent of GDP by 2020-21, slightly above the 30-year historical average of 24.8 per cent. Compared with the 2017-18 Budget, nominal payments are lower in every year of the forward estimates and have decreased by a total of \$6.5 billion. Real growth in payments over the forward estimates is expected to be 1.9 per cent per annum on average, consistent with the 2017-18 Budget.

Expected total receipts have been revised up by around \$3.6 billion in 2017-18 and \$2.8 billion over the four years to 2020-21, relative to the levels at the time of the 2017-18 Budget. This is mainly driven by upwards revisions to the forecasts for company tax and superannuation fund taxes. Company tax forecasts are being revised upwards due to stronger-than-expected collections, increased company profitability and successful ATO enforcement activity. However, over the forward estimates, lower forecasts for wages and unincorporated business income are expected to weigh on individuals' income tax receipts.

Net debt is expected to stabilise over the forward estimates, peaking at 19.2 per cent of GDP in 2018-19, down from the Budget estimate of 19.8 per cent. It is expected to reduce to 17.2 per cent of GDP in 2020-21, or \$10.9 billion less than was estimated at the 2017-18 Budget.

Projected gross debt is estimated to be \$23 billion lower at the end of the forward estimates than was estimated at the 2017-18 Budget.

After taking into account the net operating balance, infrastructure grants and non-cash accounting provisions, the Government is now not expected to need to borrow for recurrent spending from 2017-18, which is a year earlier than was expected at the time of the 2017-18 Budget.

UPDATED ECONOMIC OUTLOOK

Real GDP growth is forecast to lift as the drag from mining investment diminishes. In 2016-17, mining investment made its smallest detraction from growth in three years. Non-mining business investment, housing consumption, public final demand and exports are also expected to support growth in 2017-18. Dwelling investment is forecast to fall slightly. Real GDP is forecast to grow by 2½ per cent in 2017-18 and 3 per cent in 2018-19, compared to 2.0 per cent achieved in 2016-17 and Budget forecasts of 2¾ per cent and 3 per cent for 2017-18 and 2018-19 respectively.

Table 1.2: Major economic parameters^(a)

	Outcomes	Forecasts		Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
Real GDP	2.0	2 1/2	3	3	3
Employment	1.9	1 3/4	1 1/2	1 1/4	1 1/4
Unemployment rate	5.6	5 1/2	5 1/4	5 1/4	5 1/4
Consumer price index	1.9	2	2 1/4	2 1/2	2 1/2
Wage price index	1.9	2 1/4	2 3/4	3 1/4	3 1/2
Nominal GDP	5.8	3 1/2	4	4 1/2	4 3/4

(a) Year average unless otherwise stated. From 2016-17 to 2018-19, employment and the wage price index are through the year growth to the June quarter. The unemployment rate is the rate for the June quarter. The consumer price index is through the year growth to the June quarter.

Source: ABS Cat. no. 5206.0, 6202.0, 6345.0, 6401.0 and Treasury.

Nominal GDP is forecast to grow by 3½ per cent in 2017-18 and 4 per cent in 2018-19. The 2017-18 forecast is lower compared with Budget, largely reflecting recent subdued outcomes for wage growth and domestic prices. Commodity prices remain a key uncertainty to the outlook for the terms of trade and nominal GDP.

Global growth has strengthened significantly over the course of the year. While the strengthening in growth was anticipated at Budget, it has accelerated by more than forecast. The drivers of global growth have become increasingly broad-based. Growth has strengthened in most advanced and emerging economies over the year, producing a more synchronised global expansion.

DELIVERING ON THE GOVERNMENT'S ECONOMIC PLAN

The Government has put in place measures that encourage growth and support a dynamic and competitive economy that helps Australia to capitalise on opportunities domestically and globally.

Stronger growth

In addition to supporting a resurgence in private investment, the Government's economic plan seeks to boost jobs and growth through investment in well-selected infrastructure projects that improve long-run productivity.

Infrastructure

The Government is continuing its record \$75 billion investment in transport infrastructure, using a combination of grant funding, loans and equity investments.

Since the 2017-18 Budget, the Commonwealth has committed additional funding of \$439 million for regional rail projects in Victoria. In total, the Government is providing a \$1.42 billion funding package to upgrade regional rail across Victoria and \$30 million to undertake a business case for the Melbourne Airport Rail Link. These significant investments in regional rail will improve transport connections between Melbourne and regional Victoria and are estimated to create over 1,000 new jobs. The Commonwealth has also committed \$80 million to the Macquarie Park Transport Interchange in Sydney, a project which will reduce congestion.

The Government is getting on with delivering Western Sydney Airport following the 2017-18 Budget commitment to provide an equity investment of up to \$5.3 billion for stage one of the airport. Western Sydney Airport construction is due to start in 2018, with operations due to commence by 2026. Western Sydney Airport will connect Western Sydney to the world and support 28,000 direct and indirect jobs. The Government is also delivering the Melbourne to Brisbane Inland Rail project. Work on the 107 kilometre Parkes to Narromine section upgrade, including a new 5.3-kilometre corridor connection, is expected to commence in 2017-18. At the peak of construction, Inland Rail will support an estimated 16,000 direct and indirect jobs.

Energy

The Government is committed to ensuring reliable and affordable energy for all Australians. Australia's energy system is responding to changes in technology, consumer preferences and environmental factors and the Government is taking action to ensure this transition occurs smoothly. The National Energy Guarantee (NEG) will be a crucial part of this plan. The NEG will improve reliability and investment certainty while ensuring the energy sector plays its role in meeting Australia's international emissions reduction obligations.

Australians are under pressure from rising power prices and the Government is taking steps to address this. The Government has secured agreement from major electricity retailers to ensure that Australians get the best deal on their bills. In just the first month following this agreement, over 100,000 Australians moved onto retail electricity offers that made them better off. The Government has also passed legislation to limit the ability of energy network companies to game the system and pass increased costs on to consumers by removing their ability to appeal decisions of the Australian Energy Regulator (AER). To assist with this process, the Government has provided an additional \$67.4 million in funding for the AER. This will ensure that the AER is fully equipped to prevent market-distorting behaviour.

Earlier this year, the Government directed the Australian Competition and Consumer Commission (ACCC) to undertake inquiries into competition in electricity and gas markets. As part of this process, the ACCC has released interim reports on gas and electricity. The ACCC will continue to investigate these markets and its findings will help lead to better outcomes for consumers and businesses.

The Government has acted to ensure that there will be enough gas to meet the needs of businesses and households. East coast liquefied natural gas exporters have agreed to a number of commitments to maintain the availability and affordability of gas supply to the domestic market. The most recent ACCC gas report found that this has resulted in more gas being diverted to domestic users, which has substantially lowered prices. The Government will continue to work with relevant regulators and energy market bodies, including the ACCC, to improve the transparency and operation of the gas market.

Providing a reliable and dependable energy network is essential for Australia's continued prosperity. The Snowy Hydro 2.0 proposal will help safeguard the energy security of the eastern seaboard. Snowy 2.0 will provide an additional generation capacity of 2,000 megawatts—enough to power around 500,000 homes. The unprecedented expansion will not only increase energy supply and capacity, but along with the NEG requirements, will increase system reliability by guaranteeing firm supply from intermittent renewable energy supplies. It will help stabilise electricity supply into the future.

Guaranteeing the essentials

The Government is taking action to guarantee the essential services on which Australians rely. The Government is protecting and boosting housing affordability, essential healthcare, disability and education services.

Improving housing affordability

The Government is continuing to implement the comprehensive housing affordability plan, announced at the 2017-18 Budget, designed to improve outcomes across the housing spectrum.

The Government has initiated negotiations with the States and Territories on a new National Housing and Homelessness Agreement to improve transparency and accountability for the Commonwealth's expenditure on housing and homelessness. The Government has introduced legislation to support the new Agreement and funding arrangements.

The Government has passed legislation to:

- assist first home buyers to build a deposit inside superannuation through the First Home Super Saver Scheme;
- provide older Australians wishing to downsize with greater flexibility to contribute the sale proceeds of their home into superannuation; and
- strengthen the rules that apply to foreign persons owning Australian property.

Since Budget, the Government has released a Consultation Paper on the National Housing Finance and Investment Corporation (NHFIC), the National Housing Infrastructure Facility (NHIF) and the affordable housing bond aggregator. More than 120 stakeholder groups across Australia were consulted in targeted roundtables and more than 50 submissions were received.

The NHFIC, a new Commonwealth corporate entity dedicated to improving housing outcomes, will be established by 1 July 2018. The NHFIC will have an independent Board with responsibility for making all investment decisions. The Board will have the flexibility to tailor finance to meet the needs of recipients and be guided by an investment mandate that reflects the Government's priorities for the NHFIC.

The NHFIC will house the \$1 billion NHIF that will use tailored financing to fund infrastructure that unlocks new housing supply. Eligibility for NHIF finance include State, Territory, and local-government owned corporations and utility providers, and registered Community Housing Providers (CHPs). The NHIF will no longer be a terminating fund and will be able to reinvest its income to continue addressing housing infrastructure needs on an ongoing basis.

The NHFIC will also comprise an affordable housing bond aggregator that will pool the financing needs of eligible registered CHPs to drive efficiencies and cost savings. To provide stability and confidence, the Government will guarantee the bonds issued by the NHFIC.

Ensuring access to quality and affordable health care

As announced at Budget, the Medicare Guarantee Fund was established on 1 July 2017 and credited with \$33.8 billion to secure the ongoing funding of the Medicare Benefits Schedule (MBS) and the Pharmaceutical Benefits Scheme (PBS), guaranteeing Australians' access to these services and affordable medicines into the future.

The Government is continuing to meet its commitment to list new medicines on the PBS. This MYEFO includes \$2.1 billion for new and amended listings, including medicines to treat chronic lymphocytic leukaemia, small lymphocytic lymphoma, non-small cell lung cancer and renal cell carcinoma.

The Government has also committed new funding for medical research from the Medical Research Future Fund. The Government will provide \$50 million to support the Australian Brain Cancer Mission to improve the survival rates of people living with brain cancer, \$70 million to support Australia's next generation of medical research fellowships and \$30 million to support Australia's biomedical technology sector.

In October 2017, the Government announced a package of reforms to make private health insurance simpler and more affordable for Australians. The Government will allow insurers to discount hospital insurance premiums for 18 to 29 year olds by up to 10 per cent, to help make private health insurance more affordable for younger Australians.

Sustainably funding the National Disability Insurance Scheme

The Government is committed to filling the funding gap and sustainably funding the National Disability Insurance Scheme (NDIS) to provide care and support for Australians with permanent and significant disability. On 17 August 2017, the Government introduced legislation to increase the Medicare levy from 2.0 per cent to 2.5 per cent of taxable income from 1 July 2019. From this date, one-fifth of the revenue raised by the Medicare levy will be credited to the NDIS Savings Fund Special Account, building on the Commonwealth's share of the DisabilityCare Australia Fund, repurposed disability-related expenditure and other credits to the NDIS Savings Fund Special Account to ensure that the Commonwealth's NDIS contribution is fully funded on a sustainable basis.

The Commonwealth and Western Australian Governments announced on 12 December 2017 that Western Australia (WA) would join the NDIS delivering a truly national disability insurance scheme. WA's agreement to join the nationally-delivered NDIS means people with disability in Western Australia, and across Australia, will be able to access the support they need through a nationally consistent and nationally delivered NDIS.

Needs based, simple and transparent schools funding

Since the 2017-18 Budget, the Government has secured passage of legislation that provided \$23.5 billion of additional funding for schools over the period to 2027. This legislation delivers on the Government's commitment to a schools funding model that is genuinely needs-based, simple and transparent.

The Government has convened a panel of education experts to be chaired by David Gonski AC to deliver the Review to Achieve Educational Excellence in Australian Schools. The Review will provide advice on how Commonwealth funding should be used by Australian schools to improve student achievement and school performance. The Review is due to report to Government in March 2018.

Returning the Budget to balance by living within our means

Budget repair remains a key element of the Government's economic plan, with this MYEFO result providing an improved trajectory consistent with the Government's fiscal strategy, including a return to surplus in 2020-21.

This is the Government's fifth consecutive Budget update with a projected return to surplus in 2020-21. The fiscal outlook remaining on track is an important buffer should external or domestic risks materialise.

Decisions taken since the 2017-18 Budget as a result of Senate positions had a net negative impact on the underlying cash balance of \$2.5 billion over the forward estimates. Adjusting for these decisions, including those that helped secure parliamentary support for the Government's School Reform Package and the impact of a revised Higher Education Reform Package, the net impact of policy decisions taken since the 2017-18 Budget is a \$573 million improvement in the underlying cash balance over the forward estimates as illustrated in Table 1.3 below.

Table 1.3: Reconciliation of decisions in the 2017-18 MYEFO for Senate positions (underlying cash)

	Estimates		Projections		Total
	2017-18	2018-19	2019-20	2020-21	
	\$m	\$m	\$m	\$m	\$m
Total impact of policy decisions since the 2017-18 Budget					
Receipts	280	-258	271	72	365
Payments	-1,351	-273	-535	-151	-2,309
Total impact of policy decisions prior to Senate positions	-1,071	-531	-264	-79	-1,944
Decisions taken as a result of Senate positions					
Receipts	0	0	28	32	61
Payments	-165	-485	-764	-1,164	-2,578
Total Decisions taken as a result of Senate positions	-165	-485	-736	-1,131	-2,517
Net Budget impact of new policy decisions in the 2017-18 MYEFO					
Receipts	280	-259	243	39	304
Payments	-1,186	213	229	1,013	269
Net Budget impact of new policy decisions in the 2017-18 MYEFO	-906	-46	472	1,052	573

The Government will achieve savings of \$1.2 billion over four years from 2017-18 by broadening the criteria for waiting periods for newly arrived migrants before they can access certain welfare benefits. From 1 July 2018, the current two year waiting period for a range of payments will be extended to three years; a three year waiting period will be applied to Family Tax Benefit (FTB), Paid Parental Leave (PPL) and Carers Allowance; and the current two year Assurance of Support requirement applying to family visas will be increased to three years.

Exemptions for vulnerable groups will apply and New Zealand citizens who are on Special Category Visas and have children in their care will be exempt from waiting periods when accessing FTB and PPL. The Government will include a short term exemption for newly arrived residents who would have otherwise been eligible to receive PPL between 1 July 2018 and 31 December 2018.

The Government will achieve savings of \$400.1 million over four years from 2017-18 (\$176.6 million in fiscal balance terms) by using Family Tax Benefit lump sum, reconciliation or instalment arrears payments to repay outstanding social security, student assistance or PPL debts from 1 December 2018.

While the Government's preference for putting higher education funding on a more sustainable footing was through the measures in the 2017-18 Budget Higher Education Reform Package, the Senate has been unwilling to pass the related legislation. Given this, the Government will reverse the legislative elements of the package and proceed with an alternative package of reforms to improve sustainability, transparency and accountability to students and taxpayers. These reforms include a freeze on total Commonwealth Grant Scheme funding from 1 January 2018, set at 2017 funding levels, and a combined limit for all tuition fee assistance under all HELP and VET Student Loans.

The Government will also pursue an alternative set of HELP repayment thresholds from 1 July 2018, with a new minimum repayment threshold of \$45,000. The Government will proceed with the non-legislative parts of the 2017-18 Budget package to improve transparency, accountability, and responsiveness to the aspirations of students and future workforce needs.

PROGRESS ON BUDGET REPAIR MEASURES

Since the 2016 Pre-election Economic and Fiscal Outlook (PEFO), the Government has made significant progress in implementing unlegislated budget repair measures, including through appropriations and regulations. The total impact of budget repair measures implemented since the 2016 PEFO is over \$37 billion. Significant 2017-18 Budget repair measures that have been legislated include:

- Major bank levy (\$5.5 billion over the forward estimates); and
- Pause in FTB A & B Payment indexation rates for two years (\$1.9 billion over the forward estimates).

The Government has decided to no longer proceed with some unlegislated measures from prior rounds as a result of Senate positions, including the Higher Education Reform measures from the 2017-18 Budget.

The Government remains committed to continuing to work with the Parliament to secure the successful passage of all remaining unlegislated budget repair measures.

The revised estimated impact over the forward estimates of the remaining unlegislated measures, announced prior to the 2017-18 MYEFO, after taking account of parameter changes is a positive impact of \$16.1 billion. This comprises around \$11.3 billion of receipt increases and around \$4.8 billion of payment saves. The net impact of the remaining unlegislated measures announced prior to the 2017-18 Budget is now less than \$3.0 billion.

PART 2: ECONOMIC OUTLOOK

OVERVIEW

The Australian economy is expected to grow at a solid pace in 2017-18. Non-mining business investment has been increasing, while the drag on growth from falling mining investment has been diminishing and has nearly run its course. Labour market conditions have strengthened, with over 380,000 jobs created in the past year, but growth in household consumption has been modest and inflation and wage growth remain subdued.

Real GDP growth is forecast to lift as the drag from falling mining investment diminishes. In 2016-17, mining investment made its smallest deduction from growth in three years. Non-mining business investment, household consumption, public final demand and exports are also expected to provide solid support to growth in 2017-18. Dwelling investment is forecast to fall slightly. Real GDP is forecast to grow by 2½ per cent in 2017-18 and 3 per cent in 2018-19 compared to 2.0 per cent achieved in 2016-17 and Budget forecasts of 2¾ per cent and 3 per cent at Budget for 2017-18 and 2018-19 respectively.

The slightly lower real GDP growth forecast in 2017-18 compared with Budget reflects recent modest growth in household consumption, while business investment is expected to grow at a slightly stronger pace than expected at Budget. Non-mining business investment is forecast to grow by 5 per cent in both 2017-18 and 2018-19. There has been a strengthening in business conditions and non-mining capital expenditure intentions over the past year.

Nominal GDP is forecast to grow by 3½ per cent in 2017-18 and 4 per cent in 2018-19. The 2017-18 forecast is lower compared with Budget, largely reflecting recent subdued outcomes for wage growth and domestic prices. Wages are forecast to grow by 2¼ per cent through the year to the June quarter 2018 and 2¾ per cent through the year to the June quarter 2019. At the same time, the unemployment rate is expected to be lower than forecast at Budget as a result of recent strong labour market outcomes.

INTERNATIONAL ECONOMIC OUTLOOK

Global growth has strengthened significantly over the course of the year. While the strengthening in growth was anticipated at Budget, it has accelerated by more than forecast. The forecast for global growth has been upgraded to 3½ per cent in 2017 and remains at 3½ per cent in 2018 and 3¾ per cent in 2019. The forecast for major trading partner growth has also been upgraded in 2017, with momentum in China, Japan and other East Asian economies.

The drivers of global growth have become increasingly broad based. Growth has strengthened in most advanced and emerging economies over the year, producing a more synchronised global expansion. The signs of stronger business sentiment that were emerging at the time of the Budget have been reflected in increased business investment and industrial production in some countries. Consequently, growth in global trade has also increased, especially in Asia.

Stronger growth has resulted in a significant absorption of spare capacity in major advanced economies. Labour market conditions have tightened, with Japan and the United States reporting unemployment rates that have not been experienced in around two decades. The euro area unemployment rate is at its lowest level since 2009.

Despite tightening labour market conditions, inflation remains below central bank targets in many advanced economies and there remains uncertainty around the outlook for inflation and wage growth. As the major advanced economies continue to press up against capacity constraints, some cyclical response in inflation is expected. Monetary policy settings remain accommodative but the process of slowly withdrawing stimulus has begun in some advanced economies, most notably in the United States.

Short-term risks to the global outlook are more balanced than they have been for some time. Global growth has strengthened and appears to be more sustainable. There is a risk that the momentum experienced in 2017 continues at a stronger-than-expected pace into 2018 and advanced economies press up against capacity constraints sooner. Stronger growth in 2018 could mean weaker growth in 2019. The recalibration of monetary policy in several major advanced economies may be challenging in this environment.

Geopolitical uncertainty remains elevated, including on the Korean Peninsula, and a range of medium-term risks remain. High levels of debt, potential financial imbalances, and overcapacity in some sectors remain key vulnerabilities to China's economy. Broader structural challenges, including demographic change and slower productivity growth in many countries, will continue to weigh on global growth potential over the medium to longer term.

Table 2.1: International GDP growth forecasts^(a)

	Actuals	Forecasts		
	2016	2017	2018	2019
China	6.7	6 3/4	6 1/4	6
India	7.9	6 1/4	7 1/2	7 3/4
Japan	0.9	1 1/2	1	3/4
United States	1.5	2 1/4	2 1/4	2 1/4
Euro area	1.8	2 1/4	1 3/4	1 1/2
Other East Asia(b)	3.9	4 1/4	4 1/4	4 1/4
Major trading partners	4.0	4 1/4	4	4
World	3.2	3 1/2	3 1/2	3 3/4

(a) World, euro area and other East Asia growth rates are calculated using GDP weights based on purchasing power parity (PPP), while growth rates for major trading partners are calculated using export trade weights.

(b) Other East Asia comprises Hong Kong, South Korea, Singapore, Taiwan and the Association of Southeast Asian Nations group of five (ASEAN-5): Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

Source: National statistical agencies, IMF World Economic Outlook (October 2017), Thomson Reuters and Treasury.

The **United States** economy continues to grow at above-potential rates. As a result, the unemployment rate has fallen to 17-year lows. While inflation remains below the Federal Reserve's target it is expected to increase over the next few years and the Federal Reserve has begun to raise short-term interest rates slowly. It has also begun the process of winding back its quantitative easing program by initiating graduated reductions in the rollover of maturing securities. There is a degree of uncertainty around the US outlook, particularly with ongoing negotiations around tax reform.

Euro area economies have recorded strong growth since the Budget and there have been continued reductions in unemployment rates across the bloc. Consumption, investment and trade have all contributed to growth. While the political makeup and policy direction of some European countries have been resolved through the year, uncertainty remains for other key euro area economies. Negotiations concerning the exit of the UK from the EU continue and fragilities persist in the banking sectors of a number of economies. While the euro area previously struggled to sustain economic momentum in the period following the Global Financial Crisis, the balanced nature of growth across countries and a supportive external environment are positive factors.

Japan is benefiting from strong economic momentum, with the unemployment rate falling to new lows. A surge in global electronics demand has boosted exports, while investment has been assisted by Olympics-related infrastructure spending. There is growing pressure on corporates to use retained earnings more productively, in particular by lifting wages in order to support household consumption. Unfavourable demographics continue to weigh on Japan's long-term growth outlook and core inflation remains well below target.

China maintained strong growth through 2017, supported by momentum in the property and services sectors. Exports and imports strengthened alongside the recovery in global trade flows. Growth is expected to moderate in coming years, reflecting slowing infrastructure investment growth by local governments and a gradual tightening of financial conditions as authorities address financial sector risks. The recent National Party Congress emphasised the need to shift from recent rapid growth towards high-quality growth and to focus on addressing financial risks.

A recovery in global trade has contributed to stronger activity in many of the **ASEAN-5** economies, particularly in Malaysia, but also in the Philippines, Thailand and Vietnam. Continued strength in external demand for these economies' exports of electronics and consumer products would support growth into next year. Less export-oriented than many of its regional neighbours, Indonesia is expected to continue to rely on domestic demand to drive growth.

Growth has moderated in **India** during 2017, mainly due to subdued investment and disruption associated with the implementation of a nationwide goods and services tax (GST). The Indian Government is taking steps to free up capital flows, particularly with the announcement of a large public sector bank recapitalisation plan. Growth accelerated in the September quarter and is expected to return to the rates seen in recent years as the transitional impact of the GST fades and the benefits of the Government's reform package support the economy.

DOMESTIC ECONOMIC OUTLOOK

Australia's economy has now completed its 26th consecutive year of economic growth and is expected to grow at a solid pace in 2017-18 as the drag on growth from falling mining investment nears completion. Support to growth is expected from non-mining business investment, household consumption, public final demand and exports. After the 2016-17 outcome of 2.0 per cent, real GDP is forecast to grow by 2½ per cent in 2017-18 and 3 per cent in 2018-19.

Table 2.2: Domestic economy forecasts^(a)

	Outcomes(b)	Forecasts			
	2016-17	2017-18		2018-19	
		Budget	MYEFO	Budget	MYEFO
Real gross domestic product	2.0	2 3/4	2 1/2	3	3
Household consumption	2.4	2 3/4	2 1/4	3	2 3/4
Dw elling investment	2.6	1 1/2	-1 1/2	-4	-1 1/2
Total business investment(c)	-4.0	0	2	3	3
<i>By industry</i>					
Mining investment	-24.2	-12	-8	-3	-3
Non-mining investment	6.0	4 1/2	5	4 1/2	5
Private final demand(c)	1.3	2 1/4	1 3/4	2 1/2	2 1/2
Public final demand(c)	5.0	2 1/2	4	3	3
Change in inventories(d)	0.1	0	0	0	0
Gross national expenditure	2.2	2 1/2	2 1/2	2 3/4	2 3/4
Exports of goods and services	5.4	5	3	4	4
Imports of goods and services	4.8	3	3	3	2 1/2
Net exports(d)	0.0	1/2	0	1/4	1/4
Nominal gross domestic product	5.8	4	3 1/2	4	4
Prices and wages					
Consumer price index(e)	1.9	2	2	2 1/4	2 1/4
Wage price index(f)	1.9	2 1/2	2 1/4	3	2 3/4
GDP deflator	3.7	1	1	1	3/4
Labour market					
Participation rate (per cent)(g)	64.9	64 1/2	65	64 1/2	64 3/4
Employment(f)	1.9	1 1/2	1 3/4	1 1/2	1 1/2
Unemployment rate (per cent)(g)	5.6	5 3/4	5 1/2	5 1/2	5 1/4
Balance of payments					
Terms of trade(h)	14.5	-2 3/4	-2	-4 1/4	-5
Current account balance (per cent of GDP)	-1.9	-1 1/2	-2	-2	-2 1/2

(a) Percentage change on preceding year unless otherwise indicated.

(b) Calculated using original data unless otherwise indicated.

(c) Excluding second-hand asset sales from the public sector to the private sector.

(d) Percentage point contribution to growth in GDP.

(e) Through the year growth rate to the June quarter.

(f) Seasonally adjusted, through the year growth rate to the June quarter.

(g) Seasonally adjusted rate for the June quarter.

(h) The forecasts are underpinned by spot prices of US\$55 per tonne (FOB) for iron ore and US\$85 per tonne (FOB) for thermal coal. Metallurgical coal prices are assumed to decline towards US\$120 per tonne (FOB) by the September quarter 2018. (Box A contains analysis on the sensitivity of nominal GDP forecasts to metallurgical coal price movements).

Note: The forecasts for the domestic economy are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level — a trade-weighted index of around 64 and a US\$ exchange rate of around 76 US cents. Interest rates are assumed to move broadly in line with market expectations. World oil prices (Malaysian Tapis) are assumed to remain around US\$65 per barrel.

Source: ABS cat. no. 5206.0, 5302.0, 6202.0, 6345.0, 6401.0, unpublished ABS data and Treasury.

Slightly lower real GDP growth in 2017-18 compared with Budget forecasts reflects recent modest growth in household consumption. In contrast, business investment is expected to grow at a slightly stronger pace than forecast at Budget. Non-mining business investment is forecast to grow solidly, with a strengthening in business conditions and non-mining capital expenditure intentions over the past year.

Household consumption is forecast to grow by 2¼ per cent in 2017-18 and 2¾ per cent in 2018-19. Growth in household consumption has been relatively modest in recent years compared with long-run historical growth rates, reflecting subdued growth in household incomes. Growth in consumption is expected to pick up over the forecast period in response to strengthening labour market conditions. Household incomes are also expected to rise over the forecast period, with a pick-up in wage growth. Consumption growth is expected to continue to outpace growth in disposable incomes and the household saving rate is expected to fall further.

Dwelling investment is expected to decline moderately over the forecast period, falling by 1½ per cent in both 2017-18 and 2018-19. Recent data are consistent with a softening in dwelling investment occurring slightly earlier than expected at the time of Budget. Dwelling investment has now declined for the past three quarters. In addition, house price growth has slowed and auction clearance rates have fallen since the beginning of the year. This is most evident in the Sydney market. Building approvals have fallen below their record levels recorded in mid-2016 but remain above their historical average. The pipeline of construction work remains elevated and is expected to support activity for some time.

Business investment is expected to grow at a stronger pace than forecast at Budget. It is forecast to grow by 2 per cent in 2017-18 and 3 per cent in 2018-19. Mining investment is expected to continue to fall over the forecast horizon as large resource projects are finalised, but the drag on economic growth is near complete. Since its peak in the December quarter 2012, mining investment has fallen by around 60 per cent. Growth in non-mining business investment was stronger than expected in 2016-17 and is forecast to remain solid at 5 per cent in both 2017-18 and 2018-19. There has been a significant strengthening in business conditions and non-mining capital expenditure intentions over the past year.

Chart 2.1: Mining and non-mining business investment



Source: ABS cat. no. 5204.0 and Treasury.

Public final demand is forecast to grow by 4 per cent in 2017-18 and 3 per cent in 2018-19. Public final demand is expected to be supported by both investment and consumption expenditure, with the National Broadband Network, National Disability Insurance Scheme and strong investment by the States and Territories all expected to contribute to growth.

Exports are forecast to grow by 3 per cent in 2017-18 and 4 per cent in 2018-19. This growth continues to be supported by resource exports, which are forecast to grow by 4½ per cent and 6 per cent respectively as the last of the major liquefied natural gas (LNG) and iron ore projects come online and ramp up capacity. While delays in the start-up of some LNG projects have softened the pace of growth over the forecast period, projects remain on track to reach expected capacity over the next few years.

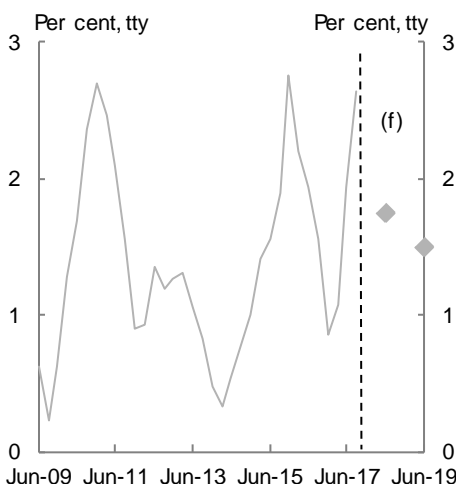
Services exports are also expected to continue to make a strong contribution to export growth. They are forecast to grow by 5 per cent in 2017-18 and 4 per cent in 2018-19. Growth in services exports continues to be driven by strong demand from Asia for Australia's tourism and education services, with sustained growth in short-term visitor arrivals and international student enrolments.

Rural exports are expected to decline in 2017-18, as crop production falls from the record levels achieved in 2016-17. The decline in rural exports is stronger than forecast at Budget as a result of drier-than-expected seasonal conditions during winter.

Imports are forecast to grow by 3 per cent in 2017-18 and 2½ per cent in 2018-19, broadly in line with growth across the economy.

Labour market conditions have been stronger than expected at Budget. Over 380,000 jobs have been created in the past year, with the vast majority of these being full-time. The underemployment rate has not fallen by as much as the unemployment rate, indicating some ongoing spare capacity in the labour market. The unemployment rate has fallen to 5.4 per cent for three consecutive months, the lowest rate in over four years. The participation rate has increased, including a notable increase in the female participation rate.

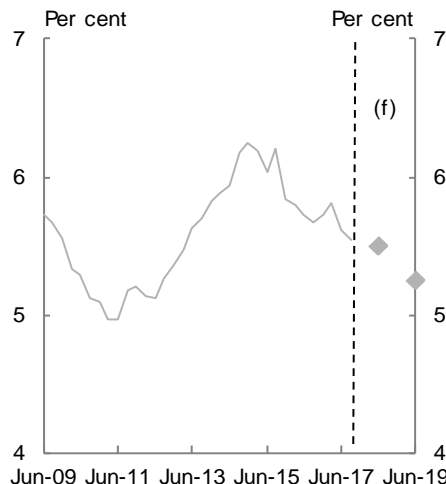
Chart 2.2: Employment growth



Note: Quarterly employment actuals reflect three month averages. Forecasts reflect the seasonally adjusted, through the year growth rate to the June quarter.

Source: ABS cat. no. 6202.0 and Treasury.

Chart 2.3: Unemployment rate



Note: Quarterly unemployment actuals reflect three month averages. Forecasts reflect the seasonally adjusted June quarter rate.

Employment is forecast to grow by $1\frac{3}{4}$ per cent through the year to the June quarter 2018 and $1\frac{1}{2}$ per cent through the year to the June quarter 2019. The unemployment rate is forecast to be $5\frac{1}{2}$ per cent in the June quarter 2018 and $5\frac{1}{4}$ per cent in the June quarter 2019 – lower than forecast at Budget as a result of recent strong labour market outcomes. The participation rate is forecast to be 65 per cent in the June quarter 2018 and $64\frac{3}{4}$ per cent in the June quarter 2019.

Wage growth remains low by historical standards in both the public and private sectors and has been more subdued than expected since Budget. Wages, as measured by the Wage Price Index, are forecast to grow by $2\frac{1}{4}$ per cent through the year to the June quarter 2018 and $2\frac{3}{4}$ per cent through the year to the June quarter 2019. This is a $\frac{1}{4}$ of a percentage point lower in both years compared with Budget. Wage growth is forecast to lift as the economy strengthens, inflation picks up and excess capacity in the labour market is reduced.

Growth in **consumer prices** also remains subdued, with the Consumer Price Index (CPI) increasing by 1.8 per cent through the year to the September quarter 2017. A combination of factors including heightened competition in the retail sector and subdued rental price growth are expected to contain inflation in the short term. The updating of the weights of the expenditure classes in the CPI in the December quarter 2017 release is also likely to reduce measured inflation. Petrol and electricity prices are expected to add some short-term upward pressure. Consumer prices are forecast to increase by 2 per cent through the year to the June quarter 2018, before accelerating to $2\frac{1}{4}$ per cent through the year to the June quarter 2019.

Commodity prices remain sensitive to global developments, including Chinese policy interventions and supply disruptions both domestically and abroad. This volatility remains a key uncertainty in the outlook for the terms of trade and nominal GDP. Iron ore prices are assumed to remain flat at US\$55 per tonne free-on-board (FOB) over the forecast period. This is broadly consistent with the Budget assumption that iron ore prices would fall to US\$55 per tonne by the beginning of 2018. By contrast, metallurgical coal prices are assumed to decline later than assumed at Budget, falling over the March and June quarters of 2018 to reach US\$120 per tonne in the September quarter 2018. Thermal coal prices are assumed to be flat at US\$85 per tonne, consistent with the Budget assumption and the current Japanese fiscal year annual contract price.

Chart 2.4: Iron ore prices

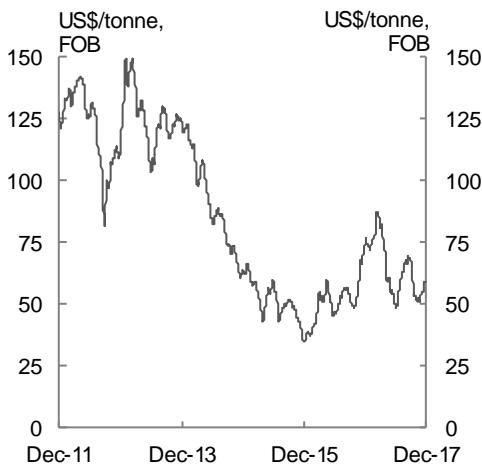
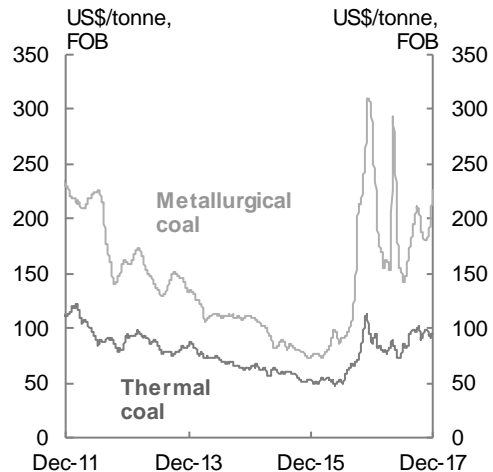


Chart 2.5: Coal prices



Note: Spot price data are presented as a seven-day moving average and are expressed in FOB terms which exclude the cost of freight.

Source: S&P Global Platts and Treasury.

Iron ore prices are being affected by significant government-enforced shutdowns in China's key steelmaking regions in an effort to combat seasonal pollution during winter. Meanwhile, significant supply disruptions and Chinese policy interventions have resulted in substantial rises in coal prices over the past year. Liaison with a range of industry contacts continues to suggest that current prices for metallurgical coal are unlikely to be sustained. While the prudent assumption for a reduction in prices has been maintained, determining the precise timing around commodity price movements poses significant uncertainty to the economic forecasts. Sensitivity around the timing of this assumption is presented in Box A.

The **terms of trade** are forecast to fall by 2 per cent in 2017-18 and by 5 per cent in 2018-19, after growing by 14.5 per cent in 2016-17 as a result of strong increases in commodity prices. The slightly stronger forecast in 2017-18 and the slightly weaker forecast in 2018-19 compared with Budget partly reflects the shift in the phase-down assumption for metallurgical coal prices.

Nominal GDP is forecast to grow by 3½ per cent in 2017-18 and 4 per cent in 2018-19. The 2017-18 forecast is lower compared with Budget, largely reflecting recent subdued outcomes for wage growth and domestic prices. Reflecting the softer outlook for wage growth, forecast growth in compensation of employees has eased while growth in corporate profits has been upgraded compared with Budget. Growth in unincorporated business income has also eased consistent with weaker domestic prices.

There are a number of **uncertainties** around the forecasts. While global growth has strengthened over the course of the year, there is uncertainty around the inflation outlook and the extent to which financial conditions in advanced economies might adjust, with spill-overs to emerging economies. In China, the main challenge will be progressing structural reforms needed to sustain growth while managing the risks associated with continued debt accumulation and excess capacity in parts of the economy. More broadly, geopolitical risks remain elevated.

There are also uncertainties around the forecasts for the domestic economy, with both upside and downside risks. The outlook for business investment appears to be firming and the risks around the forecasts are more balanced than they have been for some time. A more significant pick-up in the momentum of non-mining business investment is an upside risk to the forecasts, but it is still the case that growth in non-mining business investment has not broadened across all industries. Such a broadening would ensure that the outlook for business investment was on a more sustainable path.

Uncertainties around the forecast for household consumption remain. Household consumption growth has slowed over the past year and there is a risk that continued subdued income growth may result in slower consumption growth than forecast. A change in households' attitudes towards saving could also lead to household consumption growth being weaker than forecast. Stronger labour market conditions than forecast could provide an upside risk to consumption growth.

Commodity prices are also an uncertainty for the forecasts. A permanent 10 per cent rise (fall) in non-rural commodity prices could increase (reduce) the level of nominal GDP by 1 per cent by 2018-19 compared with forecast. This, in turn, would be expected to affect tax receipts and payments, increasing (reducing) the underlying cash balance by around \$1.8 billion in 2017-18 and \$5.6 billion in 2018-19. See Attachment A of Part 3 for further information on the estimated impact of a movement in the terms of trade.

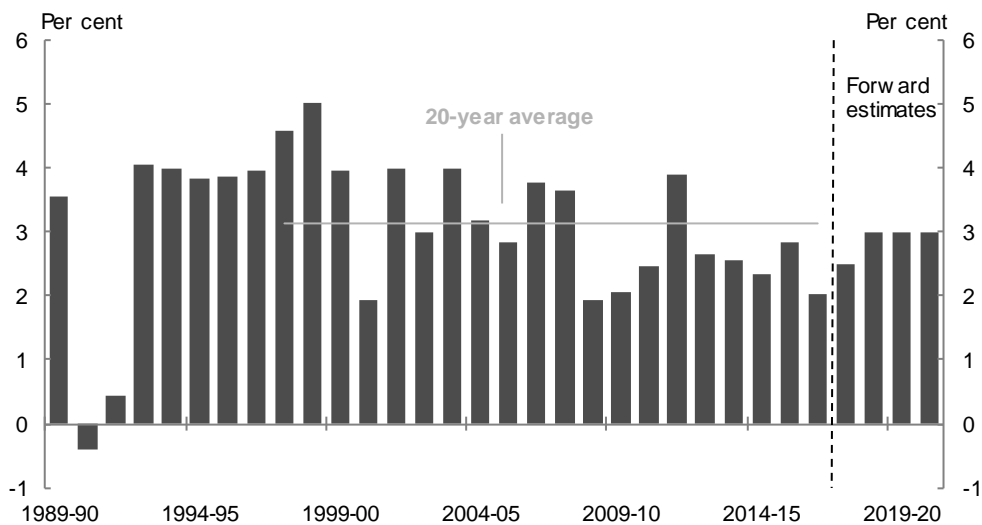
Medium-term projections

The fiscal aggregates in the MYEFO are underpinned by economic forecasts for the Budget year and the subsequent financial year and then by economic projections for the following two financial years. These projections are not forecasts. Rather they are based on a medium-term methodology and some key assumptions.

The medium-term projection methodology, as outlined in the 2014-15 Budget, assumes that spare capacity is absorbed over five years following the forecast period. The sensitivity of the projections to a different adjustment period was presented in 2017-18 Budget Paper No. 1 Statement 8: Forecasting Performance and Scenario Analysis.

As spare capacity is absorbed, labour market variables including employment and the participation rate converge to their long-run levels and trends respectively. To absorb the spare capacity in the economy, real GDP from 2019-20 is projected to grow faster than potential at 3 per cent. By the end of 2023-24 spare capacity is absorbed and real GDP is projected to grow at its potential rate thereafter.

Chart 2.6: Real GDP growth



Source: ABS cat. no. 5206.0 and Treasury.

Potential GDP is estimated based on analysis of underlying trends for population, productivity and participation. Australia's potential GDP growth is estimated to be $2\frac{3}{4}$ per cent over the next few years. The unemployment rate is projected to converge to 5 per cent over the medium term, consistent with Treasury's estimate of the non-accelerating inflation rate of unemployment. Inflation is projected to be $2\frac{1}{2}$ per cent, consistent with the mid-point of the RBA's medium-term target band. The terms of trade are projected to remain flat at around their 2005 level from 2020-21.

Box A — Sensitivity analysis: Metallurgical coal

Extraordinary movements in metallurgical coal prices have occurred over the past year. In late 2016, Chinese authorities imposed restrictions on domestic coal production, contributing to a surge in prices to levels last experienced during the peak of the commodity price boom in 2011.

While prices readjusted as some of these measures were unwound, a temporary resurgence occurred in 2017 as Tropical Cyclone Debbie caused significant supply disruptions to Australia’s coal sector, which accounts for more than half of global seaborne metallurgical coal trade.

The sensitivity of coal markets to supply factors creates considerable uncertainty around the outlook for metallurgical coal prices. While prices are assumed to decline over a six-month period from currently elevated levels, the below analysis outlines the impacts from altering the timing of this assumption.

If metallurgical coal prices were to remain elevated for two quarters longer than currently assumed, before falling immediately to US\$120 per tonne FOB, nominal GDP could be around \$1.8 billion higher than forecast in 2017-18 and \$2.5 billion higher in 2018-19. This would result in an increase in tax receipts of around \$0.1 billion in 2017-18 and \$0.9 billion in 2018-19 (Table A).

By contrast, if metallurgical coal prices were to fall immediately to US\$120 per tonne FOB, two quarters earlier than assumed, nominal GDP could be around \$3.1 billion lower than forecast in 2017-18 and \$1.2 billion lower in 2018-19. This would result in a decrease in tax receipts of around \$0.2 billion in 2017-18 and \$0.8 billion in 2018-19.

Table A: Sensitivity analysis of an earlier and later step down in metallurgical coal spot prices

	Later fall to US\$120/tonne FOB ^(a)		Earlier fall to US\$120/tonne FOB	
	2017-18	2018-19	2017-18	2018-19
Nominal GDP (\$billion)	1.8	2.5	-3.1	-1.2
Tax receipts (\$billion)	0.1	0.9	-0.2	-0.8

(a) FOB is the free-on-board price which excludes freight costs.
Source: Treasury.

PART 3: FISCAL STRATEGY AND OUTLOOK

OVERVIEW

The fiscal position is forecast to maintain an improving trajectory over the forward estimates period, consistent with the Government's commitment to responsible budget repair and strengthening the Government's balance sheet over time. In line with the 2017-18 Budget, the underlying cash balance is projected to return to surplus in 2020-21.

Reflecting prudent fiscal management, the underlying cash balance is expected to improve from a deficit of \$23.6 billion (1.3 per cent of GDP) in 2017-18 to a surplus of \$10.2 billion (0.5 per cent of GDP) in 2020-21. Over the medium term, the underlying cash balance is projected to peak at 0.5 per cent of GDP in 2026-27, before moderating to 0.4 per cent of GDP by 2027-28.

The net operating balance is also expected to improve from a deficit of \$18.2 billion (1.0 per cent of GDP) in 2017-18 to projected surpluses of \$6.8 billion (0.3 per cent of GDP) in 2019-20 and \$20.9 billion (1.0 per cent of GDP) in 2020-21, as shown in Table 3.1.

Table 3.1: Budget aggregates

	Estimates			
	2017-18		2018-19	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Underlying cash balance(a)	-29.4	-23.6	-21.4	-20.5
Per cent of GDP	-1.6	-1.3	-1.1	-1.1
Net operating balance	-19.8	-18.2	-10.8	-9.9
Per cent of GDP	-1.1	-1.0	-0.6	-0.5
	Projections			
	2019-20		2020-21	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Underlying cash balance(a)	-2.5	-2.6	7.4	10.2
Per cent of GDP	-0.1	-0.1	0.4	0.5
Net operating balance	7.6	6.8	17.5	20.9
Per cent of GDP	0.4	0.3	0.8	1.0

(a) Excludes expected net Future Fund earnings before 2020-21.

The Government has continued to focus on controlling expenditure. Nominal payments over the four years to 2020-21 are now expected to be \$6.5 billion lower than anticipated at the 2017-18 Budget. Taking account of Senate positions, all new spending has been more than offset, consistent with the Government's fiscal strategy.

Economic parameter and other variations since the 2017-18 Budget have contributed to a \$2.4 billion upward revision to total receipts over the four years to 2020-21. Stronger-than-expected company and superannuation fund taxes collections since Budget are largely offset by weaker forecasts for individuals income tax receipts.

FISCAL STRATEGY

Returning the budget to balance

The Government remains committed to returning the budget to a sustainable surplus as soon as possible. Continued discipline to offset new expenditure and pass existing budget repair measures is needed to consolidate the budget and to lower government debt.

Table 3.2 provides key budget aggregates for the Australian Government general government sector.

Table 3.2: Australian Government general government sector budget aggregates

	Estimates			
	2017-18		2018-19	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Receipts	433.5	437.1	462.5	463.1
Per cent of GDP	23.8	24.0	24.4	24.5
Payments(a)	459.7	457.6	480.4	480.1
Per cent of GDP	25.2	25.2	25.4	25.4
Net Future Fund earnings(b)	3.2	3.1	3.5	3.5
Underlying cash balance(c)	-29.4	-23.6	-21.4	-20.5
Per cent of GDP	-1.6	-1.3	-1.1	-1.1
Revenue	444.4	448.7	476.1	475.6
Per cent of GDP	24.4	24.7	25.2	25.2
Expenses	464.3	466.9	486.9	485.5
Per cent of GDP	25.5	25.7	25.7	25.7
Net operating balance	-19.8	-18.2	-10.8	-9.9
Per cent of GDP	-1.1	-1.0	-0.6	-0.5
Net capital investment	0.5	0.2	4.8	4.8
Fiscal balance	-20.3	-18.4	-15.5	-14.7
Per cent of GDP	-1.1	-1.0	-0.8	-0.8
<i>Memorandum items:</i>				
Net Future Fund earnings(b)	3.2	3.1	3.5	3.5
Headline cash balance	-48.4	-39.6	-37.1	-36.2

Table 3.2: Australian Government general government sector budget aggregates (continued)

	Projections			
	2019-20		2020-21	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Receipts	496.9	496.2	526.3	525.6
Per cent of GDP	25.1	25.1	25.4	25.4
Payments(a)	495.6	495.0	518.9	515.4
Per cent of GDP	25.0	25.1	25.0	24.9
Net Future Fund earnings(b)	3.7	3.9	na	na
Underlying cash balance(c)	-2.5	-2.6	7.4	10.2
Per cent of GDP	-0.1	-0.1	0.4	0.5
Revenue	510.8	507.8	540.4	538.2
Per cent of GDP	25.8	25.7	26.0	26.0
Expenses	503.2	501.0	522.9	517.3
Per cent of GDP	25.4	25.4	25.2	25.0
Net operating balance	7.6	6.8	17.5	20.9
Per cent of GDP	0.4	0.3	0.8	1.0
Net capital investment	4.9	5.3	6.0	6.1
Fiscal balance	2.7	1.5	11.4	14.8
Per cent of GDP	0.1	0.1	0.6	0.7
<i>Memorandum:</i>				
Net Future Fund earnings(b)	3.7	3.9	4.0	4.1
Headline cash balance	-14.8	-13.2	11.7	17.4

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

(b) Under the *Future Fund Act 2006*, net Future Fund earnings will be available to meet the Government superannuation liability in 2020-21. From this time, the underlying cash balance includes expected net Future Fund earnings.

(c) Excludes expected net Future Fund earnings before 2020-21.

Expected total receipts have been revised up by around \$3.6 billion in 2017-18 and \$2.8 billion over the four years to 2020-21, relative to the levels at the time of the 2017-18 Budget. This is mainly driven by upwards revisions to the forecasts for company tax and superannuation fund taxes.

Estimated cash payments are lower for each year relative to the 2017-18 Budget. They have decreased by around \$2.1 billion in 2017-18 and decreased in total by around \$6.5 billion over the four years to 2020-21 compared with the 2017-18 Budget estimates.

In accordance with the Government's budget repair strategy, increases in receipts and decreases in payments due to changes in the economy have flowed through to improve the budget bottom line. Excluding the effect of Senate positions, all new spending decisions have been more than offset by decisions to reduce spending elsewhere in the budget.

The 2017-18 MYEFO continues to project a return to surplus in 2020-21. The underlying cash balance is expected to improve from a deficit of \$23.6 billion in 2017-18 (1.3 per cent of GDP) to a projected surplus of \$10.2 billion in 2020-21 (0.5 per cent of GDP). Compared with the 2017-18 Budget, underlying cash balance estimates over the four years to 2020-21 have improved by a total of \$9.3 billion.

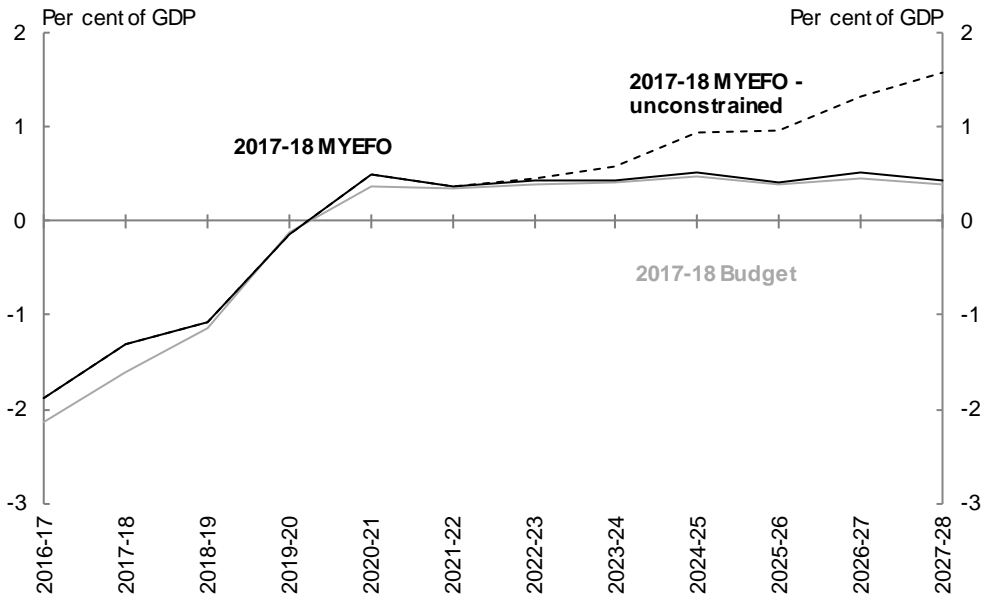
The average pace of consolidation remains at 0.6 per cent over the forward estimates. A prudent and sustainable path to a surplus in 2020-21 has been maintained for five successive Budget updates, reflecting the Government's demonstrated commitment to its fiscal strategy and budget repair.

The payments-to-GDP ratio – a key element of the Government's medium-term fiscal strategy – is expected to be 25.2 per cent in 2017-18, falling to 24.9 per cent of GDP by 2020-21, slightly above the 30-year historical average of 24.8 per cent of GDP. Compared with the 2017-18 Budget, nominal payments have decreased by a total of \$6.5 billion across the forward estimates. Further, average real growth in payments over the forward estimates is expected to be 1.9 per cent per annum, consistent with the 2017-18 Budget.

Net debt is expected to stabilise over the forward estimates, peaking at 19.2 per cent of GDP in 2018-19, an amount \$11.9 billion lower than the peak estimated at Budget, and reducing to 17.2 per cent of GDP in 2020-21. Across the forward estimates, the value of net debt has improved since the 2017-18 Budget, reflecting lower levels of Commonwealth Government Securities (CGS) on issue due to a change in the financing requirement and an increase in investments, loans and placements, partly offset by a decrease in advances paid, predominantly relating to student loans.

On an accrual basis, the net operating balance is projected to return to surplus a year earlier than the underlying cash balance, reaching \$6.8 billion (0.3 per cent of GDP) in 2019-20, with a further surplus of \$20.9 billion (1.0 per cent of GDP) in 2020-21. After taking into account the net operating balance, infrastructure grants and non-cash accounting provisions, the Government is now not expected to need to borrow for recurrent spending from 2017-18, which is a year earlier than was expected at the time of the 2017-18 Budget.

Continued discipline will be required to maintain the current trajectory and to sustain underlying cash surpluses beyond 2020-21. The underlying cash balance is projected to record modest surpluses over the medium term, peaking at 0.5 per cent of GDP in 2026-27, before moderating to 0.4 per cent of GDP by 2027-28. These projections incorporate tax receipts reaching the tax-to-GDP 'cap' of 23.9 per cent in 2022-23, as was projected at the 2017-18 Budget. Beyond 2022-23, tax receipts are assumed to remain constant as a share of GDP.

Chart 3.1: Underlying cash balance projected to 2027-28

Note: A tax-to-GDP 'cap' of 23.9 per cent is applied to the 2017-18 MYEFO projections from 2022-23, as was projected at the 2017-18 Budget. Net Future Fund earnings are included in projections of the underlying cash balance from 2020-21 when drawdowns from the Future Fund are available.
Source: Treasury projections.

Chart 3.1 shows the projections of the underlying cash balance to 2027-28 compared with the projections at the 2017-18 Budget. The projections of the underlying cash balance over the medium term have slightly improved, driven by lower projected payments which more than offset lower tax receipts. The chart also illustrates the underlying cash balance projected to 2027-28 without the tax-to-GDP 'cap' assumption. In the absence of this assumption, the underlying cash balance is projected to reach a surplus of 1.6 per cent of GDP in 2027-28. This would be unrealistic, as unconstrained revenue projections imply constantly increasing average tax rates on personal income.

Strengthening the Government's balance sheet

A strong balance sheet provides the Government the flexibility to respond to unanticipated events during times of financial crises or economic shocks. Some key aggregates that relate to the balance sheet are set out in Table 3.3.

Table 3.3: Australian Government general government sector net worth, net financial worth, net debt and net interest payments

	Estimates			
	2017-18		2018-19	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Financial assets	393.5	397.3	422.6	419.1
Non-financial assets	139.7	140.7	143.9	144.7
Total assets	533.2	538.0	566.5	563.8
Total liabilities	851.3	848.6	898.4	887.1
Net worth	-318.1	-310.7	-331.9	-323.3
Net financial worth(a)	-457.8	-451.3	-475.8	-468.0
Per cent of GDP	-25.1	-24.8	-25.1	-24.8
Net debt(b)	354.9	343.8	375.1	363.2
Per cent of GDP	19.5	18.9	19.8	19.2
Net interest payments	13.4	13.4	13.7	13.2
Per cent of GDP	0.7	0.7	0.7	0.7
	Projections			
	2019-20		2020-21	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Financial assets	453.9	448.7	465.4	454.4
Non-financial assets	148.3	149.2	153.8	154.6
Total assets	602.2	597.9	619.2	608.9
Total liabilities	929.0	917.2	930.6	910.1
Net worth	-326.8	-319.3	-311.4	-301.1
Net financial worth(a)	-475.0	-468.5	-465.3	-455.7
Per cent of GDP	-24.0	-23.7	-22.4	-22.1
Net debt(b)	374.7	365.2	366.2	355.3
Per cent of GDP	18.9	18.5	17.6	17.2
Net interest payments	13.7	12.9	15.5	14.5
Per cent of GDP	0.7	0.7	0.7	0.7

(a) Net financial worth equals total financial assets minus total liabilities.

(b) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Net financial worth is an indicator of fiscal sustainability in the medium-term fiscal strategy. It measures the Government's financial assets and liabilities, including both the assets of the Future Fund and the public superannuation liability that the Future Fund seeks to finance.

Compared with the 2017-18 Budget, net financial worth has improved over the forward estimates. Net financial worth is estimated to be -\$451.3 billion in 2017-18, \$6.5 billion better than estimated at the 2017-18 Budget. This reflects lower CGS issuance and an increase in the value of certain investments held by the Government, offset by a decrease in advances paid.

Net financial worth also improves as a share of GDP over the medium term, rising to -\$299 billion (-10.1 per cent of GDP) by 2027-28.

Net worth is equal to total assets less total liabilities. It reflects the contribution of the Australian Government to the wealth of Australia. Compared with the 2017-18 Budget, net worth has improved over the forward estimates. Net worth is estimated to be -\$310.7 billion in 2017-18, \$7.4 billion higher than estimated at the 2017-18 Budget.

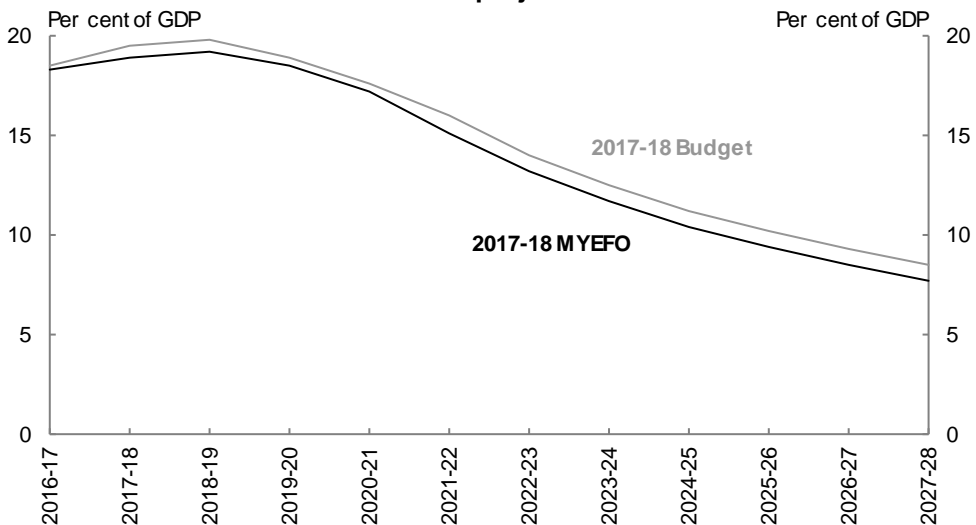
Net debt is the sum of selected financial liabilities less the sum of selected financial assets and is a common measure of the strength of a government’s financial position. High levels of net debt impose a call on future revenue flows to service that debt.

Net debt is estimated to peak as a proportion of GDP at 19.2 per cent in 2018-19, lower than the peak of 19.8 per cent expected at the 2017-18 Budget.

In the 2017-18 Budget, net debt was projected to be \$366.2 billion in 2020-21. It is now projected to be \$355.3 billion (or \$10.9 billion lower) in 2020-21, declining as a share of GDP to 17.2 per cent.

In the 2017-18 Budget, net debt was projected to be \$256 billion in 2027-28. Net debt is now projected to reach \$228 billion by 2027-28 (\$28 billion lower), falling to 7.7 per cent of GDP (Chart 3.2).

Chart 3.2: Net debt projected to 2027-28



Note: A tax-to-GDP ‘cap’ of 23.9 per cent is applied to the 2017-18 MYEFO projections from 2022-23, as was projected at 2017-18 Budget.

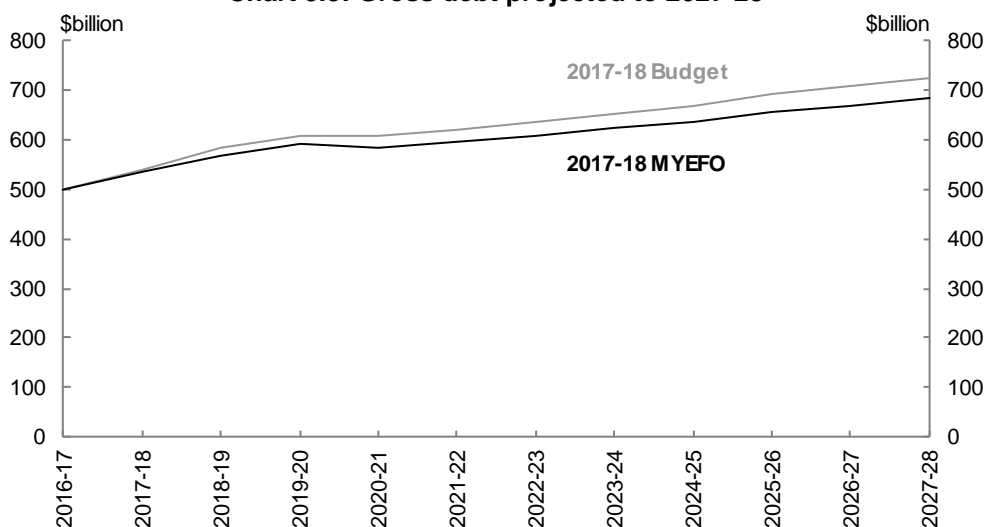
Source: Treasury projections.

Gross debt, as measured by the face value of CGS on issue, is estimated to rise from \$534 billion in 2017-18 to \$591 billion in 2019-20 before falling to \$583 billion by the end of the forward estimates period (\$23 billion lower than projected at Budget).

At the 2017-18 Budget, gross debt was projected to be \$725 billion in 2027-28. Gross debt is now projected to reach around \$684 billion by 2027-28 – a fall of around \$40 billion (Chart 3.3).

The projected increase in the level of gross debt over the medium term reflects the Government’s decision not to drawdown on the Future Fund’s earnings over the medium term to meet unfunded superannuation liabilities, as well as financing the Government’s infrastructure and Defence Force recapitalisation programs.

Chart 3.3: Gross debt projected to 2027-28



Note: A tax-to-GDP ‘cap’ of 23.9 per cent is applied to the 2017-18 MYEFO projections from 2022-23, as was projected at 2017-18 Budget.

Source: Australian Office of Financial Management and Treasury projections.

The Government’s fiscal strategy is outlined in Box A.

Box A: The Government's fiscal strategy

Medium-term fiscal strategy

The Government's medium-term fiscal strategy is to achieve budget surpluses, on average, over the course of the economic cycle. The fiscal strategy underlines the commitment to budget discipline and outlines how the Government will set medium-term fiscal policy while allowing for flexibility in response to changing economic conditions.

The strategy is underpinned by the following four policy elements:

- investing in a stronger economy by redirecting Government spending to quality investment to boost productivity and workforce participation;
- maintaining strong fiscal discipline by controlling expenditure to reduce the Government's share of the economy over time in order to free up resources for private investment to drive jobs and economic growth, with:
 - the payments-to-GDP ratio falling;
 - stabilising and then reducing net debt over time;
- supporting revenue growth by supporting policies that drive earnings and economic growth; and
- strengthening the Government's balance sheet by improving net financial worth over time.

Budget repair strategy

The budget repair strategy is designed to deliver sustainable budget surpluses building to at least 1 per cent of GDP as soon as possible, consistent with the medium-term fiscal strategy.

The strategy sets out that:

- new spending measures will be more than offset by reductions in spending elsewhere within the budget;
- the overall impact of shifts in receipts and payments due to changes in the economy will be banked as an improvement to the budget bottom line, if this impact is positive; and
- a clear path back to surplus is underpinned by decisions that build over time.

The budget repair strategy will stay in place until a strong and sustainable surplus is achieved and so long as economic growth prospects are sound and unemployment remains low.

FISCAL OUTLOOK

Budget aggregates

An **underlying cash deficit** of \$23.6 billion (1.3 per cent of GDP) is expected in 2017-18, improving to a projected surplus of \$10.2 billion (0.5 per cent of GDP) in 2020-21.

In accrual terms, a **net operating deficit** of \$18.2 billion (1.0 per cent of GDP) is expected in 2017-18, improving to a projected surplus of \$6.8 billion (0.3 per cent of GDP) in 2019-20 and a larger projected surplus of \$20.9 billion (1.0 per cent of GDP) in 2020-21.

A **headline cash deficit** of \$39.6 billion (2.2 per cent of GDP) is expected in 2017-18, improving to a projected surplus of \$17.4 billion (0.8 per cent of GDP) in 2020-21.

Table 3.4: Summary of Australian Government general government sector cash flows

	Estimates			
	2017-18		2018-19	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Cash receipts				
Operating cash receipts	432.1	435.7	461.8	462.4
Capital cash receipts(a)	1.4	1.4	0.7	0.7
Total cash receipts	433.5	437.1	462.5	463.1
Cash payments				
Operating cash payments	446.2	444.4	466.6	466.1
Capital cash payments(b)	13.5	13.2	13.8	14.0
Total cash payments	459.7	457.6	480.4	480.1
GFS cash surplus(+)/deficit(-)(c)	-26.2	-20.5	-17.9	-17.0
Per cent of GDP	-1.4	-1.1	-0.9	-0.9
<i>less</i> Finance leases and similar arrangements(c)(d)	0.0	0.0	0.0	0.0
<i>less</i> Net Future Fund earnings(e)	3.2	3.1	3.5	3.5
Underlying cash balance(f)	-29.4	-23.6	-21.4	-20.5
Per cent of GDP	-1.6	-1.3	-1.1	-1.1
<i>Memorandum:</i>				
Net cash flows from investments in financial assets for policy purposes	-22.2	-19.0	-19.2	-19.2
<i>plus</i> Net Future Fund earnings(e)	3.2	3.1	3.5	3.5
Headline cash balance	-48.4	-39.6	-37.1	-36.2
Net Future Fund earnings(e)	3.2	3.1	3.5	3.5

Table 3.4: Summary of Australian Government general government sector cash flows (continued)

	Projections			
	2019-20		2020-21	
	Budget	MYEFO	Budget	MYEFO
	\$b	\$b	\$b	\$b
Cash receipts				
Operating cash receipts	496.1	495.4	526.3	525.5
Capital cash receipts(a)	0.8	0.9	0.1	0.1
Total cash receipts	496.9	496.2	526.3	525.6
Cash payments				
Operating cash payments	480.9	480.2	503.1	499.6
Capital cash payments(b)	14.7	14.8	15.8	15.9
Total cash payments	495.6	495.0	518.9	515.4
GFS cash surplus(+)/deficit(-)(c)	1.3	1.2	7.4	10.2
Per cent of GDP	0.1	0.1	0.4	0.5
<i>less</i> Finance leases and similar arrangements(c)(d)	0.0	0.0	0.0	0.0
<i>less</i> Net Future Fund earnings(e)	3.7	3.9	na	na
Underlying cash balance(f)	-2.5	-2.6	7.4	10.2
Per cent of GDP	-0.1	-0.1	0.4	0.5
<i>Memorandum:</i>				
Net cash flows from investments in financial assets for policy purposes	-16.1	-14.4	4.3	7.2
<i>plus</i> Net Future Fund earnings(e)	3.7	3.9	na	na
Headline cash balance	-14.8	-13.2	11.7	17.4
Net Future Fund earnings(e)	3.7	3.9	4.0	4.1

(a) Equivalent to cash receipts from the sale of non-financial assets in the cash flow statement.

(b) Equivalent to cash payments for purchases of non-financial assets in the cash flow statement.

(c) Due to the implementation of the 2015 ABS GFS Manual, from the 2017-18 Budget, finance leases are no longer deducted in the derivation of the GFS cash surplus/deficit.

(d) The acquisition of assets under finance leases worsens the underlying cash balance. The disposal of assets previously held under finance leases improves the underlying cash balance.

(e) Under the *Future Fund Act 2006*, net Future Fund earnings will be available to meet the Government superannuation liability in 2020-21. From this time, the underlying cash balance includes expected net Future Fund earnings.

(f) Excludes expected net Future Fund earnings before 2020-21.

Underlying cash balance estimates

The estimated underlying cash deficit in 2017-18 has improved by \$5.8 billion compared with the 2017-18 Budget. Table 3.5 provides a reconciliation of the variations in the underlying cash balance since the 2017-18 Budget.

Since the 2017-18 Budget, policy decisions, after taking account of Senate positions, have resulted in a \$573 million improvement in the underlying cash balance over the forward estimates.

Since the 2017-18 Budget, the effect of parameter and other variations has resulted in a \$2.4 billion increase in forecast receipts and a \$8.8 billion decrease in payments over the forward estimates.

From 2020-21 onwards, net Future Fund earnings are included in the calculation of the underlying cash balance because the Future Fund becomes available to meet the Government's superannuation liabilities from that year. The earnings do not include unrealised gains from the Future Fund that are the basis of the investment mandate provided to the Future Fund by the Government. Net Future Fund earnings are excluded from the calculation of the underlying cash balance between 2005-06 and 2019-20 as, under the *Future Fund Act 2006*, earnings are required to be reinvested to meet the future public sector superannuation liabilities in these years.

Table 3.5: Reconciliation of general government sector underlying cash balance estimates

	Estimates		Projections		Total \$m
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	
2017-18 Budget underlying cash balance(a)	-29,396	-21,422	-2,470	7,417	-45,870
Per cent of GDP	-1.6	-1.1	-0.1	0.4	
Changes from 2017-18 Budget to 2017-18 MYEFO					
Effect of policy decisions(b)(c)					
Receipts	280	-258	271	72	365
Payments	1,351	273	535	151	2,309
Total policy decisions impact on underlying cash balance	-1,071	-531	-264	-79	-1,944
Effect of parameter and other variations(c)					
Receipts	3,301	849	-932	-784	2,433
Payments	-3,430	-602	-1,144	-3,609	-8,785
less Net Future Fund earnings(d)	-128	-9	116	na	-22
Total parameter and other variations impact on underlying cash balance	6,859	1,460	96	2,825	11,240
2017-18 MYEFO underlying cash balance(a)	-23,608	-20,493	-2,638	10,163	-36,575
Per cent of GDP	-1.3	-1.1	-0.1	0.5	
<i>Memorandum:</i>					
<i>Net Future Fund earnings(d)</i>	<i>3,076</i>	<i>3,503</i>	<i>3,861</i>	<i>4,115</i>	<i>14,556</i>

(a) Excludes expected net Future Fund earnings before 2020-21.

(b) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

(c) A positive number for receipts improves the underlying cash balance, while a positive number for payments worsens the underlying cash balance.

(d) Under the *Future Fund Act 2006*, net Future Fund earnings will be available to meet the Government superannuation liability in 2020-21. From this time, the underlying cash balance includes expected net Future Fund earnings.

Decisions taken since the 2017-18 Budget as a result of Senate positions had a net negative impact on the underlying cash balance of \$2.5 billion over the forward estimates. Adjusting for these decisions, including those that helped secure parliamentary support for the Government's School Reform Package and the impact of a revised Higher Education Reform Package, the net impact of policy decisions taken since the 2017-18 Budget is a \$573 million improvement in the underlying cash balance over the forward estimates, as illustrated in Table 3.6 below.

Table 3.6: Reconciliation of Government decisions in the 2017-18 MYEFO adjusted for Senate positions (underlying cash balance estimates)

	Estimates		Projections		Total \$m
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	
Total impact of policy decisions since the 2017-18 Budget					
Receipts	280	-258	271	72	365
Payments	-1,351	-273	-535	-151	-2,309
Total impact of policy decisions prior to Senate positions	-1,071	-531	-264	-79	-1,944
Less: Decisions taken as a result of Senate positions					
Receipts	0	0	28	32	61
Higher Education Reforms - revised implementation	0	0	28	32	61
Payments	-165	-485	-764	-1,164	-2,578
Quality Schools - true needs based funding for Australia's Schools	-118	-260	-382	-545	-1,305
Higher Education Reforms - revised implementation	-63	-175	-157	-210	-605
Strengthening the Integrity of Welfare Payments and Better Management of the Social Welfare System - unlegislated components - not proceeding	20	-22	-200	-387	-590
Broadcasting and Content Reform Package - additional funding	-4	-28	-25	-22	-79
Total Decisions taken as a result of Senate positions	-165	-485	-736	-1,131	-2,517
Net Budget impact of new policy decisions in the 2017-18 MYEFO					
Receipts	280	-259	243	39	304
Payments	-1,186	213	229	1,013	269
Net Budget impact of new policy decisions in the 2017-18 MYEFO	-906	-46	472	1,052	573

Receipts estimates

Total receipts are expected to be \$3.6 billion higher in 2017-18 than estimated at the 2017-18 Budget. In 2017-18, tax receipts are \$5.0 billion higher and non-tax receipts are \$1.5 billion lower compared with the 2017-18 Budget. These revisions partly reflect the impact of the review of revenue reclassifications that occurred in the 2016-17 Final Budget Outcome (FBO), which had no impact on total receipts.

Tables 3.7 and Table 3.8 provide a summary of changes in total receipts in 2017-18 and 2018-19.

Table 3.7: Reconciliation of 2017-18 general government sector (cash) receipts

	Estimates		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	186,900	188,200	1,300	0.7
Gross other individuals	46,700	45,100	-1,600	-3.4
less: Refunds	29,000	29,200	200	0.7
Total individuals and other withholding tax	204,600	204,100	-500	-0.2
Fringe benefits tax	4,340	4,000	-340	-7.8
Company tax	77,800	81,000	3,200	4.1
Superannuation fund taxes	8,460	10,520	2,060	24.3
Petroleum resource rent tax	1,000	1,050	50	5.0
Income taxation receipts	296,200	300,670	4,470	1.5
Goods and services tax	62,558	62,602	44	0.1
Wine equalisation tax	890	900	10	1.1
Luxury car tax	650	680	30	4.6
Excise and customs duty				
Petrol	6,250	6,200	-50	-0.8
Diesel	10,630	10,870	240	2.3
Other fuel products	1,920	1,920	0	0.0
Tobacco	11,610	11,360	-250	-2.2
Beer	2,390	2,360	-30	-1.3
Spirits	2,130	2,070	-60	-2.8
Other alcoholic beverages(a)	950	950	0	0.0
Other customs duty				
Textiles, clothing and footwear	170	180	10	5.9
Passenger motor vehicles	470	480	10	2.1
Other imports	780	970	190	24.4
less: Refunds and drawbacks	420	420	0	0.0
Total excise and customs duty	36,880	36,940	60	0.2
Major bank levy	1,200	1,200	0	0.0
Agricultural levies	537	533	-4	-0.7
Other taxes(b)	5,387	5,825	438	8.1
Indirect taxation receipts	108,102	108,680	578	0.5
Taxation receipts	404,302	409,350	5,048	1.2
Sales of goods and services(b)	11,497	10,609	-888	-7.7
Interest received	3,233	3,249	15	0.5
Dividends	3,996	4,174	178	4.4
Other non-taxation receipts	10,465	9,694	-772	-7.4
Non-taxation receipts	29,191	27,725	-1,466	-5.0
Total receipts	433,494	437,075	3,581	0.8
<i>Memorandum:</i>				
Total excise	22,180	22,340	160	0.7
Total customs duty	14,700	14,600	-100	-0.7
Capital gains tax(c)	15,500	16,100	600	3.9

(a) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(b) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation receipts to taxation receipts and financial institutions supervisory levies were reclassified from taxation receipts to non-taxation receipts.

(c) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

Table 3.8: Reconciliation of 2018-19 general government sector (cash) receipts

	Estimates		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	198,500	198,900	400	0.2
Gross other individuals	49,300	46,900	-2,400	-4.9
less: Refunds	30,900	30,900	0	0.0
Total individuals and other withholding tax	216,900	214,900	-2,000	-0.9
Fringe benefits tax	4,430	4,210	-220	-5.0
Company tax	84,600	87,000	2,400	2.8
Superannuation fund taxes	9,460	10,210	750	7.9
Petroleum resource rent tax	1,000	1,100	100	10.0
Income taxation receipts	316,390	317,420	1,030	0.3
Goods and services tax	65,831	66,039	207	0.3
Wine equalisation tax	990	980	-10	-1.0
Luxury car tax	640	700	60	9.4
Excise and customs duty				
Petrol	6,400	6,250	-150	-2.3
Diesel	11,130	11,230	100	0.9
Other fuel products	1,920	1,930	10	0.5
Tobacco	12,720	12,380	-340	-2.7
Beer	2,470	2,410	-60	-2.4
Spirits	2,210	2,150	-60	-2.7
Other alcoholic beverages(a)	980	980	0	0.0
Other customs duty				
Textiles, clothing and footwear	170	180	10	5.9
Passenger motor vehicles	480	480	0	0.0
Other imports	780	970	190	24.4
less: Refunds and drawbacks	420	420	0	0.0
Total excise and customs duty	38,840	38,540	-300	-0.8
Major bank levy	1,600	1,600	0	0.0
Agricultural levies	533	536	3	0.7
Other taxes(b)	5,923	6,509	586	9.9
Indirect taxation receipts	114,357	114,904	547	0.5
Taxation receipts	430,747	432,324	1,577	0.4
Sales of goods and services(b)	14,600	14,091	-509	-3.5
Interest received	3,840	4,051	211	5.5
Dividends	3,637	3,407	-230	-6.3
Other non-taxation receipts	9,675	9,217	-458	-4.7
Non-taxation receipts	31,752	30,766	-986	-3.1
Total receipts	462,500	463,091	591	0.1
<i>Memorandum:</i>				
<i>Total excise</i>	22,930	22,870	-60	-0.3
<i>Total customs duty</i>	15,910	15,670	-240	-1.5
<i>Capital gains tax(c)</i>	16,800	17,500	700	4.2

(a) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(b) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation receipts to taxation receipts and financial institutions supervisory levies were reclassified from taxation receipts to non-taxation receipts.

(c) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

Table 3.9 shows the Australian Government general government cash receipts from 2016-17 to 2020-21 by heads of revenue.

Table 3.9: Australian Government general government sector (cash) receipts

	Actual	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Individuals and other withholding taxes					
Gross income tax withholding	179,355	188,200	198,900	214,300	228,800
Gross other individuals	42,871	45,100	46,900	50,900	55,100
less: Refunds	28,364	29,200	30,900	32,500	33,500
Total individuals and other withholding tax	193,863	204,100	214,900	232,700	250,400
Fringe benefits tax	4,046	4,000	4,210	4,500	4,750
Company tax	68,390	81,000	87,000	92,400	96,000
Superannuation fund taxes	8,218	10,520	10,210	11,160	12,260
Petroleum resource rent tax(a)	981	1,050	1,100	1,100	1,100
Income taxation receipts	275,498	300,670	317,420	341,860	364,510
Goods and services tax	60,023	62,602	66,039	68,515	72,185
Wine equalisation tax	842	900	980	1,050	1,090
Luxury car tax	664	680	700	750	790
Excise and customs duty					
Petrol	6,174	6,200	6,250	6,650	6,850
Diesel	10,341	10,870	11,230	11,980	12,430
Other fuel products	1,948	1,920	1,930	2,030	2,060
Tobacco	10,453	11,360	12,380	13,700	14,820
Beer	2,375	2,360	2,410	2,500	2,560
Spirits	2,057	2,070	2,150	2,220	2,310
Other alcoholic beverages(b)	919	950	980	1,030	1,040
Other customs duty					
Textiles, clothing and footwear	279	180	180	180	190
Passenger motor vehicles	540	480	480	490	550
Other imports	1,148	970	970	1,000	1,070
less: Refunds and drawbacks	397	420	420	420	420
Total excise and customs duty	35,837	36,940	38,540	41,360	43,460
Major bank levy	-	1,200	1,600	1,700	1,800
Agricultural levies	547	533	536	547	557
Other taxes(c)	5,860	5,825	6,509	6,887	7,113
Indirect taxation receipts	103,773	108,680	114,904	120,809	126,995
Taxation receipts	379,271	409,350	432,324	462,669	491,505
Sales of goods and services(c)	8,050	10,609	14,091	14,930	15,230
Interest received	2,925	3,249	4,051	4,893	5,342
Dividends	6,874	4,174	3,407	4,105	4,542
Other non-taxation receipts	12,748	9,694	9,217	9,648	8,991
Non-taxation receipts	30,597	27,725	30,766	33,577	34,105
Total receipts	409,868	437,075	463,091	496,246	525,609
<i>Memorandum:</i>					
Total excise	21,800	22,340	22,870	24,270	25,010
Total customs duty	14,037	14,600	15,670	17,090	18,450
Capital gains tax(d)	12,700	16,100	17,500	18,900	20,400

(a) This item includes a small amount of MRRT receipts relating to a pre-2013-14 income year which cannot be separately disclosed owing to taxpayer confidentiality.

(b) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation receipts to taxation receipts and financial institutions supervisory levies were reclassified from taxation receipts to non-taxation receipts.

(d) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes. The 2016-17 reported figure is an estimate.

Policy decisions

Policy decisions since the 2017-18 Budget have increased total receipts by \$280 million in 2017-18 and by \$365 million over the forward estimates period.

Parameter and other variations

Parameter and other variations have increased total receipts since the 2017-18 Budget by \$3.3 billion in 2017-18 and \$2.4 billion over the forward estimates period.

Parameter and other variations have decreased non-taxation receipts since the 2017-18 Budget by \$1.8 billion in 2017-18 and \$2.6 billion over the forward estimates period, largely reflecting the impact of revenue reclassifications that occurred in the 2016-17 FBO, which had no impact on total receipts.

Parameter and other variations, including the impact of the revenue reclassifications, have increased tax receipts since the 2017-18 Budget by \$5.1 billion in 2017-18 and \$5.0 billion over the forward estimates period. Excluding GST, parameter and other variations have increased tax receipts by \$5.0 billion in 2017-18 and by \$3.6 billion over the forward estimates. This revision reflects stronger-than-expected collections from company tax and superannuation fund taxes. Weaker forecasts for wages and unincorporated business income are expected to weigh on individuals' income tax.

The key economic parameters that influence tax receipts and tax revenue are shown in Table 3.10. The table shows effects on the Australian Government's main tax bases of the changed circumstances and outlook since the 2017-18 Budget.

Table 3.10: Key economic parameters^(a)

	Outcome	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue parameters at 2017-18 MYEFO					
Nominal gross domestic product	5.8	3 1/2	4	4 1/2	4 3/4
<i>Change since 2017-18 Budget</i>	-0.1	- 1/2	0	0	0
Compensation of employees(b)	2.2	3 3/4	3 3/4	4 3/4	5 1/4
<i>Change since 2017-18 Budget</i>	0.0	1/4	- 1/2	- 1/4	0
Corporate gross operating surplus(c)	14.0	5 1/2	3 3/4	3 1/2	3 1/4
<i>Change since 2017-18 Budget</i>	-0.2	- 1/4	1	1/4	0
Unincorporated business income	3.2	3	5 1/4	5 1/4	5 1/4
<i>Change since 2017-18 Budget</i>	-1.5	-2 3/4	3/4	1/2	- 1/2
Property income(d)	2.5	4	6	4 3/4	5
<i>Change since 2017-18 Budget</i>	-0.7	-1 3/4	1/4	- 1/2	- 1/4
Consumption subject to GST	2.9	3 1/4	5	5 1/2	5 1/4
<i>Change since 2017-18 Budget</i>	-0.5	-1 1/2	- 1/2	- 1/4	- 1/2

(a) Current prices, per cent change on previous year. Changes since the 2017-18 Budget are percentage points and may not reconcile due to rounding.

(b) Compensation of employees measures total remuneration earned by employees.

(c) Corporate gross operating surplus is an Australian System of National Accounts measure of company profits, gross of depreciation.

(d) Property income measures income derived from interest, rent and dividends.

Excluding policy decisions, individuals taxes have been revised down by \$500 million (0.2 per cent) in 2017-18 and \$8.0 billion over the forward estimates. This reflects weaker forecasts for average wages growth and unincorporated business income.

Excluding policy decisions, company tax receipts have been revised up by \$3.2 billion (4.1 per cent) in 2017-18 and \$7.4 billion over the forward estimates. This is driven by stronger-than-expected collections in the year to date (partly reflecting higher mining profits in 2016-17), successful ATO enforcement activity and higher forecast growth for corporate profits from 2018-19.

Excluding policy decisions, superannuation fund taxes have been revised up by \$2.1 billion in 2017-18 and \$3.4 billion over the forward estimates. This is driven by stronger-than-expected collections from APRA funds. Higher capital gains tax receipts are expected in the near term as some superannuation funds have used up the stock of capital losses they accumulated in previous years.

Excluding policy decisions, goods and services tax receipts have been revised up by \$100 million in 2017-18 and \$1.4 billion over the forward estimates. This reflects stronger-than-expected collections since the Budget, including the 2016-17 outcome, partly offset by a weaker forecast for growth in consumption subject to GST.

Excluding policy decisions, excise and customs duties have been revised up by \$60 million in 2017-18 and down by \$1.2 billion over the forward estimates, with lower forecasts for tobacco, alcohol and petrol partly offset by higher forecasts for diesel and other customs duty.

The estimate for the major bank levy is the same as at the 2017-18 Budget. Recent data from the major banks was in line with expectations. The first instalments are due in March 2018.

Analysis of the sensitivity of the receipts estimates to changes in the economic outlook is provided in Attachment A to this part.

The 2017-18 MYEFO continues to include provisions for a number of Free Trade Agreements (FTAs) which have not been finalised:

- Environmental Goods Agreement;
- FTA with the Gulf Cooperation Council;
- India FTA – Comprehensive Economic Cooperation Agreement;
- Regional Comprehensive Economic Partnership;
- Australia's accession to the World Trade Organisation Government Procurement Agreement;

- Indonesia-Australia Comprehensive Economic Partnership Agreement; and
- Australia-Hong Kong Free Trade Agreement.

The 2017-18 MYEFO also includes new provisions for the Pacific Alliance Free Trade Agreement, Peru-Australia Free Trade Agreement and the Australia-European Union Free Trade Agreement.

Payments estimates

Since the 2017-18 Budget, total cash payments for 2017-18 have decreased by \$2.1 billion and have decreased by \$6.5 billion over the four years to 2020-21. The overall net impact of payment related decisions (excluding the impact of Senate positions) has decreased total cash payments by \$269 million over the four years to 2020-21.

Policy decisions

Major increases in payments as a result of policy decisions since the 2017-18 Budget include:

- introducing new and amended listings on the Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme, which is expected to increase payments by \$2.1 billion over the four years to 2020-21;
- implementing the Quality Schools reform package to build on the 2017-18 Budget measure titled *Quality Schools - true needs-based funding for Australia's schools*, which delivers a consistent Commonwealth approach for all schools in all States and Territories. This is expected to increase payments by \$1.3 billion over the four years to 2020-21;
- proceeding with *Higher Education Reform* to improve transparency, accountability, affordability and responsiveness to the aspirations of students and future workforce needs. This is expected to increase payments by \$605 million over the four years to 2020-21; and
- providing additional funding in response to recommendations from the 2017 Independent Intelligence Review, including establishing the Office of National Intelligence, which is expected to increase payments by \$118 million over the four years to 2020-21.

Major decreases in payments as a result of policy decisions since the 2017-18 Budget include:

- extending and expanding the requirements for newly arrived migrants to wait before they can access certain welfare payments, which is expected to decrease payments by \$1.2 billion over the four years to 2020-21;

- improving the integrity of payments to family day care services through increased compliance efforts to ensure a strong transition to the new Child Care package, which is expected to decrease payments by \$1.0 billion over the four years to 2020-21;
- requiring Family Tax Benefit lump-sum, reconciliation or instalment arrears payments to be used to repay outstanding social security, student assistance or Paid Parental Leave debts. This is expected to decrease payments by \$405 million over the four years to 2020-21; and
- maintaining the higher income thresholds and supplement amounts for family payments at their current levels until 30 June 2021, which is expected to decrease payments by \$186 million over the four years to 2020-21.

Parameter and other variations

Parameter and other variations have decreased total cash payments since the 2017-18 Budget by \$3.4 billion in 2017-18 and \$8.8 billion over the four years to 2020-21.

Major decreases in cash payments as a result of parameter and other variations since the 2017-18 Budget include:

- payments related to the Income Support for People with Disability program, which are expected to decrease by \$439 million in 2017-18 (\$1.5 billion over the four years to 2020-21), largely reflecting lower-than-expected recipient numbers;
- payments related to the Student Payments program, which are expected to decrease by \$252 million in 2017-18 (\$1.2 billion over the four years to 2020-21), largely reflecting lower-than-expected recipient numbers and higher recipient earnings reducing average payment rates, resulting from more students moving into work;
- payments related to the Parents Income Support program, which are expected to decrease by \$175 million in 2017-18 (\$1.1 billion over the four years to 2020-21), largely reflecting lower-than-expected recipient numbers and lower than forecast average payment rates, resulting in part from Government policies aimed at ensuring fewer Australians move onto welfare and more move from welfare to work;
- payments related to the Income Support for Seniors program, which are expected to decrease by \$361 million in 2017-18 (\$755 million over the four years to 2020-21), largely reflecting slower-than-expected growth in the number of Age Pension recipients. This has been partially offset by higher-than-expected average Age Pension payment rates; and

- payments related to the Research and Development Tax Incentive program, which are expected to decrease by \$128 million in 2017-18 (\$696 million over the four years to 2020-21), primarily reflecting reduced eligible incentive amounts and lower than forecast claims.

Major increases in cash payments as a result of parameter and other variations since the 2017-18 Budget include:

- payments relating to the Fuel Tax Credits Scheme, which are expected to increase by \$290 million in 2017-18 (\$1.1 billion over the four years to 2020-21), largely reflecting higher-than-expected usage of fuels that are eligible for Fuel Tax Credits;
- payments to the States and Territories under the Natural Disaster Relief and Recovery Arrangement program, which are expected to increase by \$88 million in 2017-18 (\$812 million over the three years to 2019-20), largely reflecting the impacts of Tropical Cyclone Debbie which were not available for inclusion at the time of the 2017-18 Budget;
- payments relating to the Medical Benefits program, which are expected to increase by \$78 million in 2017-18 (\$405 million over the four years to 2020-21), reflecting ongoing growth in the access to, and use of, medical services;
- payments related to the Military Rehabilitation Compensation Acts – Income Support and Compensation program, which are expected to increase by \$140 million in 2017-18 (\$251 million over the four years to 2020-21), largely reflecting an increase in claims processing capabilities; and
- payments related to the Australian Screen Production Incentive program, which are expected to increase by \$115 million in 2017-18 (\$167 million over four years to 2020-21), largely reflecting tax offsets for qualifying film expenditure in the 2016-17 financial year to be paid in 2017-18.

Consistent with previous budgets, the underlying cash balance has been improved by the regular draw down of the conservative bias allowance. Details of this draw down are provided at Attachment C to this part.

Analysis of the sensitivity of the payments estimates to changes in the economic outlook is provided in Attachment A to this part.

Net operating balance estimates

Table 3.11 provides a reconciliation of net operating balance estimates, including the impact of policy decisions and parameter and other variations on revenue and expenses since the 2017-18 Budget.

Table 3.11: Reconciliation of general government sector net operating balance estimates

	Estimates		Projections		Total
	2017-18	2018-19	2019-20	2020-21	
	\$m	\$m	\$m	\$m	\$m
2017-18 Budget net operating balance	-19,848	-10,765	7,622	17,471	-5,520
Per cent of GDP	-1.1	-0.6	0.4	0.8	
Changes from 2017-18 Budget to 2017-18 MYEFO					
Effect of policy decisions(a)(b)					
Revenue	-197	-367	-131	-408	-1,102
Expenses	877	40	384	98	1,398
Total policy decisions impact on net operating balance	-1,073	-406	-515	-505	-2,500
Effect of parameter and other variations(b)					
Revenue	4,484	-144	-2,878	-1,750	-287
Expenses	1,798	-1,391	-2,556	-5,687	-7,836
Total parameter and other variations impact on net operating balance	2,686	1,247	-322	3,937	7,548
2017-18 MYEFO net operating balance	-18,235	-9,924	6,785	20,902	-472
Per cent of GDP	-1.0	-0.5	0.3	1.0	
<i>Net capital investment</i>					
Effect of net capital investment(c)	193	4,823	5,261	6,094	16,371
2017-18 MYEFO fiscal balance	-18,428	-14,747	1,524	14,808	-16,843
Per cent of GDP	-1.0	-0.8	0.1	0.7	

(a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

(b) A positive number for revenue improves the net operating balance, while a positive number for expenses worsens the net operating balance.

(c) A positive number for net capital investment worsens the fiscal balance.

Compared with the 2017-18 Budget, the net operating balance is expected to improve by \$1.6 billion in 2017-18 and \$5.0 billion over the forward estimates.

Revenue estimates

Total revenue has been revised up by \$4.3 billion in 2017-18 since the 2017-18 Budget.

While changes in tax revenue (measured when the obligation to pay tax is incurred) are generally driven by the same factors as tax receipts (measured when the tax is collected), there are differences as not all revenue raised in a given year is actually paid in that year. These differences exist for most revenue heads and vary across years.

Detailed Australian Government general government sector revenue estimates for 2017-18 and 2018-19, compared with estimates from the 2017-18 Budget, are provided in Tables 3.12 and 3.13 respectively. Table 3.14 shows the Australian Government general government revenue from 2016-17 to 2020-21 by heads of revenue.

Table 3.12: Reconciliation of 2017-18 general government sector (accrual) revenue

	Estimates		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	188,750	190,600	1,850	1.0
Gross other individuals	49,860	47,800	-2,060	-4.1
<i>less: Refunds</i>	29,000	29,200	200	0.7
Total individuals and other withholding tax	209,610	209,200	-410	-0.2
Fringe benefits tax	4,430	4,080	-350	-7.9
Company tax	79,400	83,800	4,400	5.5
Superannuation fund taxes	8,540	10,570	2,030	23.8
Petroleum resource rent tax	990	1,030	40	4.0
Income taxation revenue	302,970	308,680	5,710	1.9
Goods and services tax	65,710	65,560	-150	-0.2
Wine equalisation tax	900	920	20	2.2
Luxury car tax	650	680	30	4.6
Excise and customs duty				
Petrol	6,250	6,200	-50	-0.8
Diesel	10,640	10,880	240	2.3
Other fuel products	1,920	1,920	0	0.0
Tobacco	11,610	11,530	-80	-0.7
Beer	2,390	2,360	-30	-1.3
Spirits	2,130	2,070	-60	-2.8
Other alcoholic beverages(a)	950	950	0	0.0
Other customs duty				
Textiles, clothing and footwear	170	180	10	5.9
Passenger motor vehicles	490	500	10	2.0
Other imports	790	980	190	24.1
<i>less: Refunds and drawbacks</i>	420	420	0	0.0
Total excise and customs duty	36,920	37,150	230	0.6
Major bank levy	1,600	1,600	0	0.0
Agricultural levies	537	533	-4	-0.7
Other taxes(b)	6,141	6,385	244	4.0
Indirect taxation revenue	112,458	112,828	371	0.3
Taxation revenue	415,428	421,508	6,080	1.5
Sales of goods and services(b)	11,496	10,491	-1,005	-8.7
Interest	4,397	3,580	-816	-18.6
Dividends	3,517	3,112	-405	-11.5
Other non-taxation revenue	9,578	10,012	434	4.5
Non-taxation revenue	28,987	27,194	-1,793	-6.2
Total revenue	444,414	448,702	4,288	1.0
<i>Memorandum:</i>				
<i>Total excise</i>	22,190	22,350	160	0.7
<i>Total customs duty</i>	14,730	14,800	70	0.5
<i>Capital gains tax(c)</i>	15,500	16,100	600	3.9

(a) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(b) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation revenue to taxation revenue and financial institutions supervisory levies were reclassified from taxation revenue to non-taxation revenue.

(c) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

Table 3.13: Reconciliation of 2018-19 general government sector (accrual) revenue

	Estimates		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	200,400	200,900	500	0.2
Gross other individuals	52,720	49,700	-3,020	-5.7
<i>less: Refunds</i>	30,900	30,900	0	0.0
Total individuals and other withholding tax	222,220	219,700	-2,520	-1.1
Fringe benefits tax	4,520	4,290	-230	-5.1
Company tax	86,400	88,800	2,400	2.8
Superannuation fund taxes	9,510	10,260	750	7.9
Petroleum resource rent tax	990	1,110	120	12.1
Income taxation revenue	323,640	324,160	520	0.2
Goods and services tax	68,460	68,550	90	0.1
Wine equalisation tax	1,000	1,000	0	0.0
Luxury car tax	640	700	60	9.4
Excise and customs duty				
Petrol	6,410	6,260	-150	-2.3
Diesel	11,140	11,240	100	0.9
Other fuel products	1,920	1,930	10	0.5
Tobacco	12,720	12,570	-150	-1.2
Beer	2,470	2,410	-60	-2.4
Spirits	2,210	2,150	-60	-2.7
Other alcoholic beverages(a)	980	980	0	0.0
Other customs duty				
Textiles, clothing and footwear	170	180	10	5.9
Passenger motor vehicles	500	500	0	0.0
Other imports	790	980	190	24.1
<i>less: Refunds and drawbacks</i>	420	420	0	0.0
Total excise and customs duty	38,890	38,780	-110	-0.3
Major bank levy	1,700	1,700	0	0.0
Agricultural levies	533	536	3	0.7
Other taxes(b)	6,910	7,711	801	11.6
Indirect taxation revenue	118,132	118,977	845	0.7
Taxation revenue	441,772	443,137	1,365	0.3
Sales of goods and services(b)	14,654	13,980	-674	-4.6
Interest	5,470	4,463	-1,007	-18.4
Dividends	4,125	3,935	-190	-4.6
Other non-taxation revenue	10,077	10,073	-4	0.0
Non-taxation revenue	34,326	32,451	-1,875	-5.5
Total revenue	476,099	475,588	-510	-0.1
<i>Memorandum:</i>				
<i>Total excise</i>	22,950	22,890	-60	-0.3
<i>Total customs duty</i>	15,940	15,890	-50	-0.3
<i>Capital gains tax(c)</i>	16,800	17,500	700	4.2

(a) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(b) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation revenue to taxation revenue and financial institutions supervisory levies were reclassified from taxation revenue to non-taxation revenue.

(c) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

Table 3.14: Australian Government general government sector (accrual) revenue

	Actual	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
Individuals and other withholding taxes					
Gross income tax withholding	180,618	190,600	200,900	216,400	231,000
Gross other individuals	45,133	47,800	49,700	53,800	58,000
less: Refunds	28,364	29,200	30,900	32,500	33,500
Total individuals and other withholding tax	197,388	209,200	219,700	237,700	255,500
Fringe benefits tax	3,905	4,080	4,290	4,580	4,830
Company tax	71,170	83,800	88,800	94,100	96,900
Superannuation fund taxes	8,228	10,570	10,260	11,220	12,320
Petroleum resource rent tax(a)	976	1,030	1,110	1,110	1,110
Income taxation revenue	281,667	308,680	324,160	348,710	370,660
Goods and services tax	62,727	65,560	68,550	71,360	75,300
Wine equalisation tax	850	920	1,000	1,070	1,110
Luxury car tax	674	680	700	750	790
Excise and customs duty					
Petrol	6,201	6,200	6,260	6,540	6,850
Diesel	10,387	10,880	11,240	11,790	12,440
Other fuel products	1,955	1,920	1,930	2,000	2,060
Tobacco	10,612	11,530	12,570	13,700	14,940
Beer	2,384	2,360	2,410	2,440	2,560
Spirits	2,059	2,070	2,150	2,220	2,310
Other alcoholic beverages(b)	923	950	980	1,030	1,040
Other customs duty					
Textiles, clothing and footwear	279	180	180	180	190
Passenger motor vehicles	540	500	500	500	550
Other imports	1,149	980	980	1,010	1,070
less: Refunds and drawbacks	397	420	420	420	420
Total excise and customs duty	36,091	37,150	38,780	40,990	43,590
Major bank levy	-	1,600	1,700	1,800	1,900
Agricultural levies	554	533	536	547	557
Other taxes(c)	6,078	6,385	7,711	8,202	8,488
Indirect taxation revenue	106,974	112,828	118,977	124,719	131,735
Taxation revenue	388,641	421,508	443,137	473,429	502,395
Sales of goods and services(c)	8,230	10,491	13,980	14,838	15,124
Interest	2,992	3,580	4,463	5,432	6,004
Dividends	4,998	3,112	3,935	4,325	4,745
Other non-taxation revenue	10,863	10,012	10,073	9,787	9,951
Non-taxation revenue	27,082	27,194	32,451	34,382	35,825
Total revenue	415,723	448,702	475,588	507,811	538,220
<i>Memorandum:</i>					
Total excise	21,895	22,350	22,890	23,880	25,020
Total customs duty	14,196	14,800	15,890	17,110	18,570
Capital gains tax(d)	12,700	16,100	17,500	18,900	20,400

(a) This item includes a small amount of MRRT revenue relating to a pre-2013-14 income year which cannot be separately disclosed owing to taxpayer confidentiality.

(b) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation revenue to taxation revenue and financial institutions supervisory levies were reclassified from taxation revenue to non-taxation revenue.

(d) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes. The 2016-17 reported figure is an estimate.

Expense estimates

Movements in accrual expenses over the forward estimates are broadly similar to the movements in cash payments. The key exceptions include:

- superannuation benefits, where there is a timing difference with the expense accruing during employment and cash payments occurring during retirement; and
- purchases of non-financial assets, which are included in cash payments but not in accrual expenses. The expense estimates include depreciation of non-financial assets rather than recognising the impact at the time of purchase.

Estimates of Australian Government general government sector expenses by function can be found in Attachment C to this part.

Table 3.15 provides a reconciliation of expense estimates.

Table 3.15 Reconciliation of general government sector expense estimates

	Estimates		Projections		Total
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	
2017-18 Budget expenses	464,262	486,863	503,198	522,907	1,977,230
Changes from 2017-18 Budget to 2017-18 MYEFO					
Effect of policy decisions(a)	877	40	384	98	1,398
Effect of economic parameter variations					
<i>Unemployment benefits</i>	-168	-140	-242	-150	-700
<i>Prices and wages</i>	-197	-406	-463	-474	-1,540
<i>Interest and exchange rates</i>	-26	-27	-44	-41	-138
<i>GST payments to the States</i>	120	500	490	320	1,430
Public debt interest	-195	-289	-430	-591	-1,505
Program specific parameter variations	1,030	-1,794	-985	-2,017	-3,765
Other variations	1,234	765	-882	-2,735	-1,618
Total variations	2,675	-1,351	-2,172	-5,589	-6,437
2017-18 MYEFO expenses	466,937	485,512	501,026	517,318	1,970,792

(a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Net capital investment estimates

Table 3.16 provides a reconciliation of the net capital investment estimates.

Table 3.16: Reconciliation of general government sector net capital investment estimates

	Estimates		Projections		Total
	2017-18	2018-19	2019-20	2020-21	
	\$m	\$m	\$m	\$m	\$m
2017-18 Budget net capital investment	484	4,770	4,892	6,037	16,183
Changes from 2017-18 Budget to 2017-18 MYEFO					
Effect of policy decisions(a)	70	72	-29	13	126
Effect of parameter and other variations	-361	-19	398	44	63
Total variations	-290	53	369	57	189
2017-18 MYEFO net capital investment	193	4,823	5,261	6,094	16,371

(a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Headline cash balance

The headline cash balance consists of the underlying cash balance, net cash flows from investments in financial assets for policy purposes (for example, the equity funding of NBN Co) and net Future Fund earnings. Table 3.17 provides further detail between the underlying and headline cash balance estimates of the Australian Government general government sector.

The headline cash balance for 2017-18 is estimated to be a deficit of \$39.6 billion, compared with a deficit of \$48.4 billion at the 2017-18 Budget. The headline cash balance is projected to improve to a surplus of \$17.4 billion in 2020-21, compared with \$11.7 billion at the 2017-18 Budget. The improvement in the headline cash balance since the 2017-18 Budget has been primarily driven by the improvement in the underlying cash balance and a lower estimate of the number of students accessing income contingent loans.

Table 3.17: Reconciliation of general government sector underlying and headline cash balance estimates

	Estimates		Projections		Total
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	
2017-18 MYEFO underlying cash balance(a)	-23,608	-20,493	-2,638	10,163	-36,575
plus Net cash flows from investments in financial assets for policy purposes					
Student loans	-6,056	-6,318	-6,185	-6,219	-24,778
NBN investment	-2,035	0	0	0	-2,035
NBN Loan	-8,843	-7,769	-2,688	19,300	0
Residential mortgage backed securities	1,919	0	0	0	1,919
WestConnex	-722	-576	-85	0	-1,383
Trade support loans	-163	-167	-173	-162	-665
CEFC loans and investments	-1,374	-611	-717	-767	-3,468
Northern Australia Infrastructure Facility	-337	-1,242	-1,299	-819	-3,696
Drought and rural assistance loans	-192	-202	-143	-144	-680
National water infrastructure loan facility	-100	-200	-500	-500	-1,300
Net other(b)	-1,140	-2,160	-2,640	-3,442	-9,382
Total net cash flows from investments in financial assets for policy purposes	-19,042	-19,245	-14,430	7,248	-45,468
plus Net Future Fund earnings(c)	3,076	3,503	3,861	na	10,441
2017-18 MYEFO headline cash balance	-39,573	-36,235	-13,206	17,412	-71,602
<i>Memorandum:</i>					
<i>Net Future Fund earnings(c)</i>	<i>3,076</i>	<i>3,503</i>	<i>3,861</i>	<i>4,115</i>	<i>14,556</i>

(a) Excludes expected net Future Fund earnings before 2020-21.

(b) Net other includes proposed equity payments for infrastructure projects. The amounts have not been itemised for commercial-in-confidence reasons.

(c) Under the *Future Fund Act 2006*, net Future Fund earnings will be available to meet the Government superannuation liability in 2020-21. From this time, the underlying cash balance includes expected net Future Fund earnings.

Recurrent and capital spending

Table 3.18 outlines estimates of recurrent and capital spending as a proportion of total spending from 2017-18 to 2020-21.

Table 3.18: Recurrent and capital spending as a proportion of total spending

	Estimates		Projections	
	2017-18 \$b	2018-19 \$b	2019-20 \$b	2020-21 \$b
Recurrent spending				
Operating payments	282.3	296.7	311.4	326.6
Recurrent grants	86.1	91.8	91.1	93.3
Total recurrent spending	368.4	388.5	402.5	419.8
Per cent of total spending	88.6	89.6	91.2	92.2
Capital spending				
Direct capital investment(a)	13.2	14.0	14.8	15.9
Capital grants	13.1	11.8	9.5	7.8
Financial asset investments (policy purposes)	21.0	19.2	14.4	12.1
Total capital spending	47.2	45.0	38.7	35.7
Per cent of total spending	11.4	10.4	8.8	7.8
Total spending	415.6	433.5	441.2	455.6

(a) Non-financial asset purchases and net acquisition of assets under finance leases.

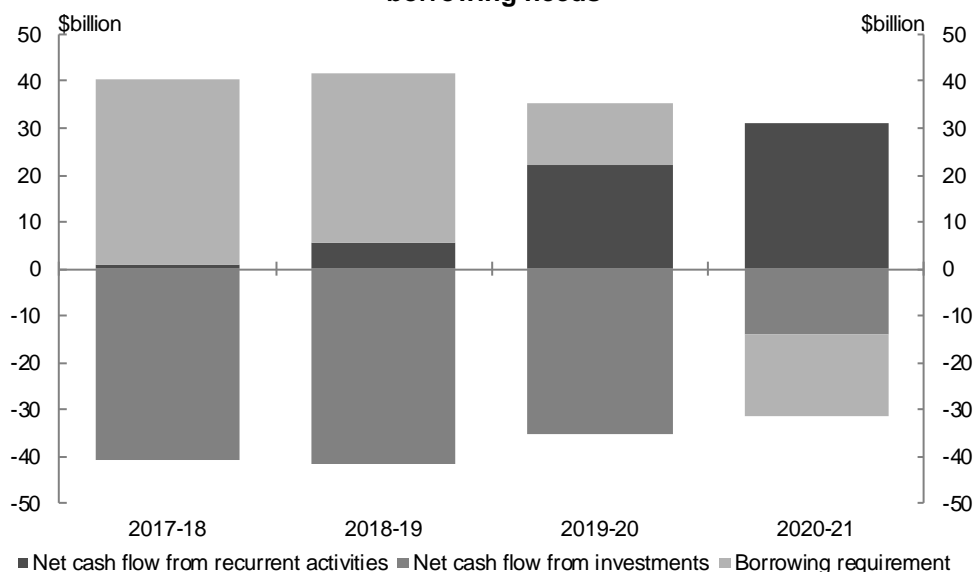
Note: Recurrent payments include pension and income support payments, payments to government employees, payments for goods and services, grants and subsidies not made for capital purposes and specific purpose payments to States for recurrent purposes. Capital payments include the purchase of land and buildings, software and other facilities, grants and subsidies made for capital purposes and specific purpose payments to States for capital purposes.

Note: Investments in financial assets for policy purposes are shown on a gross basis, where available (otherwise data is only available on a net basis).

Impact of capital and recurrent spending on debt

Chart 3.4 sets out estimates of the Government's annual borrowing for capital and recurrent cash spending. It does this by analysing the net cash flows from recurrent activities and the cash flows for investment. Together they indicate the Government's requirement for new borrowing in each year to fund the total of capital and recurrent spending.

Chart 3.4: Contributions of recurrent and capital spending to government borrowing needs



Note: Net cash flow from investments includes spending to acquire physical assets, spending to acquire financial assets and capital grants to the States and other entities.

Note: The borrowing requirement reflects the amounts to be financed to cover net cash flows from recurrent activities and net cash flows from investments but does not include the funding required for liquidity purposes or refinancing.

This analysis effectively illustrates that from 2017-18 and over the remainder of the forward estimates, the Government is not expected to need to borrow for recurrent spending. This is a year earlier than was expected at the time of the 2017-18 Budget. In 2017-18, net cash flows from recurrent activities are broadly in balance and from 2018-19 they effectively make a contribution to funding capital spending. This reflects the Government’s policy to stabilise net debt while still maintaining a strong capital investment program.

Structural budget balance

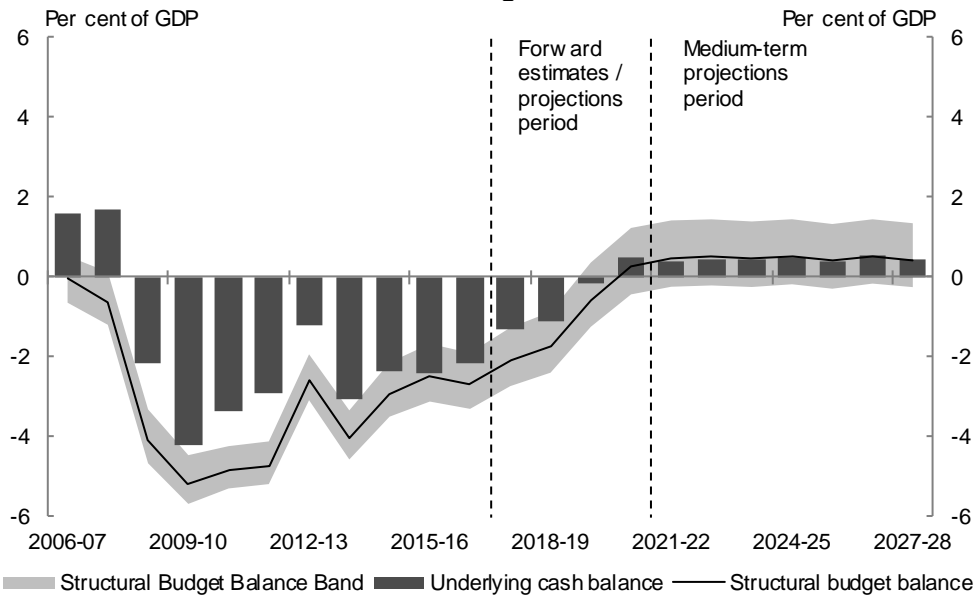
Restoring the structural integrity of the budget is crucial for achieving surpluses on average over the economic cycle and paying down government debt, consistent with the medium-term fiscal strategy.

The structural budget balance estimates seek to remove factors that have a temporary impact on revenues and expenditures, such as fluctuations in commodity prices and the extent to which economic output deviates from its potential level. Considered in conjunction with other measures, estimates of the structural budget balance can provide insight into the sustainability of current fiscal settings.

Consistent with the 2017-18 Budget, the overall level of the structural budget balance improves from a deficit of around 2.1 per cent of GDP in 2017-18, to a series of small surpluses from 2020-21 onwards. On average, over the whole period, estimates of the structural budget balance are stable.

Cyclical factors are projected to dissipate by the end of 2023-24. From then the structural budget balance converges to the underlying cash balance (see Chart 3.5).

Chart 3.5: Structural budget balance estimates



Note: The methodology for producing structural budget balance estimates was detailed in Treasury Working Paper 2013-01 and incorporates the medium-term projection methodology detailed in Treasury Working Paper 2014-02.

FORECAST UNCERTAINTIES, SENSITIVITIES AND SCENARIOS

Overview

The macroeconomic and fiscal forecasts presented in the 2017-18 MYEFO incorporate assumptions and judgments based on information available at the time of preparation.

Macroeconomic and fiscal forecasts are important for Government policy and decision making. The budget estimates provide a fiscal baseline against which policy decisions are taken by the Government. Better forecasting and a better understanding of the uncertainties around the forecasts contribute to better policy and decision making.

This Attachment presents an assessment of the historical performance of Budget forecasts and estimates of uncertainty around these forecasts. This assessment is consistent with the practice of many other international fiscal agencies to improve forecasting performance and, more importantly, to raise awareness of the uncertainties inherent in forecasting.

This Attachment also presents an analysis of the sensitivity of 2017-18 MYEFO estimates to changes in key assumptions as required under the *Charter of Budget Honesty Act 1998*. An analysis of how alternative assumptions over the medium term can affect the fiscal projections is also included.

CONFIDENCE INTERVALS AROUND ECONOMIC AND FISCAL FORECASTS

Measures of uncertainty around economic forecasts

The Government's macroeconomic forecasts are prepared using a range of modelling techniques including macro-econometric models, spreadsheet analysis and accounting frameworks. These are supplemented by survey data, business liaison, professional opinion and judgment.

Forecasts are subject to inherent uncertainties. Generally, these uncertainties tend to increase as the forecast horizon lengthens. Forecast errors (the differences between forecasts and outcomes) can arise for a range of reasons — for example, differences between the assumed path of key variables and outcomes as well as changes in the relationships between different parts of the economy.

Confidence intervals seek to illustrate that there is a range of plausible outcomes around any forecast. Confidence intervals are based on observed historical patterns of forecast errors. They are a guide to the degree of uncertainty around a forecast and can span a wide range of outcomes.

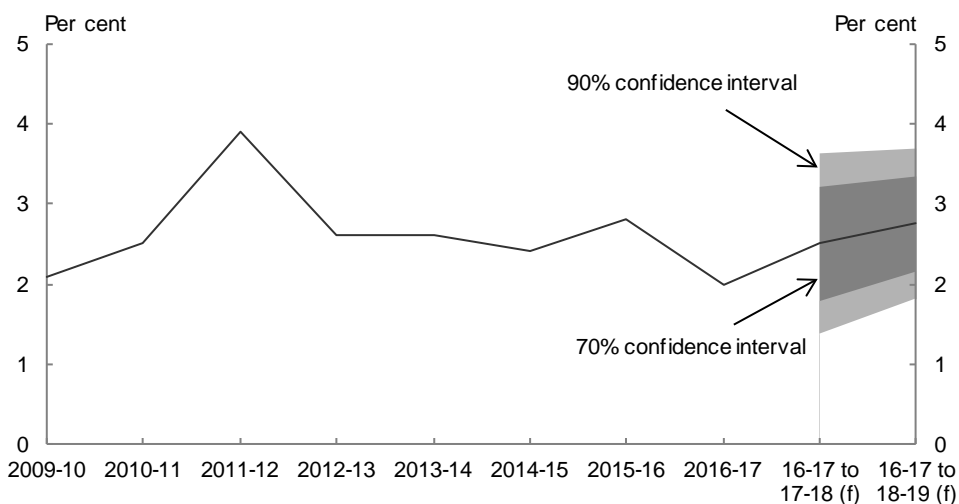
Real GDP forecasts

Real GDP forecasts in the MYEFO are based on a number of key assumptions including exchange rates, interest rates and commodity prices. The forecasts also incorporate judgments about how developments in one part of the Australian economy affect other parts and how the domestic economy is affected by events in the international economy.

The accuracy of the forecasts depends on the extent to which the assumptions and judgments underpinning them prove to be correct – and also the reliability of the economic relationships embodied in the macroeconomic models used to produce them. Forecast errors for real GDP can also be caused by unexpected shifts in the pace and nature of economic activity during the forecast period.

Chart 3.6 shows that the average annualised growth rate in real GDP in the two years to 2018-19 is expected to be around 2¾ per cent, with the 70 per cent confidence interval ranging from 2¼ to 3¼ per cent. In other words, if forecast errors are similar to those made over recent years, there is a 70 per cent probability that the growth rate will lie in this range.

Chart 3.6: Confidence intervals around real GDP growth rate forecasts



Note: The central line shows the outcomes and the 2017-18 MYEFO forecasts. Annual growth rates are reported for the outcomes. Average annualised growth rates from 2016-17 are reported for 2017-18 onwards. (f) are forecasts. Confidence intervals are based on the root mean squared errors (RMSEs) of MYEFO forecasts from 1998-99 onwards, with outcomes based on September quarter 2017 National Accounts data.

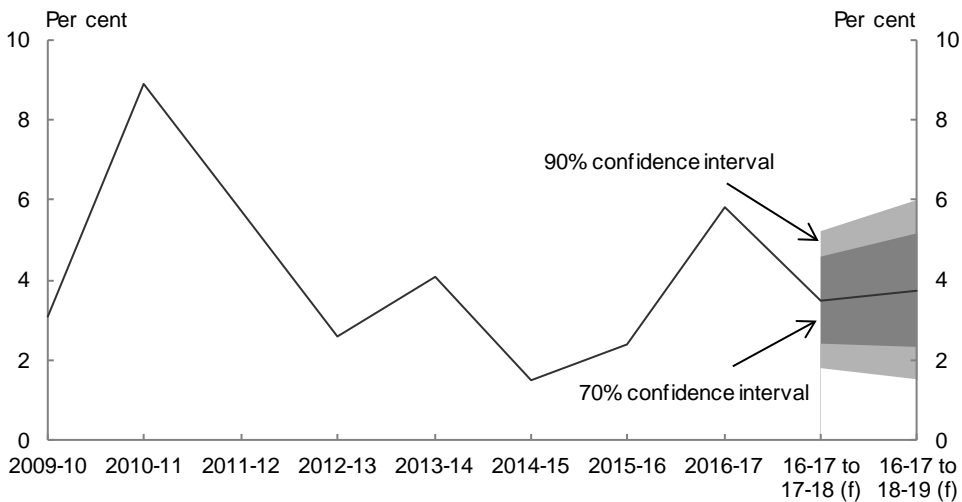
Source: ABS cat. no. 5206.0, Budget papers and Treasury.

Nominal GDP forecasts

Compared with real GDP forecasts, nominal GDP forecasts are subject to additional sources of uncertainty from the evolution of domestic prices and wages, and world prices for commodities. Difficulty in predicting their movements, particularly global commodity prices, has been the primary driver of nominal GDP forecast errors over the past decade. This additional uncertainty is reflected in the wider confidence intervals around nominal GDP forecasts.

Chart 3.7 shows average annualised growth in nominal GDP in the two years to 2018-19 is expected to be around $3\frac{3}{4}$ per cent, with the 70 per cent confidence interval ranging from $2\frac{1}{4}$ to $5\frac{1}{4}$ per cent.

Chart 3.7: Confidence intervals around nominal GDP growth rate forecasts



Note: See note to Chart 3.6.

Source: ABS cat. no. 5206.0, Budget papers and Treasury.

Measures of uncertainty around fiscal forecasts

The fiscal estimates contained in the 2017-18 MYEFO are based on economic and demographic forecasts and projections as well as estimates of the impact of Government spending and revenue measures. Changes to the economic or demographic forecasts and projections underlying the estimates will affect forecasts for receipts and payments. As such, this will have a direct impact on the profile of the underlying cash balance and government debt. Even small movements in these economic forecasts and projections can result in large changes to the budget estimates.

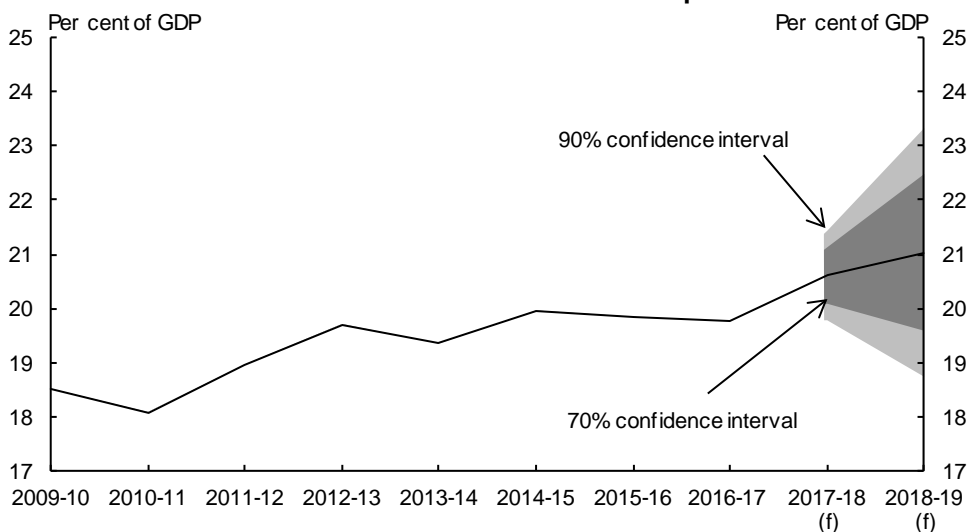
Receipts

The Government’s tax receipts estimates are generally prepared using a ‘base plus growth’ methodology. The last known outcome (2016-17 for the 2017-18 MYEFO) is used as the base to which estimated growth rates are applied, resulting in tax receipts estimates for the current and future years. Estimates for the current year also incorporate recent trends in tax collections.

Chart 3.8 shows confidence intervals around the forecasts for receipts (excluding GST¹ and including Future Fund earnings). Confidence intervals constructed around the receipts forecasts exclude historical variations caused by subsequent policy decisions. These intervals take into account errors caused by parameter and other variations in isolation.

The chart shows that there is always considerable uncertainty around receipts forecasts and that this uncertainty increases as the forecast horizon lengthens. It suggests that in 2017-18, the width of the 70 per cent confidence interval for the 2017-18 MYEFO receipts forecast is approximately 1.0 per cent of GDP (\$20 billion) and the 90 per cent confidence interval is approximately 1.6 per cent of GDP (\$30 billion).

Chart 3.8: Confidence intervals around receipts forecasts



Note: The central line shows the outcomes and the 2017-18 MYEFO point estimate forecasts. Confidence intervals use RMSEs for MYEFO forecasts from the 1998-99 MYEFO onwards. (f) are forecasts.

Source: Treasury.

1 GST was not reported as a Commonwealth tax in budget documents prior to the 2008-09 Budget. As a result, GST data have been removed from historical receipts and payments data to abstract from any error associated with this change in accounting treatment.

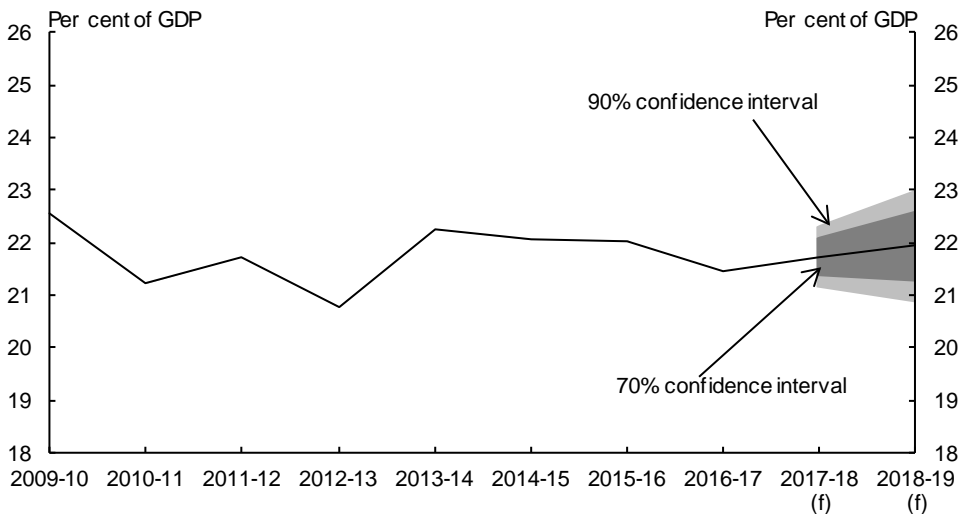
Payments

Payments outcomes can differ from forecasts for a number of reasons. Demand-driven programs, such as payments to individuals and some social services, form the bulk of Government expenditure. Forecasts of payments associated with many of these government programs depend on forecasts of economic conditions. For example, higher than forecast unemployment levels will mean that expenditure on related services, including allowances, will be higher than forecast.

Chart 3.9 shows confidence intervals around payments forecasts (excluding GST). As with receipts estimates, historical policy decisions are excluded², and future policy decisions are out of scope. Payments estimates include the public debt interest impact of policy decisions.³

The chart shows that there is moderate uncertainty around payments forecasts. In 2017-18, the width of the 70 per cent confidence interval for the 2017-18 MYEFO payments forecast is approximately 0.8 per cent of GDP (\$15 billion) and the 90 per cent confidence interval is approximately 1.2 per cent of GDP (\$20 billion).

Chart 3.9: Confidence intervals around payments forecasts



Note: See note to Chart 3.8.

Source: Treasury.

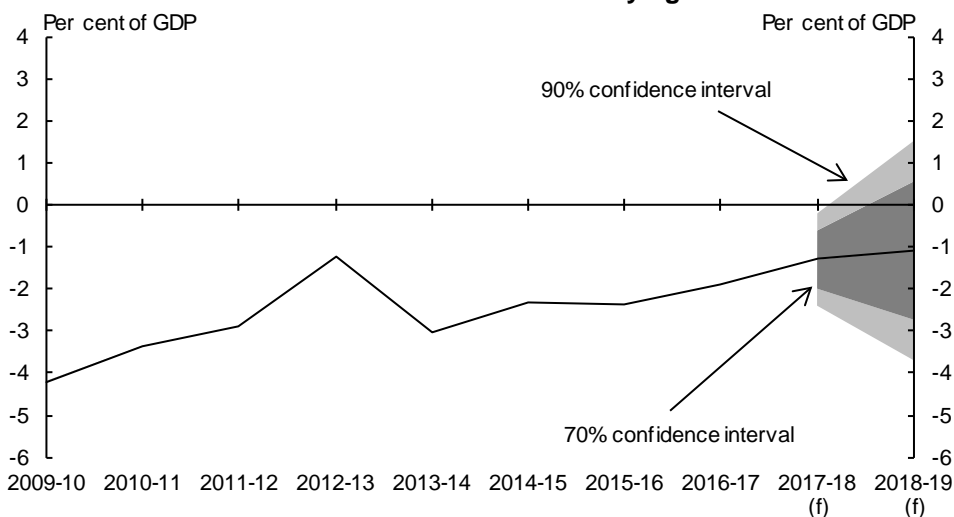
- 2 The allowance for historical policy includes only new policy decisions made at each update. No allowance is made for other decisions, such as assistance for the impact of natural disasters or changes to the timing of projects announced in previous updates. These decisions will contribute to historical forecast errors and therefore increase the size of the confidence intervals around payments.
- 3 The impacts of past policy decisions on historical public debt interest through time cannot be readily identified or estimated. For this reason, no adjustment has been made to exclude these impacts from the analysis.

Underlying cash balance

The underlying cash balance estimates are sensitive to the same forecast errors that affect estimates of receipts and payments. Confidence interval analysis shows that there is considerable uncertainty around the underlying cash balance forecasts (Chart 3.10).

In 2017-18, the width of the 70 per cent confidence interval for the 2017-18 MYEFO underlying cash balance forecast is approximately 1.4 per cent of GDP (\$25 billion) and the 90 per cent confidence interval is approximately 2.2 per cent of GDP (\$40 billion). In line with receipts forecasts, uncertainty increases over the estimates period.

Chart 3.10: Confidence intervals around the underlying cash balance forecasts



Note: See note to Chart 3.8.
Source: Treasury.

SENSITIVITY AND SCENARIO ANALYSIS

Chart 3.10 demonstrates that fiscal estimates reflect assumptions and judgments made about the economy as much as they do Government policy. Small changes in the economic forecasts and projections – or to the assumptions and judgments that underpin them – can have a significant impact on fiscal estimates.

This is also the case for the medium-term fiscal projections, which partially reflect the projected path of the economy (particularly nominal GDP and prices growth) over the seven years following the forward estimates period. The medium-term fiscal projections also reflect a number of additional technical assumptions. Examples of technical assumptions implemented in the medium-term fiscal projections include the assumption that tax receipts will not increase beyond 23.9 per cent of GDP and the assumption that yields will rise over the medium term.

As the assumptions and judgments that underpin fiscal forecasts and projections are subject to considerable uncertainty, it is important to understand how changes to these can affect these estimates and projections. Consideration of alternative scenarios and sensitivity analysis demonstrates the potential impact of these changes and highlights the uncertainties that governments face should risks eventuate — for example, in meeting budget forecasts or fiscal targets.

The analysis presented in the 2017-18 MYEFO considers the impact of changes to the economic outlook over both the forecast years. The analysis also considers the impact of changes to technical assumptions on the medium-term fiscal projections.

Scenarios 1 and 2 explore the sensitivity of fiscal aggregates to an alternative path for the terms of trade and a delayed recovery in non-mining business investment. These risks are outlined in Part 2.

Scenario 3 illustrates the sensitivity of the medium-term fiscal projections to changes in assumed long-run yields on Government debt.

Sensitivity analysis over the forecast period

The following scenario provides an indication of the sensitivity of receipts, payments and the underlying cash balance to changes in the terms of trade over the forecast period, which is 2017-18 and 2018-19.

Scenario 1: Alternative path for the terms of trade

This scenario considers the consequences of a permanent 10 per cent movement in world prices of non-rural commodity exports through 2017-18 relative to 2017-18 MYEFO forecast levels. Such a price rise (fall) is consistent with a rise (fall) in the terms of trade of $4\frac{3}{4}$ per cent and an increase (decrease) in nominal GDP of 1 per cent by 2018-19. The sensitivity analysis shows the flow-on effects to GDP, the labour market and prices. The impacts in Table 3.19 are stylised and refer to percentage deviations from the MYEFO forecast levels due to a permanent rise in non-rural commodity prices.

Table 3.19: Illustrative impact of a permanent 10 per cent rise in non-rural commodity prices (per cent deviation from the MYEFO level)⁴

	Impact after 1 year (2017-18) per cent	Impact after 2 years (2018-19) per cent
Real GDP	0	1/4
GDP deflator	1/2	3/4
Nominal GDP	1/2	1
Employment	0	1/4
Wages	1/4	1/2
CPI	0	1/4
Company profits	1 3/4	3 1/4
Nominal household consumption	0	1/2

Source: Treasury.

Assuming no change in exchange rates or interest rates, the increase in export prices leads directly to higher overall output prices (as measured by the GDP deflator) and higher domestic incomes compared with MYEFO levels. Higher domestic incomes cause both consumption and investment to rise, resulting in higher real GDP and employment and an increase in wages. The rise in aggregate demand puts upward pressure on domestic prices.

On the receipts side, an increase in nominal GDP increases tax collections. The largest impact is on company tax receipts as the increase in export income increases company profits. The impact on company tax is larger in 2018-19, partly owing to lags in tax collections and a larger impact on company profits in the second year of the scenario period. Higher company profits are assumed to flow through to higher Australian equity prices, therefore increasing capital gains tax from individuals, companies and superannuation funds.

On the payments side, a significant proportion of government expenditure is partially indexed to movements in costs (as reflected in various price and wage indicators). Some forms of expenditure, in particular income support payments, are also driven by the number of beneficiaries.

The overall estimated expenditure on income support payments (including pensions, unemployment benefits and other allowances) decreases in both years, reflecting a lower number of unemployment benefit recipients. The fall in spending on unemployment benefits in 2018-19 is partially offset by increased expenditure on pensions and allowances reflecting stronger growth in benefit rates resulting from slightly higher inflation. At the same time other payments linked to inflation also rise in line with the stronger growth in prices.

⁴ These results represent a partial economic analysis only and do not attempt to capture all the economic feedback and other policy responses related to changed economic conditions, and assume no change in the exchange rate, interest rates or policy over the forecast period.

Given these assumptions, the overall impact of the increase in the terms of trade is an improvement in the underlying cash balance of around \$1.8 billion in 2017-18 and around \$5.6 billion in 2018-19 (see Table 3.20). The opposite impacts would be broadly expected for a fall in the terms of trade of the same magnitude.

Table 3.20: Illustrative sensitivity of the budget balance to a permanent 10 per cent rise in non-rural commodity prices

	2017-18	2018-19
	\$b	\$b
Receipts		
Individuals and other withholding taxes	0.5	1.8
Superannuation fund taxes	0.1	0.2
Company tax	1.2	3.0
Goods and services tax	0.0	0.3
Excise and customs duty	0.0	0.2
Other taxes	0.1	0.2
Total receipts	1.8	5.6
Payments		
Income support	0.0	0.2
Other payments	0.0	0.0
Goods and services tax	0.0	-0.3
Total payments	0.0	-0.1
Public debt interest	0.0	0.1
Underlying cash balance impact(a)	1.8	5.6

(a) Estimated impacts fall within the 70 per cent confidence intervals for years 2017-18 and 2018-19, as shown in Charts 3.8 to 3.10.

Note: Data may not sum due to rounding.

The impacts of a US\$10 per tonne free-on-board (FOB) movement in iron ore prices alone are contained in Box B.

Box B: Sensitivity analysis of iron ore price movements

The impacts of a **US\$10 per tonne FOB movement in iron ore prices** over the course of a year, based on the sensitivity analysis presented in Scenario 1, is set out in Table B. A US\$10 per tonne FOB movement in the iron ore price results in a movement in nominal GDP of around \$6.5 billion in 2017-18 and just over \$14 billion in 2018-19.

Table B: Sensitivity analysis of a US\$10 per tonne movement in iron ore prices

	US\$10/tonne FOB ^(a) fall		US\$10/tonne FOB increase	
	2017-18	2018-19	2017-18	2018-19
Nominal GDP (\$billion)	-6.5	-14.1	6.5	14.1
Tax receipts (\$billion)	-1.3	-4.2	1.3	4.2

(a) Prices are presented in free-on-board (FOB) terms, which exclude the cost of freight.

Source: Treasury.

Scenario 2: Delayed recovery in non-mining business investment

This scenario considers the consequences of a weaker outlook for business investment than forecast in the 2017-18 MYEFO. The scenario involves a 3 and 6 per cent reduction in new business investment in 2017-18 and 2018-19 respectively, compared with MYEFO levels, as a result of a delayed recovery in non-mining business investment. Under this scenario, the level of non-mining business investment would be broadly flat over this two-year period.

Once again, the sensitivity analysis evaluates the flow-on effects to GDP, the labour market and prices. The impacts in Table 3.21 are stylised and refer to percentage deviations from the MYEFO forecast levels.

Table 3.21: Illustrative impact of a delayed recovery in non-mining business investment (per cent deviation from the 2017-18 MYEFO level)⁵

	Impact after 1 year (2017-18)	Impact after 2 years (2018-19)
	per cent	per cent
Real GDP	- 1/4	- 1/2
GDP deflator	0	- 1/4
Nominal GDP	- 1/4	- 3/4
Employment	- 1/4	- 1/2
Wages	0	- 1/4
CPI	0	- 1/4
Company profits	-1	-1 3/4
Nominal household consumption	0	- 1/2

Source: Treasury.

⁵ These results represent a partial economic analysis only and do not attempt to capture all the economic feedback and other policy responses related to changed economic conditions, and assume no change in the exchange rate, interest rates or policy over the forecast period.

Assuming no change in exchange rates or interest rates, the delayed recovery in non-mining business investment leads directly to lower real GDP compared with MYEFO levels and also lower imports. This fall in output depresses employment and, in turn, wages. This results in lower levels of consumption. The fall in aggregate demand puts downward pressure on domestic prices.

On the receipts side, lower nominal GDP results in lower tax collections. The initial impact is largest on corporate profits and company tax. In the second year, the larger impact on wages and consumption is expected to result in a larger reduction to tax receipts from individuals and the goods and services tax.

On the payments side, overall estimated expenditure on income support payments increases in both years due to a higher number of unemployment benefit recipients. The increase in spending on unemployment benefits in 2018-19 is partially offset by reduced expenditure on pensions and allowances reflecting slightly lower inflation. In addition, other payments linked to inflation fall in line with the reduced growth in prices.

The overall impact of the delayed recovery in non-mining business investment is a decrease in the underlying cash balance of around \$1.6 billion in 2017-18 and around \$4.4 billion in 2018-19 (see Table 3.22).

Table 3.22: Illustrative sensitivity of the budget balance to a delayed recovery in non-mining business investment

	2017-18	2018-19
	\$b	\$b
Receipts		
Individuals and other withholding taxes	-0.5	-1.9
Superannuation fund taxes	-0.1	-0.1
Company tax	-0.8	-1.7
Goods and services tax	-0.1	-0.3
Excise and customs duty	-0.1	-0.2
Other taxes	0.0	0.0
Total receipts	-1.5	-4.2
Payments		
Income support	-0.1	-0.4
Other payments	0.0	0.0
Goods and services tax	0.1	0.3
Total payments	-0.1	-0.1
Underlying cash balance impact(a)	-1.6	-4.4

(a) Estimated impacts fall within the 70 per cent confidence intervals for years 2017-18 and 2018-19, as shown in Charts 3.8 to 3.10.

Note: Data may not sum due to rounding.

Sensitivity analysis over the medium term

Over the budget's forward years, economic and fiscal forecasts are extended by economic and fiscal projections. The economic forecasts span two financial years, while the economic projections cover the last two financial years. The economic and fiscal projections also span seven additional years after the budget's forward years. The projections are prepared using a medium-term projection methodology, which means that they are sensitive to the underlying assumptions. For example, an important assumption is that Government policy does not change over the projection period.

For further information on the economic and fiscal projection frameworks, please refer to *Budget Paper 1, Statement 8: Forecasting Performance and Scenario Analysis* in the 2017-18 Budget.

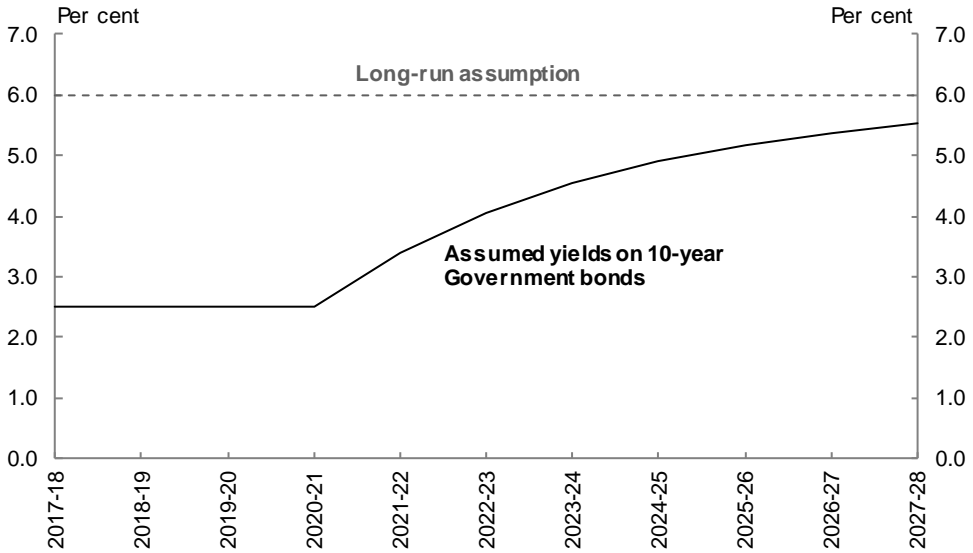
Scenario 3: Alternative long-term yield assumptions

The following scenario demonstrates the sensitivity of the medium-term fiscal projections to changes in technical modelling assumptions about yields on Government debt.

Technical assumptions are generally used where explicit policy guidance is not available or where replicating recent outcomes produces misleading results or results that are out of line with historical experience. Technical assumptions can affect the level of payments and receipts projections over the medium term and therefore projections of fiscal aggregates such as the underlying cash balance or gross debt. *Chart 3.1: Underlying cash balance projected to 2027-28* shows the sensitivity of the medium-term underlying cash balance to changes in the technical assumption relating to the level of tax receipts.

The medium-term fiscal projections assume yields on Government debt converge to a fixed long-term yield curve. The long-term yield curve is based on an assumption that the long-term yield on 10-year Government bonds is 6 per cent. This is consistent with the Long-Term Cost Reports prepared by the Australian Government Actuary. The gap between the current yield curve and the long-term yield curve is closed by a quarter in each year over the medium term (Chart 3.11). This technical assumption is intended for preparing medium-term fiscal projections only, and is not equivalent to a forecast. For further information on the long-term yield assumption refer to *Appendix C: Methodology* of the 2015 Intergenerational Report.

Chart 3.11: Assumed yields over the medium term



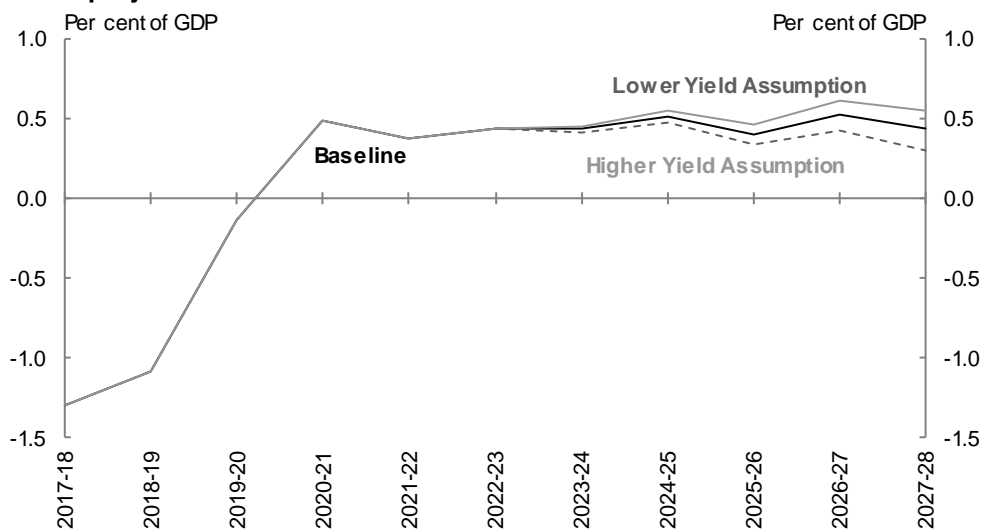
Note: The chart shows the assumed yield on 10-year Government bonds in each year through the forward estimates to the end of the medium term. These are technical assumptions intended for modelling purposes only. They are not forecasts of yields.

Source: Treasury

Yields affect the amount of public debt interest (PDI) the Government has to pay on its borrowings. They can also have an impact on projections of the non-tax receipts the Government earns on its investments, as some government investment funds hold financial assets whose returns can be benchmarked against the yield curve for Government bonds.

Chart 3.12 outlines the impact on the fiscal projections of an assumed long-term yield curve 100 basis points lower and 100 basis points higher than the current assumed long-term yield curve.

Chart 3.12: Impact of alternative long-run yield assumptions on underlying cash balance projections



Source: Treasury projections.

A lower assumed long-term yield curve would result in lower PDI expense projections, partially offset by lower non-tax receipts projections. Compared to the baseline, this would lead to a net improvement in the projected underlying cash balance of around 0.1 per cent of GDP by 2027-28.

Conversely, a higher assumed long-term yield curve would result in higher PDI expense projections, partially offset by higher non-tax receipts projections. Compared to the baseline, this would lead to a net deterioration in the projected underlying cash balance of around 0.1 per cent of GDP by 2027-28.

TAX EXPENDITURES

This attachment provides information on Australian Government tax expenditures, as required by the *Charter of Budget Honesty Act 1998 (CBHA)*.

Tax expenditure estimates should be interpreted with caution as they do not indicate the revenue gain to the Budget if tax expenditures were to be abolished by a change of policy. In addition, the characterisation of a provision of the tax law as a tax expenditure does not indicate a view on how an activity or class of taxpayer ought to be taxed.

A tax expenditure arises where the actual tax treatment of an activity or class of taxpayer differs from the benchmark tax treatment. The choice of benchmark unavoidably involves judgment and may therefore be contentious in some cases.

Consistent with most OECD countries, estimates of the size of tax expenditures reflect the existing utilisation of a tax expenditure, similar to Budget estimates of outlays on demand driven expenditure programmes.

- This is known as the 'revenue forgone' approach which, in practice, involves estimating the difference in revenue between the existing and benchmark tax treatments but importantly assuming taxpayer behaviour is the same in each circumstance.

Revenue forgone estimates therefore do not indicate the revenue gain to the Australian Government budget if specific tax expenditures were abolished, as there may be significant changes in taxpayer behaviour were tax expenditures to be removed.

Care needs to be taken when comparing tax expenditures with direct expenditures as they may measure different things. In addition, estimates from different editions of the Tax Expenditures Statement (TES) may not be comparable because of changes or modifications, for example, to benchmarks, tax expenditures, data used or modelling methodology.

The information in Table 3.23 is derived from the 2016 TES and, consistent with longstanding practice, does not include the impact of decisions taken since the 2016-17 MYEFO. Further information on tax expenditures is available in the 2016 TES. Updated tax expenditure estimates will be published in the 2017 TES, to be released in January 2018. This will also include estimates for any new or modified tax expenditures since the 2016 TES.

Table 3.23: Large measured tax expenditures for 2017-18 to 2020-21

Tax expenditure	Estimate \$m			
	2017-18	2018-19	2019-20	2020-21
Large positive tax expenditures				
E6 Capital gains tax main residence exemption — discount component	34,500	34,500	36,000	36,000
E5 Capital gains tax main residence exemption	28,500	29,000	30,000	30,000
C4 Concessional taxation of superannuation entity earnings	17,700	20,650	24,050	26,500
C2 Concessional taxation of employer superannuation contributions	16,200	17,800	18,800	20,000
E13 Capital gains tax discount for individuals and trusts	11,080	11,310	12,090	13,060
H28 GST — Food	7,200	7,500	7,800	8,100
H16 GST — Education	4,850	5,250	5,700	6,200
H19 GST — Health — medical and health services	4,300	4,600	4,900	5,250
H2 GST — Financial supplies — input taxed treatment	3,700	3,900	4,200	4,450
A24 Concessional taxation of non-superannuation termination benefits	2,500	2,400	2,300	2,150
B12 Exemption from interest withholding tax on certain securities	2,310	2,310	2,310	2,310
A40 Exemption of Family Tax Benefit payments	2,100	2,110	2,070	2,090
A19 Medicare levy exemption for residents with taxable income below the low-income thresholds	2,090	2,160	2,230	2,300
B2 Local government bodies income tax exemption	2,130	2,410	2,730	3,080
A17 Exemption of the Private Health Insurance Rebate	1,580	1,650	1,750	1,770
A27 Exemption of Child Care Assistance payments	1,745	2,420	2,460	2,485
D14 Exemption for public benevolent institutions (excluding hospitals)	1,600	1,700	1,800	1,900
D10 Exemption for public and not-for-profit hospitals and public ambulance services	1,550	1,650	1,750	1,850
H5 GST — Child care services	1,560	1,840	2,030	2,240
A54 Philanthropy — deduction for gifts to deductible gift recipients	1,350	1,410	1,460	1,510
F7 Concessional rate of excise levied on aviation gasoline and aviation turbine fuel	1,330	1,400	1,510	1,560
B73 Capital works expenditure deduction	1,240	1,320	1,410	1,495
H20 GST — Health — residential care, community care and other care services	1,230	1,320	1,410	1,510
B50 Lower company tax rate	1,300	1,600	1,800	2,200
Large negative tax expenditures				
F11 Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco	-2,420	-2,645	-2,925	-3,210
F23 Customs duty	-1,060	-1,170	-1,340	-1,500

Attachment C

SUPPLEMENTARY EXPENSES TABLE AND THE CONTINGENCY RESERVE

Expenses

Table 3.24 shows estimates of Australian Government general government expenses by function and sub-function for 2017-18 and the forward years.

Table 3.24: Estimates of Australian Government general government sector expenses by function and sub-function (continued)

	Estimates						Projections					
	2017-18			2018-19			2019-20			2020-21		
	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %
Other economic affairs												
Tourism and area promotion	182	182	0	160	159	-1	161	159	-1	172	157	-9
Labour and employment affairs	3,794	3,891	3	3,799	3,807	0	3,724	3,666	-2	3,705	3,655	-1
Immigration	3,113	3,713	19	2,612	2,646	1	2,512	2,551	2	2,393	2,418	1
Other economic affairs nec	2,322	2,319	0	2,323	2,402	3	2,172	2,189	1	2,156	2,166	0
Other purposes												
Public debt interest	17,154	16,959	-1	18,090	17,801	-2	18,702	18,272	-2	18,761	18,170	-3
Nominal superannuation interest	10,392	9,240	-11	10,761	10,761	0	11,133	11,133	0	11,502	11,502	0
General purpose												
inter-government transactions	64,274	64,347	0	68,736	68,954	0	70,902	71,495	1	74,794	75,260	1
Natural disaster relief	9	12	33	2	17	750	0	9	na	0	0	0
Contingency reserve	951	-538	-157	2,696	1,185	-56	4,431	3,343	-25	9,659	7,950	-18
Total expenses	464,262	466,937	1	486,863	485,512	0	503,198	501,026	0	522,907	517,318	-1

Contingency Reserve

The Contingency Reserve (other purposes function) is an allowance, included in aggregate expenses, principally to reflect anticipated events that cannot be assigned to individual programs in the preparation of the Australian Government budget estimates. The Contingency Reserve is used to ensure that the estimates are based on the best information available at the time of the Mid-Year Economic and Fiscal Outlook (MYEFO). It is not a general policy reserve.

While the Contingency Reserve is designed to ensure that aggregate estimates are as close as possible to expected outcomes, it is not appropriated. Allowances that are included in the Contingency Reserve can only be drawn upon once they have been appropriated by Parliament. These allowances are allocated to specific entities for appropriation closer to the time when the associated events occur.

The Contingency Reserve contains an allowance for the tendency for estimates of expenses for existing Government policy to be revised upwards in the forward years, known as the conservative bias allowance (CBA). The increase in expenses in the contingency reserve sub-function from 2017-18 is largely due to the CBA. Since the 2017-18 Budget, the allowance has been drawn down to:

- $\frac{1}{4}$ of a percentage point of total general government sector expenses (excluding GST payments to the States) in the first forward year 2018-19 (\$1.1 billion);
- $\frac{3}{4}$ of a percentage point of expenses in the second forward year 2019-20 (\$3.2 billion); and
- a $1\frac{1}{2}$ percentage point provision in the third forward year 2020-21 (\$6.6 billion).

The drawdown of the CBA reduced expenses by \$1.0 billion in 2018-19, \$1.1 billion in 2019-20 and \$2.2 billion in 2020-21. This is consistent with long standing practice and does not represent a saving or offset to spending measures.

In general, the Contingency Reserve can also include:

- a provision for underspends in the current financial year reflecting the tendency for budgeted expenses for some entities or functions not to be met;
- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately and programs that are yet to be renegotiated with State and Territory governments;
- the effect, on the budget and forward estimates, of economic parameter revisions received late in the process and hence not able to be allocated to individual entities or functions; decisions taken but not yet announced by the Government, and decisions made too late for inclusion against individual entity estimates; and
- provisions for other specific events and pressures that are reasonably expected to affect the budget estimates.

Attachment D

AUSTRALIA'S FEDERAL RELATIONS

This attachment provides information on payments for specific purposes and general revenue assistance provided to the States and Territories (the States).

The current framework for federal financial relations under the *Intergovernmental Agreement on Federal Financial Relations* (the Intergovernmental Agreement) was introduced on 1 January 2009.

More detailed information on the Intergovernmental Agreement and Australia's federal financial relations is provided in Budget Paper No. 3, *Federal Financial Relations 2017-18*, and at www.federalfinancialrelations.gov.au.

Overview of payments to the States

Payments to the States in 2017-18 are estimated to be \$118.7 billion, or 25.4 per cent of total Commonwealth expenditure for the year. This amount comprises payments for specific purposes of \$55.6 billion and general revenue assistance of \$63.1 billion.

Table 3.25 shows payments for specific purposes and general revenue assistance to the States.

Table 3.25: Commonwealth payments to the States, 2017-18 to 2020-21

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2017-18									
Payments for specific purposes(a)	17,351	12,539	11,802	6,029	4,304	1,228	937	1,235	55,600
GST entitlement	17,511	14,989	14,848	2,255	6,284	2,378	1,244	2,891	62,400
Other general revenue assistance(c)	50	25	-	27	-	-	40	-	742
Total payments to the States	34,911	27,553	26,650	8,311	10,587	3,606	2,221	4,126	118,741
2018-19									
Payments for specific purposes(a)	18,039	14,267	13,090	6,426	3,998	1,321	900	1,072	59,348
GST entitlement(b)	~	~	~	~	~	~	~	~	65,800
Other general revenue assistance(c)	50	25	-	23	-	-	40	-	679
Total payments to the States(d)	18,089	14,292	13,090	6,449	3,998	1,321	940	1,072	125,827
2019-20									
Payments for specific purposes(a)	17,182	13,133	12,531	7,129	3,700	1,151	912	1,052	56,965
GST entitlement(b)	~	~	~	~	~	~	~	~	68,280
Other general revenue assistance(c)	50	25	-	25	-	-	41	-	667
Total payments to the States(d)	17,232	13,158	12,531	7,153	3,700	1,151	952	1,052	125,913

Table 3.25: Commonwealth payments to the States, 2017-18 to 2020-21 (continued)

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2020-21									
Payments for specific purposes(a)	17,025	13,768	12,869	6,175	3,618	1,194	950	942	56,757
GST entitlement(b)	~	~	~	~	~	~	~	~	71,940
Other general revenue assistance(c)	50	25	-	27	-	-	41	-	668
Total payments to the States(d)	17,075	13,793	12,869	6,201	3,618	1,194	991	942	129,366

(a) State allocations for some programs have yet to be determined. These payments are not included in State totals, and consequently, total payments may not equal the sum of State totals.

(b) State allocations are dependent upon the GST sharing relativities for that financial year. These relativities are not forecast beyond the Budget year.

(c) State allocations for royalties are not published due to commercial sensitivities. These payments are not included in State totals, and consequently, total payments may not equal the sum of State totals.

(d) State allocations reflect payments for specific purposes and other general revenue assistance only.

Payments for specific purposes

The Commonwealth provides payments to the States for specific purposes in areas administered by the States. Payments to the States for specific purposes are estimated to total \$55.6 billion in 2017-18, which is 11.9 per cent of total Commonwealth expenditure for the year and an increase of \$472 million (or 0.9 per cent) on the \$55.1 billion the States received in 2016-17.

The Commonwealth provides the following types of specific purpose payments (SPPs) to the States:

- National Specific Purpose Payments (National SPPs) in respect of key service delivery sectors – disability services, skills and workforce development, and affordable housing;
- National Health Reform (NHR) funding, largely for public hospital services;
- National Housing and Homelessness funding from 2018-19;
- Quality Schools funding for government and non-government schools; and
- National Partnership payments in a wide range of areas.

Table 3.26 shows total payments for specific purposes by each type of SPP.

Table 3.26: Total payments for specific purposes by category, 2017-18 to 2020-21

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
2017-18									
National Specific Purpose Payments	1,408	1,133	881	462	308	93	48	44	4,375
National Health Reform funding	6,020	4,969	4,127	2,119	1,306	394	375	255	19,563
Quality Schools funding	5,711	4,543	3,928	1,790	1,251	424	301	350	18,324
National Housing and Homelessness funding	-	-	-	-	-	-	-	-	-
National Partnership payments(b)	4,212	1,894	2,866	1,658	1,439	318	214	587	13,337
Total payments for specific purposes	17,351	12,539	11,802	6,029	4,304	1,228	937	1,235	55,600
2018-19									
National Specific Purpose Payments	485	808	624	326	105	65	25	31	2,469
National Health Reform funding	6,350	5,216	4,372	2,252	1,364	408	399	279	20,640
Quality Schools funding	6,061	4,852	4,172	1,937	1,328	447	318	373	19,528
National Housing and Homelessness funding	472	381	306	160	105	32	25	19	1,500
National Partnership payments(b)	4,671	3,011	3,616	1,751	1,096	369	132	370	15,212
Total payments for specific purposes	18,039	14,267	13,090	6,426	3,998	1,321	900	1,072	59,348
2019-20									
National Specific Purpose Payments	493	400	308	334	106	32	26	15	1,713
National Health Reform funding	6,696	5,475	4,630	2,392	1,423	424	426	304	21,770
Quality Schools funding(c)	6,422	5,188	4,483	2,101	1,410	467	329	399	20,843
National Housing and Homelessness funding	479	389	311	162	106	32	25	19	1,523
National Partnership payments(b)	3,092	1,681	2,800	2,139	654	196	106	314	11,116
Total payments for specific purposes	17,182	13,133	12,531	7,129	3,700	1,151	912	1,052	56,965
2020-21									
National Specific Purpose Payments	500	408	312	162	107	32	26	15	1,561
National Health Reform funding	6,975	5,701	4,823	2,494	1,483	441	444	317	22,677
Quality Schools funding(c)	6,814	5,556	4,811	2,278	1,499	489	345	428	22,267
National Housing and Homelessness funding	486	396	316	164	107	32	25	20	1,547
National Partnership payments(b)	2,250	1,706	2,607	1,077	423	199	110	162	8,705
Total payments for specific purposes	17,025	13,768	12,869	6,175	3,618	1,194	950	942	56,757

(a) As State allocations for some programs have yet to be determined, relevant payments are not included in State totals. Consequently, total payments may not equal the sum of State totals.

(b) Includes financial assistance grants for local government.

(c) State allocations from the 2018 school year onwards are indicative only and final allocations are subject to formal negotiations between the Commonwealth, the States and the non-government schools sector.

Payments for specific purposes cover most areas of State and local government activity including health, education, skills and workforce development, community services, affordable housing, infrastructure and the environment. Table 3.27 shows total payments for specific purposes by sector.

Table 3.27: Payments for specific purposes by sector, 2017-18 to 2020-21

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
2017-18									
Health	6,053	4,995	4,168	2,143	1,380	424	380	296	19,966
Education	5,864	4,671	4,039	1,847	1,289	435	310	402	18,891
Skills and workforce development	590	474	370	195	129	39	31	18	1,845
Community services	1,092	743	563	655	254	72	65	93	3,538
Affordable housing	465	373	488	337	121	32	24	214	2,056
Infrastructure	2,693	684	1,715	660	899	156	45	169	7,021
Environment	106	217	99	13	106	22	44	14	634
Contingent payments	2	2	4	1	..	1	-	1	12
Other(b)	485	380	355	177	125	47	39	28	1,637
Total payments for specific purposes	17,351	12,539	11,802	6,029	4,304	1,228	937	1,235	55,600
2018-19									
Health	6,358	5,232	4,389	2,267	1,367	432	400	305	20,911
Education	6,147	4,935	4,233	1,970	1,349	453	324	414	19,873
Skills and workforce development	601	484	376	197	130	39	31	18	1,877
Community services	1,047	1,478	1,198	563	244	139	18	86	4,776
Affordable housing	472	381	306	160	105	32	25	23	1,504
Infrastructure	2,303	876	1,889	915	506	113	21	172	6,795
Environment	184	164	64	1	81	25	14	6	560
Contingent payments	..	..	14	2	..	..	-	..	17
Other(b)	927	715	622	350	218	88	68	47	3,035
Total payments for specific purposes	18,039	14,267	13,090	6,426	3,998	1,321	900	1,072	59,348
2019-20									
Health	6,701	5,490	4,643	2,397	1,427	435	426	314	21,862
Education	6,422	5,188	4,483	2,102	1,411	467	329	437	20,888
Skills and workforce development	618	500	386	202	133	40	32	19	1,929
Community services	321	260	205	1,151	76	24	18	88	2,146
Affordable housing	479	389	311	162	106	32	25	23	1,528
Infrastructure	1,695	606	1,891	777	359	67	15	124	5,532
Environment	64	17	36	-	2	-	..	2	215
Contingent payments	..	..	8	..	-	-	-	..	9
Other(b)	881	684	568	338	187	86	66	46	2,856
Total payments for specific purposes	17,182	13,133	12,531	7,129	3,700	1,151	912	1,052	56,965
2020-21									
Health	6,980	5,715	4,828	2,498	1,486	442	444	327	22,745
Education	6,814	5,556	4,811	2,278	1,499	489	345	458	22,299
Skills and workforce development	619	503	386	202	132	40	32	19	1,931
Community services	333	271	213	112	79	25	18	46	1,100
Affordable housing	486	396	316	164	107	32	25	23	1,552
Infrastructure	959	656	1,765	603	143	85	23	28	4,261
Environment	..	20	25	-	..	-	-	2	187
Contingent payments	..	-	-	-	-	-	-	-	..
Other(b)	834	650	526	317	172	82	62	39	2,683
Total payments for specific purposes	17,025	13,768	12,869	6,175	3,618	1,194	950	942	56,757

(a) As State allocations for some programs have yet to be determined, relevant payments are not included in State totals. Consequently, total payments may not equal the sum of State totals.

(b) Includes financial assistance grants for local government.

Table 3.28 shows total payments for specific purposes by sector and category (National SPPs, NHR funding, Quality Schools funding, National Housing and Homelessness and National Partnership payments).

Table 3.28: Payments for specific purposes by sector and category, 2017-18 to 2020-21

\$million	2017-18	2018-19	2019-20	2020-21
<i>Health</i>				
National Health Reform funding	19,563	20,640	21,770	22,677
National Partnerships	403	272	92	69
<i>Education</i>				
Quality Schools funding	18,324	19,528	20,843	22,267
National Partnerships	567	345	46	32
<i>Skills and workforce development</i>				
National Skills and Workforce Development SPP	1,495	1,517	1,539	1,561
National Partnerships	350	360	390	370
<i>Community services</i>				
National Disability SPP	1,520	952	174	-
National Partnerships	2,018	3,824	1,972	1,100
<i>Affordable housing</i>				
National Affordable Housing SPP	1,360	-	-	-
National Housing and Homelessness funding	-	1,500	1,523	1,547
National Partnerships	695	4	5	5
<i>Infrastructure</i>				
National Partnerships	7,021	6,795	5,532	4,261
<i>Environment</i>				
National Partnerships	634	560	215	187
<i>Contingent payments</i>				
National Partnerships	12	17	9	..
<i>Other</i>				
National Partnerships(a)	1,637	3,035	2,856	2,683
Total payments for specific purposes	55,600	59,348	56,965	56,757

(a) Includes financial assistance grants for local government.

Detailed tables of payments for specific purposes are provided in Annex A (available online).

The Commonwealth provides funding under the Natural Disaster Relief and Recovery Arrangements (NDRRA) to assist the States following natural disasters. For accounting purposes, the Commonwealth recognises a liability equal to the present value of future payments expected to be made to the States under the NDRRA. This is regardless of whether or not a State has completed eligible reconstruction work or submitted an eligible claim under the NDRRA. Estimated NDRRA cash payments are shown in Table 3.29 below. Accrual estimates are presented in Table A.8 in Annex A (available online).

Table 3.29: Estimated NDRRA cash payments, 2017-18 to 2020-21

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2017-18	116.9	133.2	162.6	13.5	10.6	51.6	-	43.9	532.3
2018-19	10.2	8.7	296.1	77.5	0.3	5.8	-	16.0	414.5
2019-20	-	1.7	421.4	14.1	-	-	-	4.3	441.5
2020-21	-	-	-	-	-	-	-	-	-

General revenue assistance

General revenue assistance is provided to the States without conditions, and can be spent by the States according to their own budget priorities.

In 2017-18, the States are expected to receive \$63.1 billion in general revenue assistance from the Commonwealth, comprising \$62.4 billion in GST entitlements and \$742 million in other general revenue assistance. This is a 4.3 per cent increase in general revenue assistance on the \$60.6 billion the States received in 2016-17. General revenue assistance to the States is estimated to represent 13.5 per cent of total Commonwealth expenditure in 2017-18.

Table 3.30 summarises GST and other general revenue assistance payments to the States. Detailed tables of GST and other general revenue assistance are provided in Annex A (available online).

Table 3.30: General revenue assistance, 2017-18 to 2020-21

\$million	2017-18	2018-19	2019-20	2020-21
GST entitlements	62,400.0	65,800.0	68,280.0	71,940.0
Other payments				
<i>ACT municipal services</i>	39.6	40.1	40.7	41.2
<i>Compensation for reduced royalties</i>	26.7	23.3	24.7	26.7
<i>Royalties</i>	600.4	540.4	526.9	525.4
<i>Snowy Hydro Ltd tax compensation</i>	75.0	75.0	75.0	75.0
Total other	741.6	678.8	667.3	668.4
Total GST and other payments	63,141.6	66,478.8	68,947.3	72,608.4

GST payments

Under the Intergovernmental Agreement, the States are entitled to receive payments from the Commonwealth equivalent to the revenue raised from the GST in any given financial year, after some minor adjustments, as discussed below.

The Commonwealth makes monthly payments (advances) to the States throughout the year based on GST estimates for that year. Estimates of the GST are used, as the actual amount of GST revenue for the financial year is unknown until after the end of the financial year. Once the amount of GST revenue is known, the Treasurer makes a determination of the GST entitlement for that year. A balancing adjustment payment is then made to each State to ensure the States receive the GST to which they are entitled. These balancing adjustments (referred to as the 'prior year balancing adjustment') are made in the following financial year.

States compensate the Commonwealth for the agreed costs incurred by the Australian Taxation Office (ATO) in administering the GST. In practice, this is achieved by the Commonwealth reducing the monthly GST payments to the States by the GST administration costs.

Calculating the GST payments

Some additional adjustments are made to GST revenue in order to calculate the amount of GST paid to the States in any given year.

- Some GST revenue accrued during a financial year is not remitted to the ATO by 30 June of that year because it is not due to be paid until Business Activity Statements (BAS) are lodged the following financial year.
- Penalties owed to the ATO, other than general interest charge (GIC) penalties, are not included in the GST to be paid to the States, as defined in the *Federal Financial Relations Act 2009*.
- Some GST collected by Commonwealth agencies is not remitted to the ATO by 30 June in each financial year, because it is not due to be paid until the next BAS is lodged.

In 2016-17, the States' GST entitlement was \$605.5 million higher than the advances paid during that year. A balancing adjustment was made to States' GST payments in 2017-18 to account for this.

A reconciliation of GST revenue and the States' GST entitlement is provided in Table 3.31.

Table 3.31: Reconciling GST revenue and the States' GST entitlement

\$million	2017-18	2018-19	2019-20	2020-21
GST revenue	65,560	68,550	71,360	75,300
less Change in GST receivables	2,958	2,511	2,845	3,115
GST receipts	62,602	66,039	68,515	72,185
less Non-GIC penalties collected	200	220	230	240
less GST collected by Commonwealth agencies but not yet remitted to the ATO	2	19	5	5
States' GST entitlement	62,400	65,800	68,280	71,940

Table 3.32 provides a reconciliation of estimates of the States' GST entitlement since the 2017-18 Budget. The reconciliation accounts for policy decisions and parameter and other variations.

Table 3.32: Reconciliation of the GST entitlement estimates since the 2017-18 Budget

\$million	2017-18	2018-19	2019-20	2020-21
GST entitlement at 2017-18 Budget	62,340	65,590	67,670	71,540
<i>Changes between 2017-18 Budget and 2017-18 MYEFO</i>				
Effect of policy decisions	-60	-290	120	80
Effect of parameter and other variations	120	500	490	320
Total variations	60	210	610	400
GST entitlement at 2017-18 MYEFO	62,400	65,800	68,280	71,940

Specific policy decisions taken since the 2017-18 Budget that affect the GST entitlement are shown in Table 3.33. These decisions decrease the amount of the GST entitlement by \$150.0 million over four years.

Detailed information on policy decisions since the 2017-18 Budget is included in Appendix A.

Table 3.33: Policy decisions since the 2017-18 Budget that affect the GST entitlement

\$million	2017-18	2018-19	2019-20	2020-21
GST on low value imported goods —				
1 July 2018 start date	-60.0	-30.0	-20.0	-20.0
Improving the integrity of GST on property transactions — transitional arrangements	0.0	-270.0	120.0	80.0
Pacific Labour Scheme	0.0	5.0	10.0	10.0
Seasonal Worker Programme — improving take-up and streamlining administration	0.0	5.0	10.0	10.0
Indirect Tax Concession Scheme — diplomatic and consular concessions	..	..	..	..
Total	-60.0	-290.0	120.0	80.0

Distribution of the GST among the States

The Commonwealth distributes the GST among the States based on the GST revenue sharing relativities recommended by the Commonwealth Grants Commission.

Table 3.34 shows the detailed calculation for the distribution of the States' estimated GST entitlement in 2017-18. This method of calculation is prescribed in legislation in the *Federal Financial Relations Act 2009*.

Table 3.34: Distribution of the GST entitlement, 2017-18^(a)

	Estimated 31 December 2017 population (1)	GST relativities (2)	Adjusted population (1) x (2) (3)	Share of adjusted population % (4)	2017-18 GST entitlement \$million (5)
NSW	7,909,753	0.87672	6,934,639	28.1	17,510.6
VIC	6,366,439	0.93239	5,936,004	24.0	14,988.9
QLD	4,951,041	1.18769	5,880,302	23.8	14,848.3
WA	2,593,928	0.34434	893,193	3.6	2,255.4
SA	1,728,151	1.43997	2,488,486	10.1	6,283.6
TAS	521,734	1.80477	941,610	3.8	2,377.6
ACT	412,388	1.19496	492,787	2.0	1,244.3
NT	245,696	4.66024	1,145,002	4.6	2,891.2
Total	24,729,130	na	24,712,023	100.0	62,400.0

(a) Amounts shown are estimates of each State's GST entitlement, based on the estimated total GST pool and population splits. These amounts do not take into account the 2016-17 balancing adjustment of \$605.5 million, which was made to States' GST payments in 2017-18.

The calculation of the GST entitlement for 2016-17 is shown in Table 3.35. The Treasurer made a Determination giving effect to this entitlement on 31 October 2017.

The table also includes the distribution of the balancing adjustment, taking account of differences between advances of GST paid to each State and each State's final entitlement for 2016-17.

Table 3.35: Calculation of the GST entitlement and balancing adjustment, 2016-17^(a)

	31 December 2016 population (1)	GST relativities (2)	Adjusted population (1) x (2) (3)	Share of adjusted population % (4)	2016-17 GST entitlement \$million (5)	2016-17 GST advances \$million (6)	Balancing adjustment \$million (5) - (6) (7)
NSW	7,797,791	0.90464	7,054,194	29.0	17,335.4	17,215.9	119.5
VIC	6,244,227	0.90967	5,680,186	23.3	13,958.8	13,631.7	327.1
QLD	4,883,739	1.17109	5,719,298	23.5	14,054.9	13,955.1	99.8
WA	2,567,788	0.30330	778,810	3.2	1,913.9	1,950.0	-36.1
SA	1,716,966	1.41695	2,432,855	10.0	5,978.6	5,933.9	44.7
TAS	519,050	1.77693	922,316	3.8	2,266.6	2,259.2	7.3
ACT	406,403	1.15648	469,997	1.9	1,155.0	1,129.0	26.0
NT	245,048	5.28450	1,294,956	5.3	3,182.3	3,165.2	17.1
Total	24,381,012	na	24,352,611	100.0	59,845.5	59,240.0	605.5

(a) These amounts do not take into account the 2015-16 balancing adjustment of -\$98.4 million which was made in 2016-17.

GST administration

States compensate the Commonwealth for the costs incurred by the ATO in administering the GST, including costs incurred by the Department of Home Affairs (formerly the Department of Immigration and Border Protection). The GST administration budget for the ATO is estimated to be \$631.1 million for 2017-18, as shown in Table 3.36.

Table 3.36: GST administration budget

\$million	Actual	Estimates			
	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office budget	682.4	631.1	599.2	472.3	474.4
less Prior year adjustment	0.0	0.0			
<i>equals</i> State government payments	682.4	631.1	599.2	472.3	474.4
less Australian Taxation Office outcome(a)	682.4				
<i>equals</i> Commonwealth budget impact	0.0				
plus Prior year adjustment	0.0				
<i>equals</i> Following year adjustment	0.0				

(a) Estimated outcome for 2016-17 pending confirmation by the Australian National Audit Office.

DEBT STATEMENT

This Statement provides information on current and projected Government debt on issue, estimated and projected Government net debt, and details of climate spending and its contribution to debt.

Net debt is expected to be \$343.8 billion (18.9 per cent of GDP) in 2017-18. Net debt is projected to peak at 19.2 per cent of GDP in 2018-19, before declining over the medium term to 7.7 per cent of GDP (\$228 billion) in 2027-28.

Gross debt, measured as the face value of Commonwealth Government Securities (CGS) on issue subject to the Treasurer's Direction, is expected to be \$531 billion at the end of 2017-18 before increasing to \$583 billion at the end of the forward estimates. By the end of the medium term (2027-28) the total face value of CGS on issue is projected to rise to \$684 billion.

Commonwealth Government Securities issuance

The Government finances its activities either through receipts or borrowing. When receipts fall short of payments, the Government borrows by issuing CGS to investors.

The Australian Office of Financial Management (AOFM) is responsible for issuing CGS and the management of the Government's financing activities. The AOFM currently issues three types of securities:

Treasury Bonds: medium- to long-term securities with a fixed annual rate of interest payable every six months;

Treasury Indexed Bonds (TIBs): medium- to long-term securities for which the capital value of the security is adjusted for movements in the consumer price index (CPI). Interest on TIBs is paid quarterly, at a fixed rate, on the adjusted capital value; and

Treasury Notes: short-term securities generally maturing within six months of issuance. The volume of Treasury Notes on issue will vary over the course of the year, depending on the size and profile of the within-year funding flows.

All CGS issuance is undertaken in Australian dollars. Within these three broad categories of CGS, issuance is undertaken into a limited number of maturities (known as lines). Each of these lines has a fixed maturity date (the date on which the Government repays the principal it has borrowed) and, for Treasury Bonds and Treasury Indexed Bonds, a coupon rate (the annual fixed interest rate paid on the security).

Concentrating CGS issuance into a limited number of lines (rather than issuing securities with a specific time value, such as 10 years) ensures each line is sufficiently

large that it can easily be traded in the secondary market. Strong liquidity in the secondary market is attractive to investors, promotes demand for CGS, and assists in lowering borrowing costs.

The AOFM exercises operational independence in the execution of its duties. Its announced issuance program for each year is therefore determined on the basis of maturing CGS, net new issuance required to fund the Budget, and other operational considerations.

Operational considerations often mean that the annual issuance program may not be equivalent to the financing task for a particular year. For example, the AOFM may choose to smooth issuance across several financial years in order to minimise changes in CGS supply from one financial year to the next. The AOFM may also decide to partially pre-fund the following year's financing task.

The AOFM conducts regular buyback tenders for Treasury Bonds shorter than those comprising the primary three year Treasury Bond futures contract. The buybacks are funded by issuance of a corresponding face value amount of longer-dated Treasury Bonds. This operation assists the AOFM in its cash management task ahead of bond maturities and contributes to an orderly and efficient Treasury Bond market.

In recent years, the AOFM has taken the opportunity to lengthen the CGS yield curve. This has provided for a lower risk profile of maturing debt and has been achieved during a period when borrowing costs have been low by historical standards. It has also underpinned the development of a 20-year Treasury Bond futures contract by the ASX, which assists investors with the management of interest rate risk.

The extension of the yield curve is consistent with a strategy of lengthening the average term-to-maturity of the Australian Government's debt portfolio and diversifying the CGS investor base. This aims to reduce the impact of volatility in interest rates on the Government's budget over time.

Estimates and projections of key debt aggregates

The level of current and projected Government debt on issue is commonly expressed in one of two ways: gross or net debt.

Gross debt measures the face value of CGS on issue at a point in time. While gross debt is measured in face value terms, estimates and projections of CGS on issue are published in both face value and market value terms in this statement.

The **face value** of CGS on issue is the amount that the Government pays back to investors at maturity, independent of fluctuations in market prices.¹ The total face

¹ For TIBs, the final repayment amount paid to investors includes an additional amount owing to inflation growth over the life of the security. This amount is not included in the calculation of face value.

value of CGS on issue changes when new securities are issued, or when securities are repurchased or reach maturity.

The **market value** of CGS represents the value of securities as traded on the secondary market, which changes continuously with movements in market prices. Consistent with external reporting standards the market value of CGS on issue is reported on the Australian Government general government sector balance sheet.

Net debt is equal to the sum of deposits held, government securities (at market value), loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements. As net debt incorporates both selected financial assets and liabilities at their fair value, it provides a broader measure of the financial obligations of the Commonwealth than gross debt.

Not all government assets or liabilities are included in the measurement of net debt. For example, the Government's unfunded superannuation liability and the equity holdings of the Future Fund are not included in net debt.

Estimates and projections of net debt

Table 3.37 contains estimates and projections of net debt to the end of the forward estimates period.

In 2017-18, net debt is expected to be \$343.8 billion, compared with \$354.9 billion at the 2017-18 Budget. Over the forward estimates, net debt is projected to peak as a proportion of GDP at 19.2 per cent in 2018-19. The peak in net debt is lower than expected at the 2017-18 Budget, when it was projected to peak at 19.8 per cent of GDP in 2018-19. Over the medium term, net debt is projected to decline to 7.7 per cent of GDP (\$228 billion) in 2027-28.

Table 3.37: Liabilities and assets included in net debt

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Liabilities included in net debt				
Deposits held	218	218	218	218
Government securities	580,340	612,350	634,375	620,507
Loans	15,518	15,405	15,455	15,566
Other borrowing	1,582	1,540	1,494	1,445
Total liabilities included in net debt	597,658	629,513	651,542	637,736
Assets included in net debt				
Cash and deposits	4,400	4,417	5,172	5,161
Advances paid	63,049	77,431	86,561	73,306
Investments, loans and placements	186,430	184,487	194,659	203,991
Total assets included in net debt	253,879	266,336	286,392	282,458
Net debt	343,778	363,177	365,150	355,277

Changes in net debt since the 2017-18 Budget

Table 3.38 shows the drivers of the change in net debt between the 2017-18 Budget and the 2017-18 MYEFO.

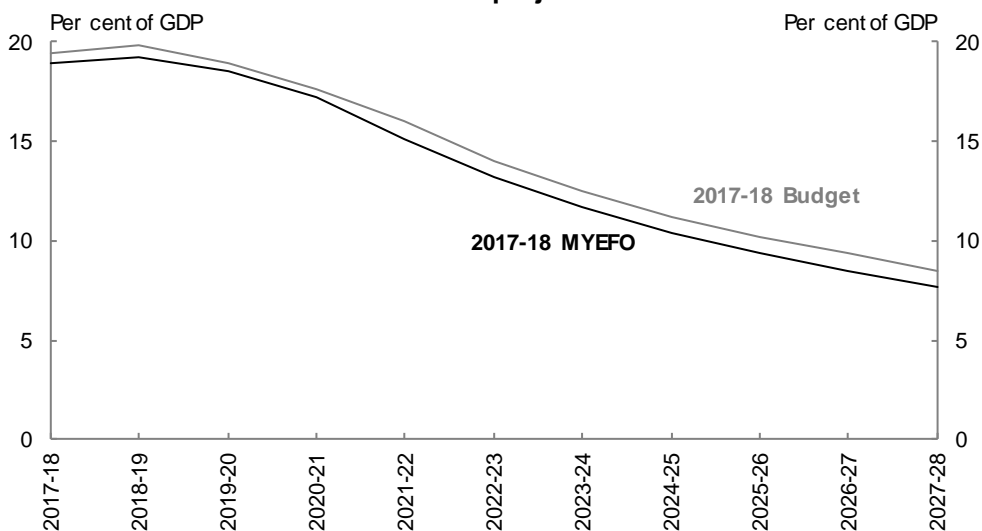
Net debt is estimated to have decreased in every year of the forward estimates since the 2017-18 Budget. This improvement is primarily due to lower levels of CGS on issue largely due to changes in the financing requirement reflecting improvements in the underlying and headline cash balances and an increase in investments, loans and placements, partly offset by a decrease in advances paid, predominantly relating to student loans.

Table 3.38: Net Debt — reconciliation from the 2017-18 Budget to the 2017-18 MYEFO

	2017-18 \$b	2018-19 \$b	2019-20 \$b	2020-21 \$b
Net debt as at 2017-18 Budget	354.9	375.1	374.7	366.2
Changes in financing requirement	-7.9	-15.8	-15.7	-23.6
Impact of yields on CGS	3.7	3.5	3.1	2.4
Asset and other liability movements	-6.9	0.4	3.0	10.3
<i>Cash and deposits</i>	-1.0	-1.0	-1.2	-1.0
<i>Advances paid</i>	9.0	11.1	14.8	20.3
<i>Investments, loans and placements</i>	-15.4	-10.2	-11.0	-9.4
<i>Other movements</i>	0.5	0.5	0.4	0.4
Total movements in net debt from 2017-18 Budget to 2017-18 MYEFO	-11.2	-11.9	-9.6	-10.9
Net debt as at 2017-18 MYEFO	343.8	363.2	365.2	355.3

Chart 3.13 shows that net debt is projected to be 7.7 per cent of GDP (\$228 billion) in 2027-28, 0.9 per cent less than projected net debt in 2027-28 at the 2017-18 Budget.

Chart 3.13: Net debt projected to 2027-28



Note: A tax-to-GDP cap of 23.9 per cent is applied to MYEFO projections from 2022-23. This is unchanged from the 2017-18 Budget.

Source: Treasury projections.

Estimates and projections of CGS on issue

Table 3.39 contains projections of the face value (end-of-year and within-year peak)² and the market value (end-of-year) of CGS on issue.

The *Commonwealth Inscribed Stock Act 1911* (CIS Act) requires the Treasurer to issue a direction to the AOFM stipulating the maximum face value of relevant CGS that may be on issue.³ As required by the *Charter of Budget Honesty Act 1998*, Table 3.39 reports projections of CGS on issue subject to the Treasurer’s Direction.

When considering these projections, it is important to note that the AOFM publishes an issuance strategy for the budget year only. Projections beyond the budget year are based on a set of technical assumptions and will vary with changes to these assumptions and budget estimates.

² End-of-year values are estimates or projections of CGS on issue at 30 June for the particular year. The precise timing of within-year peaks of CGS on issue is not known. The timing of the within-year peak is therefore reported to the given month in the particular year.

³ On 9 May 2017, the Treasurer directed that the maximum face value of CGS that can be on issue is \$600 billion.

Table 3.39: Estimates and projections of CGS on issue subject to the Treasurer's Direction^(a)

	2017-18	2018-19	2019-20	2020-21
	\$b	\$b	\$b	\$b
Face value - end of year	531	565	588	583
Per cent of GDP	29.2	29.9	29.8	28.2
Face value - within-year peak(b)	531	565	603	629
Per cent of GDP(b)	29.2	29.9	30.6	30.4
<i>Month of peak(b)</i>	<i>Jun-18</i>	<i>Jun-19</i>	<i>Apr-20</i>	<i>May-21</i>
Market value - end of year(c)	576	608	630	621
Per cent of GDP	31.7	32.2	31.9	30.1

The same stock and securities that were excluded from the previous legislative limit are excluded from the current limit set by the Treasurer's Direction. These exclusions are outlined in subsection 51JA(2A) of the CIS Act.

(a) The precise within-year timing of cash receipts and payments is not known. Projected peaks of CGS on issue are therefore subject to considerable uncertainty.

(b) The Treasurer's Direction applies only to the face value of CGS on issue. This table also shows the market value of CGS that are subject to the Treasurer's Direction. These figures will differ from the estimates and projections published in Appendix B: Australian Government Budget Financial Statements Table B2: Australian Government general government sector balance sheet that refer to total CGS on issue.

Source: AOFM.

The total amount of CGS on issue and the amount of CGS on issue subject to the Treasurer's Direction are reported weekly on the AOFM website.

In 2017-18, the end-of-year face value of CGS on issue subject to the Treasurer's Direction is expected to be \$531 billion, compared to \$537 billion at the 2017-18 Budget. The end-of-year face value of CGS on issue subject to the Treasurer's Direction is expected to reach \$583 billion in 2020-21.

In 2017-18, the face value of CGS on issue subject to the Treasurer's Direction is expected to reach a within-year peak of \$531 billion. In 2020-21, this is projected to rise to a within-year peak of \$629 billion.

Changes in CGS on issue since the 2017-18 Budget

Table 3.40 shows the change in the projected end-of-year face value of CGS on issue subject to the Treasurer's Direction between the 2017-18 Budget and the 2017-18 MYEFO.

Table 3.40: Projected CGS on issue subject to the Treasurer’s Direction — reconciliation from the 2017-18 Budget to the 2017-18 MYEFO

	2017-18 \$b	2018-19 \$b	2019-20 \$b	2020-21 \$b
Total face value of CGS on issue subject to the Treasurer's Direction as at 2017-18 Budget	537	579	603	606
Factors affecting the change in face value of CGS on issue from 2017-18 Budget to 2017-18 MYEFO(a)				
Cumulative receipts decisions	-0.3	0.0	-0.3	-0.4
Cumulative receipts variations	-3.3	-4.1	-3.2	-2.4
Cumulative payment decisions	1.4	1.6	2.2	2.3
Cumulative payment variations	-3.4	-4.0	-5.2	-8.8
Cumulative change in net investments in financial assets(b)	-0.9	-7.3	-7.0	-11.9
Other contributors	0.2	-0.7	-1.2	-1.4
Total face value of CGS on issue subject to the Treasurer's Direction as at 2017-18 MYEFO	531	565	588	583

(a) Cumulative impact of decisions and variations from 2017-18 to 2020-21. Increases to payments are shown as positive, and increases to receipts are shown as negative.

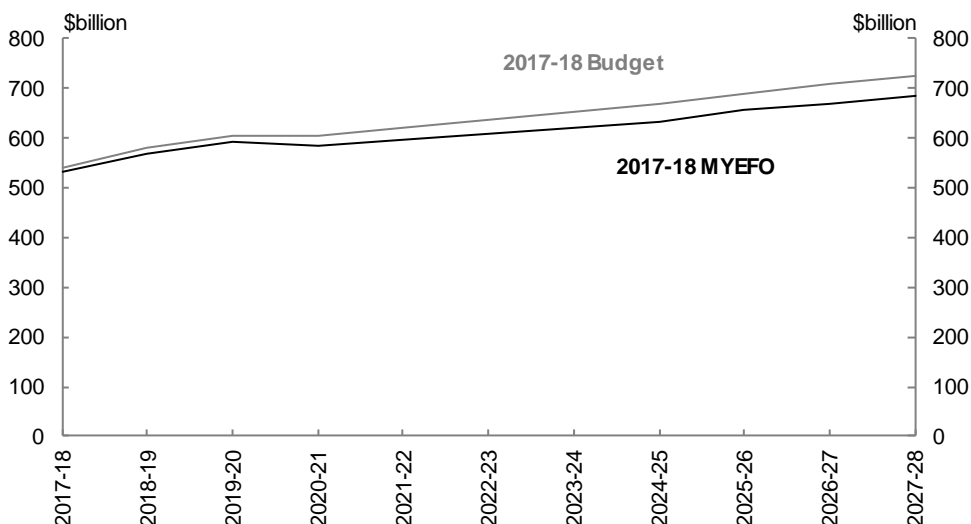
(b) Change in net cash flows from investments in policy and liquidity purposes.

Note: End of year data.

The total face value of CGS on issue is projected to rise to around \$684 billion by 2027-28, around \$40 billion less than the \$725 billion projected at the 2017-18 Budget (Chart 3.14). The change since Budget is driven by the changed profile of underlying cash balances (see Chart 3.1), and the associated lower public debt interest expense, accumulating over the medium term.

Further details on the changes to the underlying cash balance since the 2017-18 Budget can be found in *Part 3: Fiscal Strategy and Outlook*.

Chart 3.14: Face value of CGS on issue projected to 2027-28



Note: A tax-to-GDP cap of 23.9 per cent is applied to MYEFO projections from 2022-23. This is unchanged from the 2017-18 Budget.

Source: AOFM and Treasury projections.

Breakdown of CGS currently on issue

Table 3.41 provides a breakdown of the CGS on issue by type of security as at 12 December 2017.

Table 3.41: Breakdown of current CGS on issue

	On issue as at 12 December 2017	
	Face value	Market value
	\$m	\$m
Treasury Bonds (a)	478,090	513,489
Treasury Indexed Bonds (a)	32,434	42,216
Treasury Notes (a)	3,500	3,487
Total CGS subject to Treasurer's Direction(a)(b)	514,023	559,191
Other stock and securities	2,469	4,563
Total CGS on issue	516,493	563,754

(a) The Treasurer's Direction applies only to the face value of CGS on issue. This table also shows the market value of CGS that are subject to the Treasurer's Direction.

(b) The same stock and securities that were excluded from the previous legislative limit are excluded from the current limit set by the Treasurer's Direction. These exclusions, outlined in subsection 51JA(2A) of the CIS Act, are:

- stock and securities issued in relation to money borrowed under the *Loan (Temporary Revenue Deficits) Act 1953*;
- stock and securities loaned by the Treasurer under a securities lending arrangement under section 5BA of the *Loans Securities Act 1919*, or held by or on behalf of the Treasurer for the purpose of such an arrangement;
- stock and securities invested under subsection 58 of the *Public Governance, Performance and Accountability Act 2013*; and
- stock and securities on issue as at the start of 13 July 2008, other than Treasury Fixed Coupon Bonds.

Source: AOFM.

Treasury Bonds

Table 3.42 lists Treasury Bonds currently on issue, as well as the annual interest rate (the coupon) and the timing of coupon payments. As at 12 December 2017, there were 24 Treasury Bond lines on issue, with a weighted average term to maturity of around 7.4 years and the longest maturity extending to March 2047.

Since late 2010-11, the AOFM has incrementally lengthened the CGS yield curve. This increases the average maturity and duration profile of the AOFM's debt portfolio, thereby lowering variability in future debt servicing costs and reducing refinancing risk.

Table 3.42: Treasury Bonds on issue

Coupon Per cent	Maturity	On issue as at 12 December 2017 \$m	Timing of interest payments(a)			
5.50	21-Jan-18	10,915	Twice yearly	21 Jan		21 Jul
3.25	21-Oct-18	13,397	Twice yearly	21 Oct		21 Apr
5.25	15-Mar-19	19,153	Twice yearly	15 Mar		15 Sep
2.75	21-Oct-19	22,180	Twice yearly	21 Oct		21 Apr
4.50	15-Apr-20	27,997	Twice yearly	15 Apr		15 Oct
1.75	21-Nov-20	26,800	Twice yearly	21 Nov		21 May
5.75	15-May-21	29,799	Twice yearly	15 May		15 Nov
2.00	21-Dec-21	17,000	Twice yearly	21 Dec		21 Jun
5.75	15-Jul-22	24,600	Twice yearly	15 Jul		15 Jan
2.25	21-Nov-22	6,000	Twice yearly	21 Nov		21 May
5.50	21-Apr-23	24,100	Twice yearly	21 Apr		21 Oct
2.75	21-Apr-24	25,500	Twice yearly	21 Apr		21 Oct
3.25	21-Apr-25	27,900	Twice yearly	21 Apr		21 Oct
4.25	21-Apr-26	32,400	Twice yearly	21 Apr		21 Oct
4.75	21-Apr-27	29,200	Twice yearly	21 Apr		21 Oct
2.75	21-Nov-27	27,200	Twice yearly	21 Apr		21 Oct
2.25	21-May-28	23,900	Twice yearly	21 May		21 Nov
2.75	21-Nov-28	21,200	Twice yearly	21 Nov		21 May
3.25	21-Apr-29	20,200	Twice yearly	21 Apr		21 Oct
4.50	21-Apr-33	13,500	Twice yearly	21 Apr		21 Oct
2.75	21-Jun-35	6,950	Twice yearly	21 Jun		21 Dec
3.75	21-Apr-37	11,200	Twice yearly	21 Apr		21 Oct
3.25	21-Jun-39	6,300	Twice yearly	21 Jun		21 Dec
3.00	21-Mar-47	10,700	Twice yearly	21 Mar		21 Sep

(a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: AOFM.

Treasury Indexed Bonds

Table 3.43 lists Treasury Indexed Bonds currently on issue, as well as the annual interest rate (the coupon) and the timing of coupon payments. As at 12 December 2017, there were 8 Treasury Indexed Bond lines on issue, with a weighted average term to maturity of around 9.3 years and the longest maturity extending to August 2040.

Table 3.43: Treasury Indexed Bonds on issue

Coupon Per cent	Maturity	On issue as at 12 December 2017 \$m	Timing of interest payments(a)				
1.00	21-Nov-18	2,357	Quarterly	21 Nov	21 Feb	21 May	21 Aug
4.00	20-Aug-20	5,114	Quarterly	20 Aug	20 Nov	20 Feb	20 May
1.25	21-Feb-22	5,840	Quarterly	21 Feb	21 May	21 Aug	21 Nov
3.00	20-Sep-25	7,193	Quarterly	20 Sep	20 Dec	20 Mar	20 Jun
0.75	21-Nov-27	3,150	Quarterly	21 Nov	21 Feb	21 May	21 Aug
2.50	20-Sep-30	4,343	Quarterly	20 Sep	20 Dec	20 Mar	20 Jun
2.00	21-Aug-35	3,800	Quarterly	21 Aug	21 Nov	21 Feb	21 May
1.25	21-Aug-40	3,100	Quarterly	21 Aug	21 Nov	21 Feb	21 May

(a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: AOFM.

Treasury Notes

Table 3.44 lists the Treasury Notes currently on issue. The face value of Treasury Notes on issue as at 12 December 2017 was \$3.5 billion. Treasury Notes do not pay a coupon, but they are issued at a discount – the face value received at maturity is higher than the price paid at issuance.

Table 3.44: Treasury Notes on issue

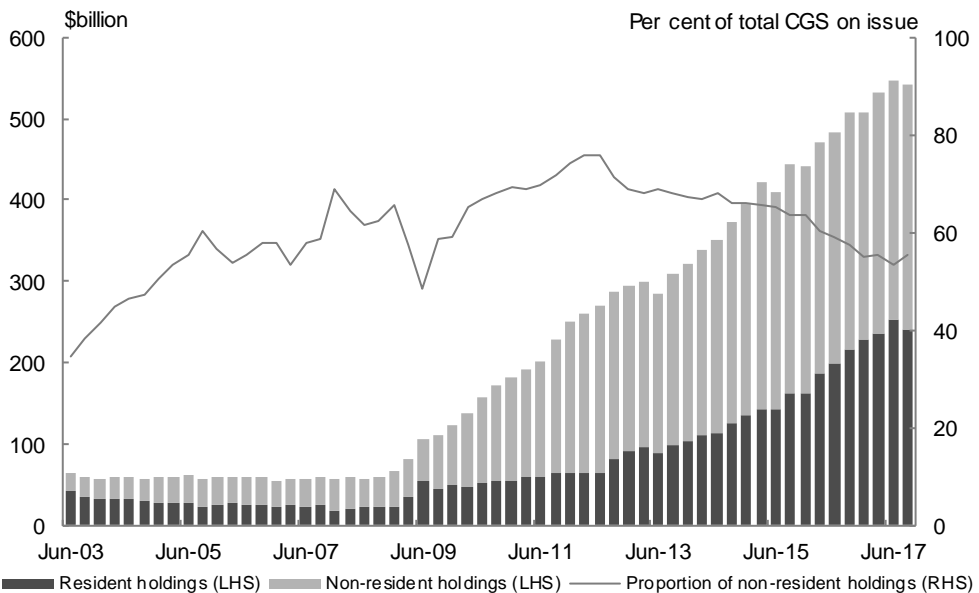
Maturity	On issue as at 12 December 2017 \$m	Timing of interest payment	
23-Feb-18	2,500	At maturity	23 Feb
27-Apr-18	1,000	At maturity	27 Apr

Source: AOFM.

Non-resident holdings of CGS on issue

As at the September quarter 2017, the proportion of non-resident holdings of CGS is around 55 per cent (Chart 3.15). This proportion is down from historical highs of around 76 per cent in 2012.

Chart 3.15: Non-resident holdings of CGS



Note: Data refer to the market value of holdings.

Source: ABS cat. no. 5302.0 and AOFM.

Interest on CGS

The interest costs related to CGS are presented in these statements in both cash and accrual accounting terms. The difference between the cash interest payments and accrual interest expense generally relates to the timing of when the interest cost is recognised.

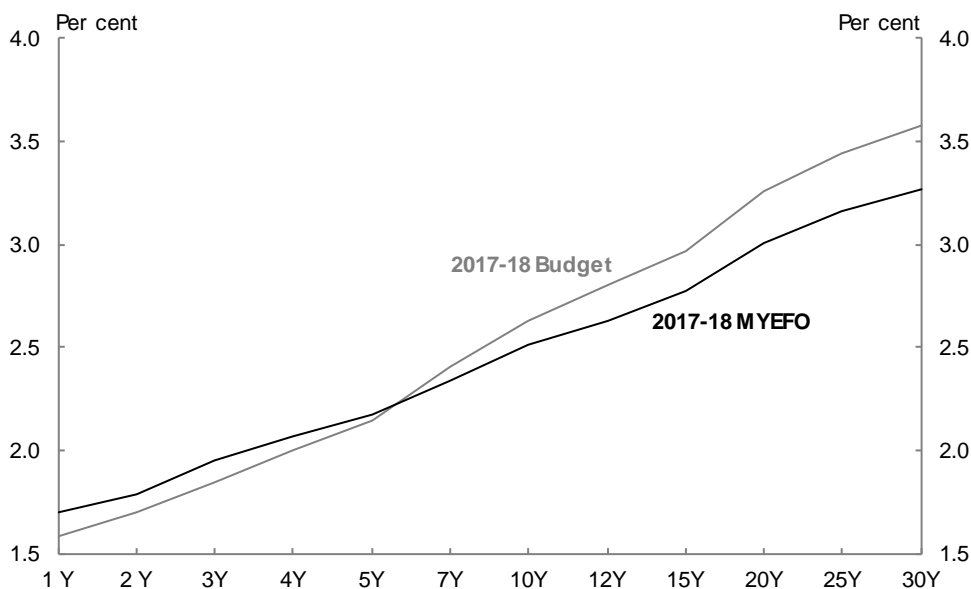
- **Interest payments** are recognised in the period when they are paid during the life of the security.
- **Interest expense** is recognised in the period in which an expense is incurred during the life of the security, rather when they are actually paid.

Estimates of the interest payments and interest expense of CGS on issue include the cost of CGS already on issue and future CGS issuance. The cost of:

- CGS already on issue uses the actual interest rates incurred at the time of issuance; and
- the expected future issuance of CGS is based on the prevailing market rates across the yield curve at the time of a budget estimates update.

The assumed market yields at the 2017-18 MYEFO result in a weighted average cost of borrowing of around 2.5 per cent for future issuance of Treasury Bonds in the forward estimates period, compared with around 2.6 per cent at the 2017-18 Budget. Chart 3.16 shows the yield curve assumptions underpinning the 2017-18 Budget and 2017-18 MYEFO.

Chart 3.16: Yield curve assumptions for 2017-18 to 2020-21



Source: AOFM.

The 2017-18 MYEFO yield curve is generally lower and flatter than the yield curve assumed at the 2017-18 Budget. The Government’s interest payments and expense over the forward estimates mostly relate to the cost of servicing the stock of CGS on issue. Total interest payments and expense on CGS over the four years to 2020-21 are expected to fall compared with the Budget as a result of the decrease in projected CGS on issue and fall in yields.

The Government's total interest payments in 2017-18 are estimated to be \$16.6 billion, of which \$16.3 billion relates to CGS on issue (Table 3.45).

Table 3.45: Interest payments, interest receipts and net interest payments^(a)

	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Interest payments on CGS	16,294	16,920	17,440	19,472
Per cent of GDP	0.9	0.9	0.9	0.9
Interest payments	16,623	17,263	17,790	19,837
Per cent of GDP	0.9	0.9	0.9	1.0
Interest receipts	3,249	4,051	4,893	5,342
Per cent of GDP	0.2	0.2	0.2	0.3
Net interest payments(b)	13,375	13,212	12,897	14,495
Per cent of GDP	0.7	0.7	0.7	0.7

(a) Interest payments and interest receipts are a cash measure, with the relevant amount recognised in the period in which the interest payment is made or interest is received.

(b) Net interest payments are equal to the difference between interest payments and interest receipts.

The Government's total interest expense in 2017-18 is estimated to be \$18 billion, of which \$16.9 billion relates to CGS on issue. Table 3.46 shows the Government's estimated interest expense, interest expense on CGS, interest income and net interest expense over the forward estimates.

Table 3.46: Interest expense, interest income and net interest expense^(a)

	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Interest expense on CGS	16,929	17,777	18,248	18,147
Per cent of GDP	0.9	0.9	0.9	0.9
Interest expense	18,027	19,304	20,166	19,520
Per cent of GDP	1.0	1.0	1.0	0.9
Interest income	3,580	4,463	5,432	6,004
Per cent of GDP	0.2	0.2	0.3	0.3
Net interest expense	14,447	14,842	14,733	13,516
Per cent of GDP	0.8	0.8	0.7	0.7

(a) Interest expense is an accrual measure, with the relevant amount recognised in the period in which the expense is incurred, but not necessarily paid.

Climate spending

The Government's climate spending is shown on an aggregated basis in Table 3.47.

Table 3.47: Climate spending from 2017-18 to 2020-21

	2017-18	2018-19	2019-20	2020-21
Climate spending (\$b)(a)	2.50	1.35	1.50	1.20

(a) Spending in this table is on a headline cash balance basis; that is, it includes payments and net cash flows from investments in financial assets for policy purposes, as well as estimated interest receipts associated with Clean Energy Finance Corporation investments.

The key components of climate spending are:

- the Emissions Reduction Fund, which will provide incentives to support abatement activities across the economy;
- the Clean Energy Finance Corporation which invests in renewable energy, energy efficiency and low emissions technologies; and
- the Australian Renewable Energy Agency, which supports research and development of renewable energy and related technologies.

The above figures incorporate the Government’s decision to make available, if required, up to \$110 million for an equity investment to accelerate and secure delivery of a thermal project in Port Augusta, South Australia.

Impact of climate spending on debt

Climate spending may be financed through either receipts or debt. This statement takes the approach of assuming that the proportion of climate spending being financed through new debt (as opposed to receipts) is equivalent to climate spending as a proportion of total spending. This is shown in Table 3.48.

Table 3.48: Impact on debt — climate spending as a proportion of total spending

	2017-18	2018-19	2019-20	2020-21
Climate spending (\$b)(a)	2.50	1.35	1.50	1.20
Total Spending (\$b)(b)	477	499	509	508
Climate spending (per cent of total spending)	0.5	0.3	0.3	0.2
Change in face value of CGS from previous year (\$b)(c)	32.6	33.5	23.8	-7.7
Contribution to change in face value of CGS from climate spending (\$b)	0.17	0.09	0.07	na

(a) The calculation of climate spending in this table is on a headline cash balance basis; that is, it includes payments and net cash flows from investments in financial assets for policy purposes, as well as estimated interest receipts associated with the Clean Energy Finance Corporation investments.

(b) The calculation of total spending in this table is on a headline cash balance basis; that is, it includes total payments and net cash flows from investments in financial assets for policy purposes.

(c) Calculations of the change in the face value of CGS are calculated using total CGS on issue.

APPENDIX A: POLICY DECISIONS TAKEN SINCE THE 2017-18 BUDGET

Revenue Measures

Table 1: Revenue measures since the 2017-18 Budget^(a)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
AGRICULTURE AND WATER RESOURCES					
<i>Department of Agriculture and Water Resources</i>					
Changes to agricultural production levies(b)	-	0.2	0.2	0.2	0.2
Emerging International Airports(b)(c)	-	0.4	-	-	-
Portfolio total	-	0.6	0.2	0.2	0.2
ATTORNEY-GENERAL'S					
<i>Attorney-General's Department</i>					
Foreign Influence Transparency Scheme — establishment(b)(c)	-	-	0.2	0.1	0.2
Portfolio total	-	-	0.2	0.1	0.2
COMMUNICATIONS AND THE ARTS					
<i>Australian Communications and Media Authority</i>					
National Broadband Network — enhanced consumer experience(b)(c)	-	-	1.5	4.2	3.0
Regional Broadband Scheme — revisions and changed start date(b)	-	-410.0	-25.0	-25.0	-30.0
Portfolio total	-	-410.0	-23.5	-20.8	-27.0
EDUCATION AND TRAINING					
<i>Department of Education and Training</i>					
Higher Education Reforms — revised implementation(b)(c)	-	-76.2	-161.7	-246.6	-353.0
VET Student Loans Program — partial cost recovery	-	0.3	2.9	3.4	3.8
Portfolio total	-	-75.9	-158.8	-243.2	-349.2

Table 1: Revenue measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
FINANCE					
<i>Department of Finance</i>					
DisabilityCare Australia Fund — initial payments(b)	0.6	1.0	-0.1	-	-
National Disability Insurance Scheme Quality and Safeguards Commission — national worker screening database(b)(c)	-	..	-0.1	..	-
Rollout of National Disability Insurance Scheme in Western Australia — revised implementation arrangements(b)	-	0.5	1.0	0.1	-
Portfolio total	0.6	1.5	0.8	0.1	-
FOREIGN AFFAIRS AND TRADE					
<i>Various Agencies</i>					
National Security — enhancing Australia's regional counter-terrorism assistance(b)(c)	-	nfp	nfp	nfp	nfp
Portfolio total	-	nfp	nfp	nfp	nfp
HEALTH					
<i>Department of Health</i>					
Improving Access to Medicines — Pharmaceutical Benefits Scheme — new and amended listings(b)	-	nfp	nfp	nfp	nfp
Making Private Health Insurance Simpler and More Affordable(b)(c)	-	-	2.0	1.3	1.2
Rollout of National Disability Insurance Scheme in Western Australia — revised implementation arrangements(b)	-	-	1.8	-0.5	-
Portfolio total	-	nfp	3.8	0.8	1.2
HOME AFFAIRS					
<i>Australian Criminal Intelligence Commission</i>					
Working with Children Checks National Database — establishment(b)(c)	-	-	0.3	0.5	0.5
<i>Australian Transaction Reports and Analysis Centre</i>					
Strengthening Australia's Defences Against Money Laundering and Terrorism Financing(b)(c)	-	-	9.6	10.9	12.1
<i>Department of Home Affairs</i>					
Emerging International Airports(b)(c)	-	7.5	-	-	-
Non-Citizens Held in Immigration Detention Under Criminal Justice Stay Certificates — cost recovery	-	-	2.2	4.3	4.3
Pacific Agreement on Closer Economic Relations Plus (PACER Plus)	-	..	..	..	..
Pacific Labour Scheme(b)(c)	-	-	0.6	0.7	0.8
Seasonal Worker Programme — improving take-up and streamlining administration(b)(c)	-	-	1.1	1.2	1.3
Portfolio total	-	7.5	13.8	17.6	19.0

Table 1: Revenue measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
INFRASTRUCTURE AND REGIONAL DEVELOPMENT					
<i>Australian Maritime Safety Authority</i>					
National System for Domestic Commercial Vessel Safety — transitional funding package(b)	-	-	19.8	19.1	20.8
Portfolio total	-	-	19.8	19.1	20.8
SOCIAL SERVICES					
<i>Department of Social Services</i>					
Higher Education Reforms — revised implementation	-	-	-	-	-
National Disability Insurance Scheme Quality and Safeguards Commission — national worker screening database(b)(c)	-	-	4.5	0.9	0.7
Rollout of National Disability Insurance Scheme in Western Australia — revised implementation arrangements(b)	-	-	-	-	-
<i>National Disability Insurance Agency</i>					
Rollout of National Disability Insurance Scheme in Western Australia — revised implementation arrangements(b)	-	36.8	140.6	205.5	41.1
Portfolio total	-	36.8	145.2	206.4	41.8
TREASURY					
<i>Australian Prudential Regulation Authority</i>					
Taking Action Now — Australian Financial Complaints Authority(b)	-	1.1	4.9	3.4	-
<i>Australian Taxation Office</i>					
Additional foreign investment amendments	-	-1.0	-1.0	-1.0	-1.0
Capital gains tax — main residence exemption — application to temporary residents	-	-	-30.0
Company tax — passive investment companies excluded from lower company tax rate	-	*	*	*	*
Debt-Equity rules — allowing debt tax treatment for Tier 2 capital issued by customer-owned banks	-	-	*	*	*
Deductible gift recipient reform — strengthening governance and integrity and reducing complexity(b)	-	-	-	..	*
Expanding tax incentives for investments in affordable housing	-	-	*	*	*
Extending deductible gift recipient eligibility to organisations promoting Indigenous languages	-	-	-
Family Tax Benefit — broadening debt repayment(b)	-	-	-	-	-

Table 1: Revenue measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
TREASURY (continued)					
GST on low value imported goods — 1 July 2018 start date(b)	-	-70.0	-30.0	-30.0	-30.0
Improving the integrity of GST on property transactions — transitional arrangements(b)	-	-	-50.0	-20.0	-
Indirect Tax Concession Scheme — diplomatic and consular concessions(b)	-
International tax — adoption of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting	-	-	*	*	*
Pacific Labour Scheme(b)(c)	-	-	15.0	40.0	50.0
Personal income tax — exemption of JobSeeker Payment for newly bereaved recipients	-	-	-
Personal income tax — exemptions for Australian participants of British nuclear tests and veterans of the British Commonwealth Occupation Force	-
Philanthropy — updates to the list of specifically listed deductible gift recipients	-	..	-0.4	-0.5	-0.2
Reducing Pressure on Housing Affordability — affordable housing through managed investment trusts	-	-	*	*	*
Seasonal Worker Programme — improving take-up and streamlining administration(b)(c)	-	-	15.0	25.0	25.0
Single Touch Payroll — deliver a tax incentive for small businesses to invest in Standard Business Reporting enabled software — reversal	-	-	35.0	-	-
Superannuation — closing salary sacrifice loopholes	-	-	*	*	*
Superannuation Guarantee Integrity Package — modernising payroll and superannuation fund reporting(b)(c)	-	-	10.5	33.6	26.7
Superannuation Guarantee Integrity Package — more effective collection of Superannuation Guarantee liabilities(b)	-	-	*	*	*
Superannuation Guarantee Integrity Package — reversal of 2014-15 MYEFO measure <i>Superannuation — Superannuation Guarantee Charge(b)</i>	-	27.7	28.4	29.4	30.5
Superannuation Guarantee Integrity Package — stronger penalties for Superannuation Guarantee	-	-	-	-	-
Superannuation Guarantee Integrity Package — Superannuation Guarantee Compliance Taskforce(b)	-	-	16.9	42.3	8.5

Table 1: Revenue measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
TREASURY (continued)					
Support for Veterans' Mental Health — additional funding(b)(c)	-	..	1.0	..	..
Tax integrity — extension of the OECD hybrid mismatch rules	-	-	*	*	*
Technical amendments to venture capital and innovation programs	-	..	..	..	..
Wine equalisation tax rebate tightened eligibility — transitional rules for wine producers	-	-	-15.0	-10.0	-5.0
<i>National Housing Finance and Investment Corporation</i>					
Reducing Pressure on Housing Affordability — implementation of the National Housing Finance and Investment Corporation and additional measures(b)	-	-	2.2	2.7	3.3
Portfolio total	-	-42.2	32.5	114.9	77.8
Decisions taken but not yet announced(d)	-	285.2	-400.6	-226.1	-192.6
Total impact of revenue measures(e)	0.6	-196.5	-366.7	-130.8	-407.7

* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

(a) A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain in revenue.

(b) These measures can also be found in the expense measures summary table.

(c) These measures can also be found in the capital measures summary table.

(d) Includes the impact of measures that are not for publication (nfp).

(e) Measures may not add due to rounding.

AGRICULTURE AND WATER RESOURCES

Changes to agricultural production levies

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Agriculture and Water Resources	-	0.2	0.2	0.2	0.2
<i>Related expense (\$m)</i>					
<i>Department of Agriculture and Water Resources</i>	-	0.2	0.2	0.2	0.2

The Government is making changes to the following agricultural levies and export charges at the request of industry to meet changes in the biosecurity funding needs of the agricultural sector:

- Almonds: on 1 October 2017, the Government increased the Emergency Plant Pest Response (EPPR) component of the almond levy from zero to 0.1 cents per kilogram for almonds in their shell and to 0.13 cents per kilogram for shelled almonds, at the request of the Almond Board of Australia. The funds raised will be used to repay the costs paid by the Government on behalf of the Almond Board of Australia in relation to the industry contribution to the response plan for the eradication of *varroa jacobsoni* mite from Queensland.
- Apples and pears: on 1 October 2017, the Government increased the EPPR component of the apple and pear levies (excluding the juicing and processing components) from zero to 0.05 cents per kilogram, at the request of Apple and Pear Australia Limited. The funds raised will be used to repay the costs paid by the Government on behalf of Apple and Pear Australia Limited in relation to the industry contribution to the response plans for the eradication of *varroa jacobsoni* mite from Queensland and of exotic fruit fly in the Torres Strait.

COMMUNICATIONS AND THE ARTS

Regional Broadband Scheme — revisions and changed start date

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Communications and Media Authority	-	-410.0	-25.0	-25.0	-30.0
<i>Related expense (\$m)</i>					
Department of Communications and the Arts	-	-370.0	-54.3	-25.9	-30.2

The Government is revising its 2016-17 MYEFO measure *Regional Broadband Scheme* (RBS) and delaying the start date one year acknowledging that legislation establishing the RBS is still before the Parliament.

The changes are that: the accrual start date for the RBS will be 1 July 2018; carriers will pay the charge in relation to premises – voice only and broadcast television services will be excluded; there will be a statutory review of the RBS within four years; the first 25,000 small business and residential premises on each carrier’s network will be exempt for the first five years as a transitional measure; and the charge will be capped at \$10 per premises per month, indexed annually by the consumer price index.

Over the forward estimates period, the measure is expected to reduce the fiscal balance by \$9.7 million and increase the underlying cash balance by \$0.3 million. This difference occurs because the charge applies from 2018-19 but payments to NBN Co do not begin until 2019-20.

EDUCATION AND TRAINING

VET Student Loans Program — partial cost recovery

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Education and Training	-	0.3	2.9	3.4	3.8

The Government will raise \$14.6 million over five years from 1 July 2017 through partial cost recovery of the costs of regulatory activities associated with the *VET Student Loans Act 2016*, through the implementation of an application fee and annual charge on Registered Training Organisations approved to offer VET student loans.

The arrangements will assist to address costs associated with the strengthened legislative and compliance framework, toughened provider entry standards, and enhanced reporting requirements on approved training providers that deliver VET student loans.

The new arrangements are in accordance with the Australian Government Charging Framework.

FOREIGN AFFAIRS AND TRADE

Pacific Labour Scheme

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	15.0	40.0	50.0
Department of Home Affairs	-	-	0.6	0.7	0.8
Total — Revenue	-	-	15.6	40.7	50.8
<i>Related expense (\$m)</i>					
<i>Fair Work Ombudsman and Registered Organisations Commission Entity</i>	-	1.6	1.6	1.6	1.6
<i>Department of Home Affairs</i>	-	1.5	1.4	1.6	1.8
<i>Department of the Treasury</i>	-	-	5.0	10.0	10.0
<i>Department of Foreign Affairs and Trade</i>	-	-3.7	-2.6	-2.8	-3.0
Total — Expense	-	-0.6	5.4	10.4	10.4
<i>Related capital (\$m)</i>					
<i>Department of Home Affairs</i>	-	0.8	-	-	-

The Government will introduce a Pacific Labour Scheme (PLS) from 1 July 2018 which will enable citizens from Pacific Island countries to take up work opportunities in rural and regional Australia for up to three years. The PLS will have an initial intake of up to 2,000 workers and will focus on sectors with projected employment growth in Australia which match Pacific Islanders' skill sets. The PLS will be employer-sponsored and require labour market testing to ensure Australian workers have priority for local jobs as well as contain protections to safeguard against worker exploitation.

This measure is estimated to have a gain to the budget of \$80.7 million over the forward estimates period.

Further information can be found in the press release of 8 September 2017 issued by the Prime Minister.

Seasonal Worker Programme — improving take-up and streamlining administration

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	15.0	25.0	25.0
Department of Home Affairs	-	-	1.1	1.2	1.3
Total — Revenue	-	-	16.1	26.2	26.3
<i>Related expense (\$m)</i>					
<i>Department of Employment</i>	-	1.2	-0.7	-0.3	-0.3
<i>Department of Home Affairs</i>	-	0.8	0.4	0.3	0.3
<i>Department of the Treasury</i>	-	-	5.0	10.0	10.0
<i>Department of Foreign Affairs and Trade</i>	-	-2.4	0.3	..	..
Total — Expense	-	-0.3	5.0	10.0	10.0
<i>Related capital (\$m)</i>					
<i>Department of Home Affairs</i>	-	0.3	-	-	-

The Government is phasing in measures to increase the take-up and improve accessibility of the Seasonal Worker Programme from 1 July 2018. Changes include streamlining application processes, introducing a multi-year, multi-entry visa for seasonal workers, investigating ways to help employers lodge information online, piloting ways to lower upfront costs for employers, and removing the requirement for employers to organise training for seasonal workers while in Australia.

This measure is estimated to have a gain to the budget of \$43.7 million over the forward estimates period.

Further information can be found in the press release of 8 September 2017 issued by the Minister for Employment.

HOME AFFAIRS

Non-Citizens Held in Immigration Detention Under Criminal Justice Stay Certificates — cost recovery

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Home Affairs	-	-	2.2	4.3	4.3

The Government will achieve additional revenue of \$15.2 million over four years from 2018-19 by introducing cost recovery arrangements from 1 January 2019 for holding non-citizens in immigration detention on behalf of States and Territories under Criminal Justice Stay Certificates.

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

Pacific Agreement on Closer Economic Relations Plus (PACER Plus)

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Home Affairs	-

On 14 June 2017, the governments of Australia, New Zealand, Cook Islands, Kiribati, Nauru, Niue, Samoa, Solomon Islands, Tonga and Tuvalu signed the Pacific Agreement on Closer Economic Relations Plus (PACER Plus)(the Agreement). The Government of Vanuatu signed the Agreement on 7 September 2017. Under the Agreement, the Parties will reduce or eliminate tariffs on imported goods. The Agreement will also address other barriers to trade and investment, and assist in building capacity in the Pacific Island countries.

This measure is estimated to have a negligible cost to revenue over the forward estimates period.

Further information can be found in the joint press release of 14 June 2017 issued by the Minister for Trade, Tourism and Investment and the Assistant Minister for Trade, Tourism and Investment.

TREASURY

Additional foreign investment amendments

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-1.0	-1.0	-1.0	-1.0

Technical amendments which streamline the foreign investment application and fee framework were implemented along with a range of related amendments announced in the 2017-18 Budget. Following subsequent consultation with stakeholders, the Government agreed to additional amendments to the foreign investment regime.

The amendments announced at Budget, and the amendments announced by the Government subsequent to Budget, together clarify and simplify Australia's foreign investment framework.

The technical amendments the Government announced subsequent to Budget have four key components:

- Ensure that the existing exemption for interests in securities in unlisted Australian land entities of less than five per cent is workable by removing the requirement that the exemption only apply if there are at least 100 security holders.
- Increase thresholds for global acquisitions that result in an acquisition of Australian interests by a foreign government investor to only capture acquisitions that result in a five per cent share of the global firm's total assets and where the value is \$55 million or less.
- Simplify the treatment of foreign government investors who establish a consortium or who acquire an interest in a consortium vehicle to effect the purchase of an asset.
- Extend fee relief to actions that increase a majority owner's interest.

These regulatory amendments were informed by stakeholder views and a consultation process on options to improve the framework and make obligations clearer. These amendments are estimated to have a cost to revenue of \$4.0 million over the forward estimates period.

Capital gains tax — main residence exemption — application to temporary residents

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	-30.0

The Government announced changes to the capital gains tax rules for foreign residents, including to the availability of the main residence exemption, as part of the *Reducing Pressure on Housing Affordability Package* in the 2017-18 Budget.

Following consultation, the Government has amended the change to the main residence exemption to ensure that only Australian residents for tax purposes can access the exemption. As a result, temporary tax residents who are Australian tax residents will be unaffected by the change.

This is estimated to have a cost to revenue of \$30.0 million over the forward estimates period.

Company tax — passive investment companies excluded from lower company tax rate

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	*	*	*	*

The Government will introduce a bright line test to ensure that passive investment companies are not eligible for the lower company tax rate. The measure will apply from the 2017-18 income year.

Under the bright line test a company will not be eligible for the lower company tax rate if more than 80 per cent of its assessable income is passive income (such as interest, dividends or royalties). The new test will replace the previous requirement that a company carry on a business and make it easier for companies to determine their eligibility.

The measure is estimated to have a small but unquantifiable gain to revenue over the forward estimates period.

Further information can be found in the press release of 18 October 2017 issued by the Minister for Revenue and Financial Services.

Debt-Equity rules — allowing debt tax treatment for Tier 2 capital issued by customer-owned banks

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	*	*	*

The Government will extend the 2012-13 Budget measure *Debt-Equity rules – treatment of Tier 2 capital instruments under the Basel III capital reforms*, to allow debt tax treatment for Tier 2 capital that can be converted into mutual equity interests. This measure will have effect on the day after the amending regulation is registered.

Under the current law, such instruments would be treated as equity for income tax purposes and their funding costs would not be tax deductible. This measure will align the tax treatment of these instruments with Tier 2 capital that can be converted into ordinary shares, and enable customer-owned banks to raise Tier 2 capital on a more competitive footing, relative to other authorised deposit-taking institutions.

This measure seeks to implement recommendation seven of the Independent Facilitator Review Report on *Reforms for Cooperatives, Mutuals and Member-owned Firms* (Hammond Report).

This measure is estimated to have an unquantifiable cost to revenue over the forward estimates period.

Further information can be found in the press release of 8 November 2017 issued by the Treasurer.

Deductible Gift Recipient Reform — strengthening governance and integrity and reducing complexity

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	-	..	*
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	-	2.1	0.9	2.7

The Government will provide \$5.7 million for the Australian Charities and Not-for-profits Commission (ACNC) and the Australian Taxation Office (ATO) to improve governance, reduce complexity and boost integrity of the deductible gift recipient (DGR) framework.

From 1 July 2019, non-government entities with DGR tax status will be automatically registered as charities with the ACNC, providing consistent oversight of DGRs by the national charity regulator. Transitional arrangements will minimise the registration burden and provide more time for DGRs to provide basic registration information. The

Commissioner of Taxation will have the power to grant exemptions from this requirement in limited circumstances.

From 1 July 2019, the Register of Environmental Organisations, Register of Harm Prevention Charities, Register of Cultural Organisations and Overseas Aid Gift Deduction Scheme will be integrated with the ACNC Charity Register. The ACNC will assume all administrative responsibilities for those, harmonising applications and reporting in one central location.

From 1 July 2020, the ACNC and ATO will be funded to conduct additional reviews of DGRs' eligibility, to ensure that tax concessions remain targeted to those entities that are entitled.

This measure is estimated to have an unquantifiable gain to revenue over the forward estimates period.

Expanding tax incentives for investments in affordable housing

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	*	*	*

In the 2017-18 Budget, the Government announced that it would provide an additional ten percentage points capital gains tax discount, increasing the discount from 50 per cent to 60 per cent, to resident individuals who elect to invest in qualifying affordable housing. The measure takes effect from 1 January 2018.

The Government has consulted on the Budget measure, and clarified that tenant eligibility and rent charge will be determined by registered community housing providers, consistent with state and territory affordable housing policies. In addition, taxpayers must hold the property for use as affordable housing for an aggregate of three years in order to access the additional discount.

This measure is estimated to have an unquantifiable impact on revenue over the forward estimates period.

Extending deductible gift recipient eligibility to organisations promoting Indigenous languages

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	-

The Government will expand access to deductible gift recipient status to organisations that operate to promote Indigenous languages, including through their revitalisation and maintenance. The measure recognises the value of Indigenous languages and

Appendix A: Policy decisions taken since the 2017-18 Budget

addresses a current disparity in the tax treatment between Indigenous arts and Indigenous languages organisations.

This measure is estimated to have a negligible cost to revenue over the forward estimates period.

GST on low value imported goods — 1 July 2018 start date

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-70.0	-30.0	-30.0	-30.0
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-	-60.0	-30.0	-20.0	-20.0

The Parliament agreed to change the start date of the 2016-17 Budget measure *Applying GST to Low Value Goods Imported by Consumers* to 1 July 2018 (from 1 July 2017). This start date provides additional time for industry participants to make system changes to implement the measure, whilst not overly prolonging the current uneven GST treatment faced by domestic retailers.

The change in the start date is estimated to reduce GST revenue by \$160.0 million over the forward estimates period. GST receipts and associated payments to the States and Territories are estimated to be reduced by \$130.0 million over the forward estimates period. The difference is due to the timing of when GST is collected and recognised.

As announced in the 2016-17 Budget, the measure extends GST to low value goods imported by consumers, so that low value goods imported by consumers will face the same tax regime as goods that are sourced domestically. Accounting for the revised start date, the policy is estimated to have a gain to GST revenue of \$300.0 million over the forward estimates period. Because GST collections flow to the States and Territories, there is no impact on the underlying cash balance.

Further information can be found in the press release of 21 June 2017 issued by the Treasurer.

Improving the integrity of GST on property transactions — transitional arrangements

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	-50.0	-20.0	-
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-	-	-270.0	120.0	80.0

The Government will introduce a transitional arrangement to the 2017-18 Budget measure to improve the integrity of GST on property transactions, following consultation with industry.

The Government announced in the 2017-18 Budget that from 1 July 2018, purchasers of new residential premises and new residential subdivisions will be required to remit the GST directly to the ATO as part of the property settlement. This addresses tax evasion by some developers that collect GST on the purchase price from their customers but dissolve their company to avoid paying it to the ATO.

This two-year transitional arrangement will exclude from the Budget measure contracts signed before 1 July 2018 as long as the transaction settles before 1 July 2020. This will provide certainty for contracts that have already been signed.

This measure is estimated to reduce GST revenue and associated payments to the States and Territories by \$70.0 million over the forward estimates period. GST-related payments to the States and Territories are linked to cash collections. This measure is estimated to reduce the amount of cash collections brought forward to 2018-19, reducing the related payments in this year. This is partially offset by larger collections and payments in 2019-20 and 2020-21.

Further information can be found in the press release of 7 November 2017 issued by the Minister for Revenue and Financial Services.

Indirect Tax Concession Scheme — diplomatic and consular concessions

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-

The Government has granted access to refunds of indirect tax (including GST, excise and luxury car tax) under the Indirect Tax Concession Scheme to the High Commission of Vanuatu and the Consulate-General of the United Arab Emirates.

Appendix A: Policy decisions taken since the 2017-18 Budget

These concessions are provided in accordance with Australia's international obligations in relation to diplomatic missions and consular posts, and will establish reciprocal entitlements for Australian diplomatic missions in these countries.

The changes will have effect from a time specified by the Minister for Foreign Affairs. This measure is estimated to have a negligible cost to the budget over the forward estimates period.

International tax — adoption of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	*	*	*

The Government signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (Multilateral Instrument) on 7 June 2017.

The Multilateral Instrument will modify the majority of Australia's existing bilateral tax treaties to implement new integrity provisions to protect those treaties from being exploited for tax avoidance purposes and improve tax treaty-related dispute resolution mechanisms. These provisions were developed as part of the G20/OECD Base Erosion and Profit Shifting Project.

The Multilateral Instrument will enter into force for Australia after the Organisation for Economic Co-operation and Development (OECD) ratification processes have been completed and both Australia and its relevant bilateral treaty partner complete their implementation procedures. Subject to these processes, it is expected that the Multilateral Instrument will first take effect in Australia:

- in respect of withholding taxes, on income derived on or after 1 January 2019;
- in respect of all other taxes, for income years commencing on or after 1 July 2019; and
- in respect of dispute resolution, generally after the Multilateral Instrument enters into force for each of the Parties.

This measure is estimated to have an unquantifiable gain to revenue over the forward estimates period.

Further information can be found in the joint press release issued on 8 June 2017 by the Acting Minister for Revenue and Financial Services and the Minister for Trade, Tourism and Investment.

Personal income tax — exemption of JobSeeker Payment for newly bereaved recipients

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	-

The Government has made the new lump sum JobSeeker Payment for newly bereaved recipients income tax exempt up to the current tax free amount as calculated in subsection 52-30 of the *Income Tax Assessment Act 1997*. The new lump sum payment forms part of the new JobSeeker Payment the Government will introduce from 20 March 2020, which will consolidate seven existing income support payments into one.

This measure is estimated to have a negligible cost to revenue over the forward estimates period.

Personal income tax — exemptions for Australian participants of British nuclear tests and veterans of the British Commonwealth Occupation Force

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-

The Government has provided certain exemptions to Australian participants in the British nuclear tests of the 1950s and Australian veterans of the British Commonwealth Occupation Force that receive medical treatment using the Department of Veterans' Affairs (DVA) Gold Card. These recipients will be exempt from the Medicare levy and Medicare levy surcharge. The pharmaceutical supplement, which is paid to these recipients, will be income tax exempt from 2017-18. This is consistent with the existing benefits provided to other DVA Gold Card recipients.

This measure is estimated to have a negligible cost to revenue over the forward estimates period.

Philanthropy — updates to the list of specifically listed deductible gift recipients

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	..	-0.4	-0.5	-0.2

Since the 2017-18 Budget, the following organisations have been approved as specifically-listed deductible gift recipients from the following dates:

- Australian Philanthropic Services for gifts made on or after 1 July 2016;

Appendix A: Policy decisions taken since the 2017-18 Budget

- Centre for Entrepreneurial Research and Innovation Limited for gifts made between 1 January 2017 and 31 December 2021;
- Foundation 1901 for gifts made between 1 September 2016 and 31 August 2021;
- Melbourne Korean War Memorial Committee for gifts made between 1 January 2018 and 31 December 2019; and
- Sydney Chevra Kadisha for gifts made between 1 January 2018 and 31 December 2019.

Taxpayers may claim an income tax deduction for gifts to these organisations of \$2 or more.

The measure is estimated to have a cost to revenue of \$1.1 million over the forward estimates period.

Reducing Pressure on Housing Affordability — affordable housing through managed investment trusts

Revenue (\$m)

	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	*	*	*

The Government will modify the 2017-18 Budget measure *Reducing Pressure on Housing Affordability — Affordable Housing through Managed Investment Trusts* to make it easier for managed investment trusts (MITs) to invest in affordable housing. Under that Budget measure, a MIT would be able to acquire, construct or redevelop affordable housing property, provided at least 80 per cent of their income is derived from affordable housing. This measure modifies these requirements so that MITs no longer have to derive at least 80 per cent of their income from affordable housing. Instead, MITs will be able to hold any level of affordable housing for the purpose of deriving long term rent, provided other income is derived from another eligible activity. This measure applies from income years starting on or after 1 July 2017.

Under the MIT withholding tax regime, non-resident investors are generally subject to a reduced rate of withholding tax (15 per cent) if they are a resident of a country with which Australia has an effective exchange of information agreement. Resident investors are taxed at their marginal tax rates, with capital gains remaining eligible for the capital gains tax discount.

To qualify for the MIT concessional tax treatment, affordable housing tenancy will need to be managed by a registered community housing provider (CHP). As part of this, CHPs will determine the tenant eligibility criteria, including the rent charged, consistent with state and territory affordable housing policies.

This measure is estimated to have an unquantifiable revenue impact over the forward estimates period.

Further information can be found in the joint press release of 14 September 2017 issued by the Treasurer and Assistant Minister to the Treasurer.

Single Touch Payroll — deliver a tax incentive for small businesses to invest in Standard Business Reporting enabled software — reversal

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	35.0	-	-

The Government will not proceed with a \$100 non-refundable tax offset for eligible small businesses with expenditure on Standard Business Reporting enabled software. This measure is estimated to have a gain to revenue of \$35.0 million over the forward estimates period.

The offset was announced in the 2015-16 MYEFO as part of the *Tax administration — Single Touch Payroll Reporting* measure. Consultation with stakeholders identified that the most effective way to support the early adoption of Single Touch Payroll reporting by small business is through education and support services.

Superannuation — closing salary sacrifice loopholes

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	*	*	*

From 1 July 2018, the Government will close loopholes used by some employers to reduce the Superannuation Guarantee (SG) contributions owed to their employees.

The measure will stop employers from using salary sacrifice contributions to satisfy their SG obligations and from reducing the earnings base on which SG obligations are calculated.

This measure is estimated to have a small unquantifiable cost to revenue over the forward estimates period.

Superannuation Guarantee Integrity Package — modernising payroll and superannuation fund reporting

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	10.5	33.6	26.7
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	7.0	18.0	13.8	14.8
<i>Related capital (\$m)</i>					
Australian Taxation Office	-	-	10.3	-	-

The Government will provide \$63.9 million to the Australian Taxation Office (ATO) over the forward estimates to support the modernisation of payroll and superannuation fund reporting. This measure is estimated to have a gain to revenue of \$70.8 million over the forward estimates period.

As part of this measure, Single Touch Payroll reporting will be extended to small employers (with fewer than 20 employees), which will streamline the reporting of the employer’s Pay-As-You-Go withholding and superannuation guarantee obligations to the ATO through Standard Business Reporting enabled software.

The funding to the ATO will also support Australian Prudential Regulation Authority (APRA) regulated superannuation funds as they move to event-based reporting of superannuation guarantee payment contributions to the ATO. The 2018-19 financial year will be a transitional year for reporting to allow APRA regulated superannuation funds to implement the required changes, with full implementation from 1 July 2019.

Superannuation Guarantee Integrity Package — more effective collection of Superannuation Guarantee liabilities

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	*	*	*
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	0.5	2.1	2.1	2.7

The Government will provide \$7.5 million to the Australian Taxation Office (ATO) to improve processes for recovering unpaid Superannuation Guarantee (SG). As part of this package, the Government will strengthen the use of director penalties by restricting the opportunities for a director to avoid personal liability for his or her company's tax obligations. This will enhance the ATO’s ability to recover tax liabilities from directors where a company has failed to meet its obligations. The ATO’s ability to collect tax liabilities through the use of security deposits will also be strengthened, by allowing it to apply for a court order to compel compliance with a security deposit. These changes will commence from 1 July 2018.

The Government will also ensure the ATO can keep employees better informed about the compliance and debt recovery activities for unpaid SG that the ATO is undertaking on employees' behalf. The Government will amend the disclosure provisions in the tax law to allow the ATO to keep all employees (and former employees) informed about possible failures by their employer to pay their SG, and the steps it is taking to recover the unpaid SG, irrespective of whether the employee has initiated a complaint to the ATO.

Superannuation Guarantee Integrity Package — reversal of 2014-15 MYEFO measure *Superannuation — Superannuation Guarantee Charge*

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	27.7	28.4	29.4	30.5
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	27.7	28.4	29.4	30.5

The Government will not proceed with the 2014-15 MYEFO measure *Superannuation — Superannuation Guarantee Charge*. This measure aimed to simplify the application of the Superannuation Guarantee (SG) Charge for the late or short payment of superannuation contributions. The proposed amendments included:

- aligning the nominal interest component on unpaid SG contributions with the period over which SG contributions are outstanding;
- replacing the current earnings base for calculating the SG Charge (total salary and wages) with the base used to calculate SG contributions (ordinary time earnings); and
- aligning the penalties imposed under the SG legislation with the general tax penalty provisions.

The reversal is estimated to have no net financial impact over the forward estimates period.

Superannuation Guarantee Integrity Package — stronger penalties for Superannuation Guarantee

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	-	-	-

The Government will strengthen the penalty regime applying to employers that do not comply with their Superannuation Guarantee (SG) obligations. The Commissioner of Taxation will be able to direct employers to undertake specified actions such as education and training where they have failed to comply with their SG obligations or to

pay an outstanding SG related liability. The Commissioner will also be able to seek court-ordered penalties for employers that fail to comply with a direction or repeatedly and intentionally disregard their SG obligations.

This measure is estimated to have no revenue impact over the forward estimates period.

Superannuation Guarantee Integrity Package — Superannuation Guarantee Compliance Taskforce

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	16.9	42.3	8.5
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	1.6	5.8	9.6	3.9

The Government will provide the Australian Taxation Office (ATO) with \$20.9 million over the forward estimates period to establish a taskforce to address Superannuation Guarantee (SG) non-compliance and safeguard employees' SG entitlements. This measure is estimated to have a gain to revenue of \$67.7 million over the forward estimates period.

The taskforce will improve the ATO's capacity to proactively monitor and take action earlier to improve employer compliance with their SG obligations, encouraging on-time full payment of employee superannuation entitlements. The taskforce will make use of the increased visibility of employers' SG obligations from extending Single Touch Payroll to all businesses from 1 July 2019 and of employers' SG payments from event-based superannuation fund reporting, which are delivered through other elements in the *Superannuation Guarantee Integrity Package*.

Tax integrity — extension of the OECD hybrid mismatch rules

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	*	*	*

This measure is aimed at multinational corporations that exploit differences in the tax treatment of an entity or instrument under the laws of two or more tax jurisdictions. This measure complements hybrid mismatch measures outlined in the 2016-17 and 2017-18 Budgets.

The Government will implement the recommendations set out in the OECD's report on neutralising the tax effects of branch mismatch arrangements.

The Government will also introduce an integrity provision to ensure that the effect of the hybrid mismatch rules cannot be circumvented by the use of investment structures

and arrangements which, for example, include one or more interposed entities in zero tax countries which reduce Australian profits without those profits being subject to foreign tax.

This measure will take effect from six months after the date of Royal Assent of the legislation implementing the hybrid mismatch measures announced in the 2016-17 and 2017-18 Budgets.

This measure is estimated to have a small unquantifiable gain to revenue over the forward estimates period.

Technical amendments to venture capital and innovation programs

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-

The Government will make a series of minor technical amendments to the *Early Stage Venture Capital Limited Partnership*, *Venture Capital Limited Partnership* and the *Tax Incentives for Early Stage Investors* regimes.

The amendments to the income tax law will clarify the operation of various caps and investment requirements under these regimes, as well as clarify a number of interactions both between these regimes and with other parts of the tax law. These amendments will ensure the provisions operate in accordance with their original policy intent and provide greater certainty for stakeholders.

They will apply from 1 July 2018, with the exception of the amendment relating to investments by Division 6 trusts in venture capital which will apply retrospectively from 1 July 2016.

This measure is estimated to have a negligible impact on revenue over the forward estimates period.

Wine equalisation tax rebate tightened eligibility — transitional rules for wine producers

Revenue (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	-15.0	-10.0	-5.0

The Government has provided wine producers with rules to help them transition to the tightened eligibility criteria for the wine equalisation tax rebate. The changes will take effect from 1 July 2018.

Appendix A: Policy decisions taken since the 2017-18 Budget

From 1 July 2018, wine producers will be required to own at least 85 per cent of the grapes used to make the wine throughout the winemaking process and brand wine with a trademark. The Government passed legislation to implement the tightened eligibility in August 2017.

As part of the implementation of the tightened eligibility, the Government also provided transitional rules for 2017 and earlier vintage wine, and existing fortified wine stored in bottles, tanks and barrels.

Wine from previous vintages up to 2017 will be deemed to meet the ownership test and will need to be sold by 1 July 2023 to be eligible for the rebate. Existing fortified wine in bottles as at 1 January 2018 will be deemed to meet the ownership test and will need to be sold by 1 July 2025. Existing fortified wine stored in tanks and barrels (such as in a solera system) as at 1 January 2018 will be deemed 100 per cent to be made from grapes owned by the producer.

This measure is estimated to have a cost to revenue of \$30.0 million over the forward estimates period.

Expense Measures

Table 2: Expense measures since the 2017-18 Budget^(a)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
AGRICULTURE AND WATER RESOURCES					
<i>Department of Agriculture and Water Resources</i>					
Centre for Invasive Species Solutions	-	-	-	-	-
Changes to agricultural production levies(b)	-	0.2	0.2	0.2	0.2
Emerging International Airports(b)(c)	-	1.2	2.3	2.3	2.3
Managing Farm Risk Program — efficiencies	-	-2.5	-2.5	-	-
Red Imported Fire Ants Eradication Program	-	-	-6.4	-	-
Portfolio total	-	-1.1	-6.3	2.5	2.6
ATTORNEY-GENERAL'S					
<i>Administrative Appeals Tribunal</i>					
Encouraging Self-Sufficiency for Newly Arrived Migrants	-	-	1.0	0.7	-
Strengthening the Integrity of Welfare Payments and Better Management of the Social Welfare System — unlegislated components — not proceeding	-	-0.4	-5.3	-6.8	-6.9
<i>Attorney-General's Department</i>					
Australian Victims of Terrorism — overseas payment	-	0.2	-	-	-
Confiscated Assets Account(c)	0.5	0.4	-	-	-
Family Law Amendment — implementation pilot	-	-	-	-	-
Foreign Influence Transparency Scheme — establishment(b)(c)	-	-	0.8	0.7	0.7
Legal Costs — constitutional matters	-	11.6	-	-	-
Modern Slavery Supply Chain Reporting Requirements	-	-	-	-	-
National Security — 2017 Independent Intelligence Review — implementation(c)	-	2.5	4.8	4.7	4.8
National Security Public Information Campaign	-	1.7	-	-	-
Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry	-	25.0	50.0	-	-
Working with Children Checks National Database — establishment(b)(c)	-	-2.7	-	-	-
<i>Australian Commission for Law Enforcement Integrity</i>					
Confiscated Assets Account(c)	-	1.9	1.9	-	-
<i>Australian Security Intelligence Organisation</i>					
National Security — 2017 Independent Intelligence Review — implementation(c)	-	1.8	3.6	2.2	2.2
Portfolio total	0.5	42.0	56.8	1.5	0.8

Table 2: Expense measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
COMMUNICATIONS AND THE ARTS					
<i>Australia Council</i>					
Creative Partnerships Australia — continuation	-	-	-1.8	-1.8	-1.8
<i>Australian Communications and Media Authority</i>					
Broadcasting and Content Reform Package — additional funding	-	-	16.7	16.7	16.6
National Broadband Network — enhanced consumer experience(b)(c)	-	1.5	4.1	3.0	-
<i>Department of Communications and the Arts</i>					
Broadcasting and Content Reform Package — additional funding	-	2.0	7.2	9.2	4.0
Creative Partnerships Australia — continuation	-	-	1.8	1.8	1.8
Regional Broadband Scheme — revisions and changed start date(b)	-	-370.0	-54.3	-25.9	-30.2
Portfolio total	-	-366.5	-26.2	3.1	-9.6
DEFENCE					
<i>Department of Defence</i>					
Management of Per- and Poly-Fluorinated Alkyl Substances — community support package for RAAF Base Tindal	-	-1.8	-2.1	-1.1	-0.7
Naval Shipbuilding College — establishment	-	nfp	nfp	nfp	nfp
Naval Shipbuilding Workforce	-	-	-	-	-
Portfolio total	-	-1.8	-2.1	-1.1	-0.7
EDUCATION AND TRAINING					
<i>Department of Education and Training</i>					
Adult Migrant English Program — continued access for temporary visa holders	-	-	-	-	-
Family Day Care — payment integrity	-	-34.2	-318.0	-341.0	-347.0
Flexible Literacy for Remote Primary Schools Program — extension	-	-	-	-	-
Higher Education Reforms — revised implementation(b)(c)	-	25.8	108.1	75.0	113.2
Jobs for Families Package — In Home Care	-	0.8	0.9	0.8	0.7
Jobs for Families Package — variation	-	-	22.2	22.1	20.8
Menzies Institute and Library	-	7.0	-	-	-
National High Performance Computing Facility — upgrade	-	69.2	0.8	-	-
Quality Schools — true needs-based funding for Australia's schools	-	117.9	260.4	382.1	544.6
Tuition Assurance — interim arrangements for 2018	-	2.0	1.3	-	-
VET Student Loans — separation from the Higher Education Loan Program(c)	-	-	0.1	-	-
Welfare Payment Infrastructure Transformation — update to Tranche Two	-	1.7	-	-	-
<i>Tertiary Education Quality and Standards Agency</i>					
Tertiary Education Quality and Standards Agency — additional funding	-	1.9	-	-	-
Portfolio total	-	192.0	75.7	139.0	332.3

Table 2: Expense measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
EMPLOYMENT					
<i>Asbestos Safety and Eradication Agency</i>					
Asbestos Safety and Eradication Agency — additional funding	-	-	-	-	-
<i>Department of Employment</i>					
Encouraging Self-Sufficiency for Newly Arrived Migrants	-	-	-	-	-3.4
Fair Entitlements Guarantee Scheme — addressing corporate misuse	-	-	-	-	-
Seasonal Worker Programme — improving take-up and streamlining administration(b)(c)	-	1.2	-0.7	-0.3	-0.3
Strengthening the Integrity of Welfare Payments and Better Management of the Social Welfare System — unlegislated components — not proceeding	-	-	-1.1	-2.4	-2.3
Stronger Transitions — transition of retrenched workers into future jobs	-	0.3	3.8	4.8	1.4
<i>Fair Work Ombudsman and Registered Organisations Commission Entity</i>					
Pacific Labour Scheme(b)(c)	-	1.6	1.6	1.6	1.6
Portfolio total	-	3.1	3.5	3.7	-3.0
ENVIRONMENT AND ENERGY					
<i>Bureau of Meteorology</i>					
Bureau of Meteorology — sale of residential properties(c)	-	nfp	nfp	nfp	nfp
<i>Department of the Environment and Energy</i>					
Australian Domestic Gas Security Mechanism — implementation	-	0.7	0.9	0.7	0.7
Powering Forward — Delivering More Affordable, Reliable and Sustainable Energy	-	2.1	0.1	-	-
Portfolio total	-	2.8	1.0	0.7	0.7

Table 2: Expense measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
FINANCE					
<i>Australian Electoral Commission</i>					
Electoral Integrity Reforms	-	28.2	15.2	6.5	6.6
<i>Department of Finance</i>					
Commonwealth Redress Scheme for Survivors of Institutional Child Sexual Abuse — additional funding	-	0.1	-	-	-
Cox Peninsula — remediation of Wagait Shire Tip(c)	-	-5.4	-8.1	-	-
National Disability Insurance Scheme Quality and Safeguards Commission — national worker screening database(b)(c)	-	..	..	..	-
Parliamentary Expenses Management System(c)	-	-5.1	-22.1	0.2	-0.3
Reducing Pressure on Housing Affordability — unlocking Commonwealth land	-	-	-	-	-
Rollout of National Disability Insurance Scheme in Western Australia — revised implementation arrangements(b)	-	..	..	..	-
Satellite Office Allowance for Large Electorates	-	-	-	-	-
Snowy Hydro Limited — due diligence	-	3.9	-	-	-
<i>Independent Parliamentary Expenses Authority</i>					
Parliamentary Expenses Management System(c)	-	-	-	0.1	-1.3
Portfolio total	0.0	21.7	-15.0	6.8	5.0
FOREIGN AFFAIRS AND TRADE					
<i>Australian Secret Intelligence Service</i>					
National Security — Australian Secret Intelligence Service— additional funding(c)	-	nfp	nfp	nfp	nfp
<i>Australian Trade and Investment Commission</i>					
2017 Foreign Policy White Paper(c)	-	0.8	3.9	2.7	2.7
<i>Department of Foreign Affairs and Trade</i>					
2017 Foreign Policy White Paper(c)	-	1.1	-16.4	1.8	1.8
Pacific Labour Scheme(b)(c)	-	-3.7	-2.6	-2.8	-3.0
Restrict Overseas Travel by Child Sex Offenders	-	-	-	-	-
Seasonal Worker Programme — improving take-up and streamlining administration(b)(c)	-	-2.4	0.3	..	..
<i>Various Agencies</i>					
National Security — enhancing Australia's regional counter-terrorism assistance(b)(c)	-	nfp	nfp	nfp	nfp
Portfolio total	-	-4.2	-14.8	1.7	1.5

Table 2: Expense measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
HEALTH					
<i>Australian Sports Commission</i>					
Tokyo 2020 Olympic Games — additional targeted support for high performance sport	-	3.3	6.6	-	-
<i>Department of Health</i>					
Encouraging Self-Sufficiency for Newly Arrived Migrants	-	-	-2.7	-8.8	-16.1
Family Tax Benefit and Paid Parental Leave — maintaining income thresholds	-	-	-	-	-1.7
FIFA Women's World Cup 2023 Bid — support to Football Federation Australia	-	-	-	-	-
Fighting Cancer — National Bowel Cancer Screening Program — continuation of the participant follow-up function	-	-	-	-	-
Fighting Cancer — Radiation Oncology Health Program Grants Scheme — additional funding for linear accelerators	-	0.1	1.1	1.3	2.1
Guaranteeing Medicare — Health and Aged Care Payment Systems — maintenance	-	-	-	-	-
Guaranteeing Medicare — Medicare Benefits Schedule — new and amended listings	-	39.8	27.8	-9.4	-41.0
Guaranteeing Medicare — Medicare Benefits Schedule Review — response to Taskforce recommendations	-	-	-	-	-
Improving Access to Medicines — Life Saving Drugs Program — new listing	-	5.3	7.2	9.3	10.9
Improving Access to Medicines — National Immunisation Program — new and amended listings	-	-7.7	-8.3	-8.5	-9.2
Improving Access to Medicines — Pharmaceutical Benefits Scheme — new and amended listings(b)	-	329.5	460.9	448.2	452.0
Investing in Health and Medical Research — Medical Research Future Fund — continued support	-	3.2	5.8	4.1	4.1
Making Private Health Insurance Simpler and More Affordable(b)(c)	-	3.7	11.9	12.3	4.9
Management of Per- and Poly-Fluorinated Alkyl Substances — community support package for RAAF Base Tindal	-	1.8	2.1	1.1	0.7
National Approach to Prescription Drug Misuse	-	-	-	-	-
National Blood Arrangements — National Fractionation Agreement	-	-4.4	-9.3	-8.9	-9.7
Rollout of National Disability Insurance Scheme in Western Australia — revised implementation arrangements(b)	-	-2.8	-17.0	-15.4	-16.0

Table 2: Expense measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
HEALTH (continued)					
Strengthening Aged Care — improvements to quality, services and access	-	1.1	-0.2	-0.9	-
Strengthening the Integrity of Welfare Payments and Better Management of the Social Welfare System — unlegislated components — not proceeding	-	0.1	0.3	0.3	0.3
Treatment Support Services for the Drug Testing Trial(c)	-	2.9	1.5	-	-
Western Australian Children's Health Telethon	-	1.3	1.3	1.3	1.3
Women's Rugby League World Cup 2017 — contribution	-	-	-	-	-
<i>National Blood Authority</i>					
National Blood Arrangements — National Fractionation Agreement	-	0.1	0.2	0.2	-
Portfolio total	-	377.3	489.1	426.2	382.6
HOME AFFAIRS					
<i>Australian Criminal Intelligence Commission</i>					
Confiscated Assets Account(c)	-	4.8	5.0	1.5	-
National Security — 2017 Independent Intelligence Review — implementation(c)	-	0.2	0.4	0.4	0.4
Working with Children Checks National Database — establishment(b)(c)	-	0.3	0.5	0.5	0.5
<i>Australian Federal Police</i>					
Australian Federal Police Unified Operational Communications — Phase Two(c)	-	-	-	-	-
<i>Australian Transaction Reports and Analysis Centre</i>					
Confiscated Assets Account(c)	-	1.9	2.1	1.6	-
Strengthening Australia's Defences Against Money Laundering and Terrorism Financing(b)(c)	-	1.3	7.4	9.4	10.2
<i>Department of Home Affairs</i>					
Australian Domestic Gas Security Mechanism — implementation	-	0.2	0.1	0.1	0.1
Australian Victims of Terrorism — overseas payment	-	2.0	0.7	0.4	-
Confiscated Assets Account(c)	-	0.8	0.2	-	-
Disaster Relief	-	-	-	-	-
Emerging International Airports(b)(c)	-	9.8	13.9	13.9	14.0
Managing Refugees and Asylum Seekers Offshore — continuation	-	25.1	-	-	-
National Security Public Information Campaign	-	3.3	-	-	-
Pacific Labour Scheme(b)(c)	-	1.5	1.4	1.6	1.8
Seasonal Worker Programme — improving take-up and streamlining administration(b)(c)	-	0.8	0.4	0.3	0.3
Portfolio total	-	52.0	32.1	29.7	27.3

Table 2: Expense measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
INDUSTRY, INNOVATION AND SCIENCE					
<i>Department of Industry, Innovation and Science</i>					
Australian Domestic Gas Security Mechanism — implementation(c)	-	1.7	0.7	0.8	0.6
Clean Energy Initiative — efficiencies	-	-10.0	-	-	-
Industry 4.0 Testlabs for Australia — establishment	-	-	5.0	-	-
National Business Simplification Initiative — modernising business registers(c)	-	-	-	-	-
Portfolio total	-	-8.3	5.7	0.8	0.6
INFRASTRUCTURE AND REGIONAL DEVELOPMENT					
<i>Australian Maritime Safety Authority</i>					
National System for Domestic Commercial Vessel Safety — transitional funding package(b)	-	-	27.0	26.5	27.0
<i>Department of Infrastructure and Regional Development</i>					
Australian Stockman's Hall of Fame	-	15.0	-	-	-
Community Development Grants Programme — additional projects	-	-	-	-	-
Heavy Vehicle Road Reform — next steps	-	-5.6	-1.2	6.8	-
Infrastructure Investment Programme — Victorian Infrastructure Investments — additional funding	-	-	-	-	-
Macquarie Park Transport Interchange	-	-	-	-	-
Norfolk Island Reform — additional funding	-	-	-	-	-
Qantas Founders Museum	-	11.3	-	-	-
Portfolio total	-	20.7	25.9	33.3	27.0
PRIME MINISTER AND CABINET					
<i>Department of the Prime Minister and Cabinet</i>					
Religious Freedom Taskforce	-	1.0	-	-	-
School Enrolment and Attendance Measure — cessation	-	..	-0.1	-0.1	-0.1
<i>Digital Transformation Agency</i>					
Secure Cloud Strategy — implementation	-	-	-	-	-
<i>Office of National Assessments</i>					
National Security — 2017 Independent Intelligence Review — implementation(c)	-	9.4	16.0	23.0	29.2
<i>Office of the Commonwealth Ombudsman</i>					
Making Private Health Insurance Simpler and More Affordable(b)(c)	-	-	1.9	1.1	1.0
Portfolio total	-	10.4	17.8	24.0	30.1

Table 2: Expense measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
SOCIAL SERVICES					
<i>Department of Human Services</i>					
Encouraging Self-Sufficiency for Newly Arrived Migrants	-	12.0	5.8	0.3	-4.3
Family Day Care — payment integrity	-	3.8	3.0	1.1	0.1
Family Tax Benefit — broadening debt repayment(b)	-	1.2	31.2	7.7	5.6
Family Tax Benefit and Paid Parental Leave — maintaining income thresholds	-	1.0	0.2	0.1	-0.7
Guaranteeing Medicare — Medicare Benefits Schedule — new and amended listings	-	0.2	-0.8	-2.6	-3.7
Guaranteeing Medicare — Medicare Benefits Schedule Review — response to Taskforce recommendations	-	-	-	-	-
Improving Access to Medicines — Pharmaceutical Benefits Scheme — new and amended listings(b)	0.1	0.6	0.2	0.2	0.2
Jobs for Families Package — In Home Care	-	8.8	3.2	0.7	0.7
Jobs for Families Package — variation	-	5.0	1.5	0.8	0.8
Rollout of National Disability Insurance Scheme in Western Australia — revised implementation arrangements(b)	-	-	-	0.1	0.1
School Enrolment and Attendance Measure — cessation	-	-3.3	-6.1	-6.1	-6.1
Strengthening the Integrity of Welfare Payments and Better Management of the Social Welfare System — unlegislated components — not proceeding	-	-21.0	-16.9	-9.0	-8.8
Support for Veterans' Mental Health — additional funding(b)(c)	-	2.1	0.4	0.3	0.3
Treatment Support Services for the Drug Testing Trial(c)	-	-2.8	1.0	0.4	..
Welfare Payment Infrastructure Transformation — update to Tranche Two(c)	-	-45.5	-23.1	-33.9	-2.8
<i>Department of Social Services</i>					
Children and Parenting Support Services — continuation	-	-	10.4	10.5	-
Commonwealth Redress Scheme for Survivors of Institutional Child Sexual Abuse — additional funding	-	-	20.3	16.9	17.4
Disability Employment Services — encouraging better employment outcomes	-	-	-1.5	-1.7	-1.7
Encouraging Self-Sufficiency for Newly Arrived Migrants	-	1.2	-124.4	-410.0	-746.7
Family Tax Benefit — broadening debt repayment(b)	-	-	-18.5	-106.7	-97.1
Family Tax Benefit and Paid Parental Leave — maintaining income thresholds	-	-	-41.4	-81.0	-198.5
National Disability Insurance Scheme Quality and Safeguards Commission — national worker screening database(b)(c)	-	0.4	2.6	1.8	1.3

Table 2: Expense measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
SOCIAL SERVICES (continued)					
No Job No Pay and Healthy Start for School — strengthening compliance arrangements	-	-	-1.0	-2.6	-4.2
Rollout of National Disability Insurance Scheme in Western Australia — revised implementation arrangements(b)	-	0.4	-0.2	-4.6	-9.2
Social Services Legislation Amendment (Welfare Reform) Bill 2017 — amendments	-	-	-	..	..
Strengthening the Integrity of Welfare Payments and Better Management of the Social Welfare System — unlegislated components — not proceeding	-	-	43.2	215.6	402.3
Support for Veterans' Mental Health — additional funding(b)(c)	-	-0.2	-2.5	-2.6	-2.8
Treatment Support Services for the Drug Testing Trial(c)	-	-9.8	0.6	1.0	-
<i>National Disability Insurance Agency</i>					
Rollout of National Disability Insurance Scheme in Western Australia — revised implementation arrangements(b)	-	109.2	445.1	782.1	1,121.2
<i>NDIS Quality and Safeguards Commission</i>					
National Disability Insurance Scheme Quality and Safeguards Commission — national worker screening database(b)(c)	-	0.4	0.9	0.5	0.5
<i>Various Agencies</i>					
Commonwealth Redress Scheme for Survivors of Institutional Child Sexual Abuse — additional funding	-	-0.5	-0.8	-5.3	-5.2
Portfolio total	0.1	63.0	332.2	374.0	458.6
TREASURY					
<i>Australian Bureau of Statistics</i>					
Australian Marriage Law Postal Survey	-	80.5	-	-	-
<i>Australian Competition and Consumer Commission</i>					
Australian Energy Regulator — additional funding	-	7.5	19.9	19.9	20.1
Broadcasting and Content Reform Package — additional funding	-	1.7	4.4	-	-
Powering Forward — Delivering More Affordable, Reliable and Sustainable Energy	-	-	5.3	2.8	-
Royal Commission into Trade Union Governance and Corruption — additional funding for investigations	-	-	-	-	-
<i>Australian Securities and Investments Commission</i>					
Assetless Administration Fund to Curb Illegal Phoenix Activity — additional funding	-	-	1.0	1.0	1.1
National Business Simplification Initiative — modernising business registers(c)	-	-	-	-	-
Taking Action Now — Australian Financial Complaints Authority(c)	-	1.1	4.9	3.4	-
Taking Action Now — Professional Standards Reform(c)	-	-	-	-	-

Table 2: Expense measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
TREASURY (continued)					
<i>Australian Taxation Office</i>					
Deductible gift recipient reform — strengthening governance and integrity and reducing complexity(b)	-	-	2.1	0.9	2.7
Heavy Vehicle Road Reform — next steps	-	-	26.0	27.0	-
Higher Education Reforms — revised implementation(b)(c)	-	-	0.2	0.1	..
Junior Minerals Exploration Incentive Scheme — establishment	-	15.0	25.0	30.0	30.0
National Business Simplification Initiative — modernising business registers(c)	-	-	-	-	-
Philanthropy — managing the risks of overseas philanthropy	-	-	0.7	0.2	0.2
Superannuation Guarantee Integrity Package — modernising payroll and superannuation fund reporting(b)(c)	-	7.0	18.0	13.8	14.8
Superannuation Guarantee Integrity Package — more effective collection of Superannuation Guarantee liabilities(b)	-	0.5	2.1	2.1	2.7
Superannuation Guarantee Integrity Package — reversal of 2014-15 MYEFO measure <i>Superannuation - Superannuation Guarantee Charge(b)</i>	-	27.7	28.4	29.4	30.5
Superannuation Guarantee Integrity Package — Superannuation Guarantee Compliance Taskforce(b)	-	1.6	5.8	9.6	3.9
VET Student Loans — separation from the Higher Education Loan Program(c)	-	0.5	0.4	0.1	0.1
<i>Department of the Treasury</i>					
DisabilityCare Australia Fund — initial payments(b)	-345.3	361.8	-16.5	-	-
Disaster Relief	-	5.8	11.8	36.3	-
Fighting Cancer — National Bowel Cancer Screening Program —continuation of the participant follow-up function	-	-	8.0	8.9	9.1
GST on low value imported goods — 1 July 2018 start date(b)	-	-60.0	-30.0	-20.0	-20.0
Heavy Vehicle Road Reform — next steps	-	-	-	-	-53.0
Improving Access to Medicines — National Immunisation Program — new and amended listings	-	-0.5	-0.9	-0.9	-0.9
Improving the integrity of GST on property transactions — transitional arrangements(b)	-	-	-270.0	120.0	80.0
Indirect Tax Concession Scheme — diplomatic and consular concessions(b)	-	..	..	..	..

Table 2: Expense measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
TREASURY (continued)					
Infrastructure Investment Programme — Victorian Infrastructure Investments — additional funding	-	-	-	-	-
Macquarie Park Transport Interchange	-	-	5.0	10.0	-60.0
National Approach to Prescription Drug Misuse	-	-	-	-	-
National Partnership Agreement on Financial Literacy	-	1.3	1.3	1.3	1.3
National System for Domestic Commercial Vessel Safety — transitional funding package(b)	-	-	-	-	-20.9
Pacific Labour Scheme(b)(c)	-	-	5.0	10.0	10.0
Red Imported Fire Ants Eradication Program	-	9.5	-	-1.0	-1.0
Reducing Pressure on Housing Affordability — implementation of the National Housing Finance and Investment Corporation and additional measures(b)	-	10.6	0.5	-	-
Rollout of National Disability Insurance Scheme in Western Australia — revised implementation arrangements(b)	-	-115.9	-253.6	-458.0	-1,115.7
School Enrolment and Attendance Measure — cessation	-	-1.1	-2.2	-2.3	-2.3
Seasonal Worker Programme — improving take-up and streamlining administration(b)(c)	-	-	5.0	10.0	10.0
Small Business Digital Taskforce — establishment	-	-	-	-	-
Small Business Regulatory Reform Agenda — additional funding	-	-48.1	51.8	-	-
Taking Action Now — Australian Financial Complaints Authority(b)	-	1.8	-	-	-
<i>National Competition Council</i>					
National Competition Council — not proceeding	-	-2.0	-1.5	-1.5	-1.5
Small Business Regulatory Reform Agenda — additional funding	-	-1.9	-1.8	-	-
<i>National Housing Finance and Investment Corporation</i>					
Reducing Pressure on Housing Affordability — implementation of the National Housing Finance and Investment Corporation and additional measures(b)	-	-	0.6	0.3	0.2
<i>Productivity Commission</i>					
Review of Collection Models for GST on Low Value Imported Goods	-	-	-	-	-
<i>Various Agencies</i>					
Treasury Portfolio — efficiencies	-	-12.1	-11.5	-11.1	-10.2
Portfolio total	-345.3	292.2	-354.4	-157.5	-1,069.0

Table 2: Expense measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
VETERANS' AFFAIRS					
<i>Australian War Memorial</i>					
Australian War Memorial — detailed business case for additional exhibition space	-	5.6	5.8	-	-
<i>Department of Veterans' Affairs</i>					
Department of Veterans' Affairs — travel efficiencies	-	-0.4	-0.5	-0.5	-0.5
Guaranteeing Medicare — Medicare Benefits Schedule — new and amended listings	-	0.4	0.2	-0.1	-0.3
Guaranteeing Medicare — Medicare Benefits Schedule Review — response to Taskforce recommendations	-	-	-	-	-
Improving Access to Medicines — Pharmaceutical Benefits Scheme — new and amended listings(b)	-	6.1	7.3	6.5	6.1
Making Private Health Insurance Simpler and More Affordable(b)(c)	-	-3.5	-9.8	-11.6	-14.5
Repatriation Pharmaceutical Benefits Scheme — new listings and price amendments	-	..	..	..	..
Support for Veterans' Mental Health — additional funding(b)(c)	-	3.2	12.7	9.9	8.2
Portfolio total	-	11.5	15.7	4.2	-1.0
Decisions taken but not yet announced(d)	-	169.4	-602.4	-513.6	-93.6
Depreciation Expense		0.2	5.4	5.5	5.5
Total impact of expense measures(e)	-344.7	876.6	39.6	384.5	97.6

* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

(a) A minus sign before an estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(b) These measures can also be found in the revenue measures summary table.

(c) These measures can also be found in the capital measures summary table.

(d) Includes the impact of measures that are not for publication (nfp).

(e) Measures may not add due to rounding.

AGRICULTURE AND WATER RESOURCES

Centre for Invasive Species Solutions

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Agriculture and Water Resources	-	-	-	-	-

The Government will provide \$4.0 million in 2017-18 to the new Centre for Invasive Species Solutions, formerly the Invasive Animals Cooperative Research Centre, to continue its coordinated national approach to the management of pests, such as wild dogs and feral rabbits.

Funding for this measure has already been provided for by the Government.

Further information can be found in the press release of 15 September 2017 issued by the Minister for Agriculture and Water Resources.

Managing Farm Risk Program — efficiencies

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Agriculture and Water Resources	-	-2.5	-2.5	-	-

The Government will achieve savings of \$5.0 million over two years from 2017-18 by returning uncommitted funding for the *Managing Farm Risk Program* to the Budget.

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

Red Imported Fire Ants Eradication Program

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of the Treasury	-	9.5	-	-1.0	-1.0
Department of Agriculture and Water Resources	-	-	-6.4	-	-
Total — Expense	-	9.5	-6.4	-1.0	-1.0

The Government will provide \$9.5 million in 2017-18 to contribute to the eradication of Red Imported Fire Ants in south-east Queensland.

The cost of this measure will be met from uncommitted funding of the Department of Agriculture and Water Resources.

Further information can be found in the press release of 26 July 2017 issued by the Minister for Agriculture and Water Resources.

ATTORNEY-GENERAL'S

Family Law Amendment — implementation pilot

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Attorney-General's Department	-	-	-	-	-

The Government will provide \$0.5 million over two years from 2018-19 for a pilot program to increase the ability of State and Territory courts in Victoria, Queensland and the Northern Territory to exercise family law jurisdiction, reducing the need for multiple hearings for the same family law matter in multiple jurisdictions.

The cost of this measure will be met from within the existing resources of the Attorney-General's Department.

Foreign Influence Transparency Scheme — establishment

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Attorney-General's Department	-	-	0.8	0.7	0.7
<i>Related revenue (\$m)</i>					
Attorney-General's Department	-	-	0.2	0.1	0.2
<i>Related capital (\$m)</i>					
Attorney-General's Department	-	-	0.8	-	-

The Government will provide \$3.2 million over four years from 2018-19 to establish a Foreign Influence Transparency Scheme (the Scheme) requiring individuals and institutions to declare if they are acting on behalf of a foreign power when engaging in Australia's political processes. Exemptions will apply to ensure the Scheme operates as intended.

The cost of this measure will be partially cost recovered through participant fees.

Legal Costs — constitutional matters

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Attorney-General's Department	-	11.6	-	-	-

The Government will provide \$11.6 million in 2017-18 to meet Commonwealth legal costs and liabilities arising from the consideration of constitutional matters by the High Court of Australia.

Modern Slavery Supply Chain Reporting Requirements

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Attorney-General's Department	-	-	-	-	-

The Government will introduce a regulatory reporting regime for relevant companies to encourage a stronger focus on eradicating modern slavery in the supply chain. This reform will support the business community in responding more effectively to modern slavery, raise business awareness of the issue and create a level playing field for businesses to share information about what they are doing to eliminate modern slavery. The first step will involve an extensive consultation process with industry.

The cost of this measure will be met from within the existing resources of the Attorney-General's Department.

Further information can be found in the press release of 16 August 2017 issued by the Minister for Justice.

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Attorney-General's Department	-	25.0	50.0	-	-

The Government will provide \$75.0 million over two years from 2017-18 for a Royal Commission into misconduct in the Banking, Superannuation and Financial Services Industry (the Inquiry).

The Inquiry will consider the conduct of banks, insurers, financial services providers and superannuation funds (not including self-managed superannuation funds). It will also consider how well equipped regulators are to identify and address misconduct.

Further information can be found in the joint press release of 30 November 2017 issued by the Prime Minister and the Treasurer.

COMMUNICATIONS AND THE ARTS

Broadcasting and Content Reform Package — additional funding

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Communications and the Arts	-	2.0	7.2	9.2	4.0
Australian Competition and Consumer Commission	-	1.7	4.4	-	-
Australian Communications and Media Authority	-	-	16.7	16.7	16.6
Total — Expense	-	3.7	28.3	25.9	20.6

The Government will provide an additional \$78.6 million over four years from 2017-18 for broadcasting and content reform, including:

- \$60.4 million over three years from 2018-19 to support regional and small publishers with a new innovation fund, a cadetship program funding 200 cadet positions, and funding for 60 regional journalism scholarships;
- \$6.2 million over two years from 2017-18 for an Australian Competition and Consumer Commission inquiry into the impact of digital search engines and social media on competition in media markets in Australia; and
- \$12.0 million over four years from 2017-18 for a community radio package to support the capacity of the community broadcast sector and to promote localism in community broadcasting.

This measure builds on the 2017-18 Budget measure titled *Broadcasting and Content Reform Package — funding for Australian film and television content and SBS*.

Creative Partnerships Australia — continuation

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Communications and the Arts	-	-	1.8	1.8	1.8
Australia Council	-	-	-1.8	-1.8	-1.8
Total — Expense	-	-	-	-	-

The Government will provide an additional \$11.3 million over three years from 2018-19 (with \$3.9 million ongoing) to maintain the current level of funding for Creative Partnerships Australia and to support its work to build private sector support for the arts.

Appendix A: Policy decisions taken since the 2017-18 Budget

This measure will be offset by redirecting funding from programs within the Department of Communications and the Arts and the Australia Council.

This measure builds on the 2015-16 Budget measure titled *National Programme for Excellence in the Arts – establishment*.

National Broadband Network — enhanced consumer experience

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Communications and Media Authority	-	1.5	4.1	3.0	-
<i>Related revenue (\$m)</i>					
<i>Australian Communications and Media Authority</i>	-	-	1.5	4.2	3.0
<i>Related capital (\$m)</i>					
<i>Australian Communications and Media Authority</i>	-	-	..	-	-

The Government will provide \$8.7 million over three years from 2017-18 to the Australian Communications and Media Authority to implement enhanced regulatory measures.

The cost of this measure will be recovered from an increase in the Annual Carrier Licence Charge between 2018-19 and 2020-21.

DEFENCE

Naval Shipbuilding College — establishment

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Defence	-	nfp	nfp	nfp	nfp

The Government will provide funding to establish the Naval Shipbuilding College. The Naval Shipbuilding College will develop and coordinate a national approach to workforce development and skilling across the naval shipbuilding enterprise.

The cost of this measure will be met from within the existing resources of the Department of Defence.

The expenditure for this measure is not for publication (nfp) due to commercial-in-confidence considerations.

Naval Shipbuilding Workforce

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Defence	-	-	-	-	-

The Government will provide up to \$29.4 million over three years from 2017-18 to support initiatives to retain and develop critical naval shipbuilding skills in the ASC Pty Ltd workforce. This measure will support enhanced productivity for the commencement of future shipbuilding programs, which is essential to maintaining a sustainable Australian shipbuilding industry.

The cost of this measure will be met from within the existing resources of the Department of Defence.

EDUCATION AND TRAINING

Adult Migrant English Program — continued access for temporary visa holders

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Education and Training	-	-	-	-	-

The Government will provide \$13.3 million over ten years from 2017-18 to continue access to the Adult Migrant English Program (AMEP) for holders of Temporary Protection and Humanitarian Concern Visas and Safe Haven Enterprise Visas.

The cost of this measure will be met from within the existing resources of the AMEP.

Family Day Care — payment integrity

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Human Services	-	3.8	3.0	1.1	0.1
Department of Education and Training	-	-34.2	-318.0	-341.0	-347.0
Total — Expense	-	-30.4	-315.0	-340.0	-346.9

The Government will achieve savings of \$1.0 billion over four years from 2017-18 through increased compliance effort to improve the integrity of payments to family day care services, ensuring a strong transition to the *New Child Care Package* that will commence from 2 July 2018.

This measure does not impact the support families will receive for legitimate care.

Flexible Literacy for Remote Primary Schools Program — extension

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Education and Training	-	-	-	-	-

The Government will provide an additional \$4.1 million over two years from 2017-18 to extend the Flexible Literacy in Remote Primary Schools Program (the Program) for one school year from 1 January 2018 to 31 December 2018.

The Program extension will support up to 20 schools in the Northern Territory and Western Australia to continue the trial of flexible teaching methods, and allow the completion of evaluation work to inform future literacy and numeracy programs.

The cost of this measure will be met from within the existing resources of the Department of Education and Training.

This measure builds on the 2013-14 MYEFO measure titled *Students First – Flexible literacy learning for remote primary schools* and the 2016-17 MYEFO measure titled *Flexible Literacy in Remote Primary Schools Programme – extension*.

Further information can be found in the press release of 29 October 2017 issued by the Minister for Education and Training.

Higher Education Reforms — revised implementation

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Education and Training	-	25.8	108.1	75.0	113.2
Australian Taxation Office	-	-	0.2	0.1	..
Total — Expense	-	25.8	108.3	75.1	113.2
<i>Related revenue (\$m)</i>					
Department of Education and Training	-	-76.2	-161.7	-246.6	-353.0
Department of Social Services	-	-	-	-	-
Total — Revenue		-76.2	-161.7	-246.6	-353.0
<i>Related capital (\$m)</i>					
Department of Education and Training	-	2.6	-	-	-
Australian Taxation Office	-	-	0.1	0.1	-
Total — Capital	-	2.6	0.1	0.1	-

The Government will proceed with reforms to the higher education sector to improve transparency, accountability, affordability and responsiveness to the aspirations of students and future workforce needs. These reforms include:

- a freeze on total *Commonwealth Grant Scheme* (CGS) funding from 1 January 2018, set at 2017 funding levels, for bachelor degree courses in 2018 and 2019;
- performance targets for universities to determine the growth in their CGS funding for bachelor degrees from 2020, which would be capped at the growth rate in the 18-64 year old population;
- from 1 July 2018, revised repayment thresholds under the *Higher Education Loan Program* (HELP) that include a new minimum threshold of \$45,000 with a 1 per cent repayment rate and a maximum threshold of \$131,989 with a 10 per cent repayment rate;

Appendix A: Policy decisions taken since the 2017-18 Budget

- from 1 January 2019, a combined lifetime limit for all tuition fee assistance under *HECS-HELP*, *FEE-HELP*, *VET FEE-HELP* and *VET Student Loans* of \$104,440 for most students and \$150,000 for students undertaking medicine, dentistry and veterinary science courses; and
- from 1 January 2019, a new allocation mechanism based on institutional outcomes and industry needs for sub-bachelor and postgraduate Commonwealth Supported Places.

The Government will also align the repayment thresholds for the *Student Financial Supplement Scheme* (SFSS) with the new HELP repayment thresholds. From 1 July 2019, SFSS loans will be repaid after the repayment of HELP loans.

The measure, including the reversal of higher education reform measures announced in the 2017-18 Budget that require legislation to be implemented, is estimated to cost \$1.2 billion in fiscal balance terms and \$544.5 million in underlying cash balance terms over four years from 2017-18.

The cost of this measure will be partially met from within the existing resources of the Department of Education and Training.

Jobs for Families Package — In Home Care

Expense (\$m)

	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Human Services	-	8.8	3.2	0.7	0.7
Department of Education and Training	-	0.8	0.9	0.8	0.7
Total — Expense	-	9.6	4.1	1.5	1.4

The Government will provide \$146.9 million over four years from 2017-18 for a new In Home Care (IHC) program from 2 July 2018.

The new IHC program will provide access to the Child Care Subsidy (CCS) and Additional Child Care Subsidy (ACCS) for child care provided in the family home to assist parents or carers who work non-standard hours, are geographically isolated or have families with complex needs. The new IHC program will be a capped program of up to 3,000 places, providing up to 50 hours of subsidised care per child per week with an hourly rate cap of \$25 per family, subject to CCS and ACCS eligibility criteria.

The cost of this measure will be met from within the existing resources of the Department of Education and Training.

Jobs for Families Package — variation

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Human Services	-	5.0	1.5	0.8	0.8
Department of Education and Training	-	-	22.2	22.1	20.8
Total — Expense	-	5.0	23.7	22.9	21.6

The Government will provide \$73.1 million over four years from 2017-18 to deliver the Minister's and Secretary's Rules (the Rules) in the *New Child Care Package*. The Rules confirm the recognised activities and circumstances in which an individual may receive a certain number of hours of subsidised care, such as when a child is attending a preschool program in the year before formal school or where families in receipt of income support undertake participation requirements.

The cost of this measure will be met from within the existing resources of the Department of Education and Training.

Menzies Institute and Library

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Education and Training	-	7.0	-	-	-

The Government will provide \$7.0 million in 2017-18 to accommodate the Menzies Institute and Library, including exhibition space, and contribute to shared meeting and event facilities at the University of Melbourne.

The facility will bring together academics to produce high quality analysis of current policy issues, deliver annual public seminars and education programs, and undertake comprehensive research.

National High Performance Computing Facility — upgrade

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Education and Training	-	69.2	0.8	-	-

The Government will provide a funding contribution of \$69.2 million in 2017-18 and \$0.8 million in 2018-19 to the Australian National University to enhance the current National Computational Infrastructure supercomputer and bring it to current world-class standards. This measure will ensure that Australia remains globally competitive in data intensive research fields and can deliver the nation's science and research priorities.

Appendix A: Policy decisions taken since the 2017-18 Budget

The cost of this measure will be met from within the existing resources of the Department of Education and Training.

Quality Schools — true needs-based funding for Australia's schools

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Education and Training	-	117.9	260.4	382.1	544.6

The Government will provide an additional \$1.3 billion over four years and \$5.1 billion over ten years, from 2017-18, to implement the Quality Schools reform package. This reflects passage of the *Australian Education Amendment Bill 2017*, which included the following changes:

- increased funding for schools to transition to the new Quality Schools Commonwealth schools funding arrangements, including a six year transition for underfunded schools and a ten year transition for overfunded schools; and
- establishment of a National School Resourcing Board to review elements of the new Commonwealth school funding model to ensure their appropriateness and to assess compliance of the States and Territories and approved authorities with the requirements in the *Australian Education Act 2013*.

This measure builds on the 2017-18 Budget measure titled *Quality Schools – true needs-based funding for Australia's schools*.

Tertiary Education Quality and Standards Agency — additional funding

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Tertiary Education Quality and Standards Agency	-	1.9	-	-	-

The Government will provide additional funding of \$1.9 million in 2017-18 to the Tertiary Education Quality and Standards Agency to enhance its compliance capabilities and address immediate resourcing needs associated with an increase in regulatory workload.

The cost of this measure will be met from within the existing resources of the Department of Education and Training.

Tuition Assurance — interim arrangements for 2018

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Education and Training	-	2.0	1.3	-	-

The Government will provide \$3.2 million over two years from 2017-18 to enable the Department of Education and Training to deliver interim Tuition Assurance services in 2018 for VET Student Loans, FEE-HELP and for remaining grandfathered students under VET FEE-HELP. The interim arrangements will ensure students are protected and allow approved providers to continue to enrol and teach students in 2018, while longer term arrangements are developed for 2019 onwards.

This measure builds on the 2016-17 MYEFO measure titled *VET Student Loans — establishment*.

The cost of this measure will be met from within the existing resources of the Department of Education and Training.

VET Student Loans — separation from the Higher Education Loan Program

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	0.5	0.4	0.1	0.1
Department of Education and Training	-	-	0.1	-	-
Total — Expense	-	0.5	0.5	0.1	0.1
<i>Related capital (\$m)</i>					
<i>Australian Taxation Office</i>	-	0.4	0.4	-	-

The Government will provide \$2.1 million over four years from 2017-18 to enhance the transparency and accountability of the VET Student Loans (VSL) program by further separating its administrative arrangements and the value of its loans from other elements of the *Higher Education Loan Program*.

As a result, from 1 July 2019, students will be better informed, with any VSL repayment requirements displayed separately on correspondence from the Australian Taxation Office. This measure will also enhance the Government's ability to analyse information on the value of student loans and repayments.

The cost of this measure will be met from within the existing resources of the Department of Education and Training.

EMPLOYMENT

Asbestos Safety and Eradication Agency — additional funding

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Asbestos Safety and Eradication Agency	-	-	-	-	-

The Government will provide \$6.8 million over four years from 2018-19 to ensure that the Asbestos Safety and Eradication Agency can continue to perform its core functions including coordinating the National Strategic Plan for Asbestos Management and Awareness and administration of the National Asbestos Exposure Register.

Provision for this funding has already been included in the forward estimates.

This measure builds on the 2016-17 Budget measure titled *Asbestos Safety and Eradication Agency — additional funding*.

Fair Entitlements Guarantee Scheme — addressing corporate misuse

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Employment	-	-	-	-	-

The Government will amend the *Corporations Act 2001* to address corporate misuse of the Fair Entitlements Guarantee (FEG) scheme and improve the recovery of FEG payments.

The FEG scheme assists employees when their employer's business fails and the employer has not made adequate provisions for employee entitlements. The amendments will strengthen the Government's capacity to enforce compliance by company directors who improperly rely on FEG, safeguarding against moral hazard and protecting the integrity of the FEG scheme.

This measure aligns with related reforms addressing illegal phoenix activities and non-payment of the Superannuation Guarantee.

Further information can be found in the joint press release of 5 October 2017 issued by the Minister for Employment and the Minister for Revenue and Financial Services.

Royal Commission into Trade Union Governance and Corruption — additional funding for investigations

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Competition and Consumer Commission	-	-	-	-	-

The Government will provide \$1.0 million in 2018-19 for investigations into referrals from the Royal Commission into Trade Union Governance and Corruption.

Provision for this funding has already been included in the forward estimates.

This measure extends the 2016-17 MYEFO measure titled *Royal Commission into Trade Union Governance and Corruption — funding for investigations*.

Stronger Transitions — transition of retrenched workers into future jobs

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Employment	-	0.3	3.8	4.8	1.4

The Government will provide \$10.3 million over four years from 2017-18 to support workers in industries and regions significantly impacted by structural change to transition to future jobs. The measure is mainly targeted at regions experiencing more challenging labour market conditions such as Adelaide, Mandurah, north Queensland, north and north-west Tasmania and north-west Melbourne. The funding includes:

- \$4.8 million over three years from 2018-19 to provide a range of early intervention services to assist workers to transition into new employment prior to retrenchment;
- \$2.0 million over three years from 2018-19 to provide eligible retrenched workers with immediate access to *jobactive* Stream B services;
- \$2.3 million over three years from 2017-18 to create a new Employment Facilitator position for the north-west Melbourne region and extend the existing Employment Facilitators' services in north Queensland, Adelaide and north and north-west Tasmania, until June 2020; and
- \$1.2 million over three years from 2018-19 to provide relocation assistance to participants of the pre- and post-retrenchment support arrangements in the regions outlined above, and those engaged in Australian Government structural adjustment programs in other regions.

In addition, the Government will change eligibility for the *New Enterprise Incentive Scheme* from 1 July 2018 to allow retrenched workers interested in starting their own business to access the Scheme three months prior to their redundancy date.

ENVIRONMENT AND ENERGY

Powering Forward — Delivering More Affordable, Reliable and Sustainable Energy

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of the Environment and Energy	-	2.1	0.1	-	-
Australian Competition and Consumer Commission	-	-	5.3	2.8	-
Total — Expense	-	2.1	5.4	2.8	-

The Government will provide \$22.8 million over four years from 2017-18 to improve the affordability, reliability and sustainability of energy, including funding:

- to the Australian Competition and Consumer Commission for the Australian Energy Regulator (AER) to optimise the Energy Made Easy website;
- to support the Energy Security Board to provide whole-of-market oversight for energy reliability, affordability and sustainability;
- for analysis by the Australian Energy Market Commission, the Australian Energy Market Operator (AEMO) and the AER to strengthen energy reliability and help consumers secure better energy deals;
- for AEMO to conduct an audit of existing thermal power stations in the National Electricity Market and assess opportunities to unlock additional dispatchable generation capacity; and
- for a national campaign to inform Australians about the work being undertaken to deliver more affordable, reliable and sustainable energy.

Funding of \$2.5 million over four years from 2017-18 will be met from within the existing resources of the Department of the Environment and Energy.

FINANCE

Electoral Integrity Reforms

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Electoral Commission	-	28.2	15.2	6.5	6.6

The Government will provide \$56.5 million over four years from 2017-18 to protect the integrity of Australia's electoral system.

The Government will introduce a comprehensive ban on foreign political donations. Key political actors, based on the nature of their activity and their political expenditure, will be required to register with the Australian Electoral Commission. These increased integrity requirements will ensure that only Australians and Australian entities can participate in Australian elections, increase transparency for voters, and ensure that public electoral funding is only used for genuine electoral expenditure.

Further information can be found in the joint press release of 5 December 2017 issued by the Prime Minister, the Attorney-General and the Minister for Finance.

Reducing Pressure on Housing Affordability — unlocking Commonwealth land

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Finance	-	-	-	-	-

The Government will provide \$7.6 million over four years from 2017-18 to implement a more strategic and transparent approach to identifying and disposing of surplus Commonwealth land.

The newly established public online registry of non-corporate Commonwealth landholdings will be enhanced to support the review of proposals from external parties to put surplus Commonwealth landholdings to alternative use, including for housing development.

A strategic review of all non-corporate Commonwealth landholdings will also be conducted to determine whether landholdings are surplus, potentially surplus or under-utilised and therefore potentially available for alternate use.

Funding for this measure has already been provided for by the Government.

Further information can be found in the press release of 1 December 2017 issued by the Minister for Finance.

Satellite Office Allowance for Large Electorates

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Finance	-	-	-	-	-

The Government will provide \$4.8 million over four years from 2017-18 to create an allowance for Members of the House of Representatives representing electorates spanning large geographic areas (between 5,000 and 25,000 square kilometres) for members to recover costs associated with establishing and/or maintaining a satellite office within their electorate.

The cost of this measure will be met from within the existing resources of the Department of Finance.

Snowy Hydro Limited — due diligence

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Finance	-	3.9	-	-	-

The Government will provide \$3.9 million in 2017-18 to undertake due diligence for the proposed acquisition by the Commonwealth of a larger share, or outright ownership, of Snowy Hydro Limited.

Further information can be found in the joint press release of 14 June 2017 issued by the Minister for Finance and the Minister for the Environment and Energy.

FOREIGN AFFAIRS AND TRADE

2017 Foreign Policy White Paper

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Foreign Affairs and Trade	-	1.1	-16.4	1.8	1.8
Australian Trade and Investment Commission	-	0.8	3.9	2.7	2.7
Total — Expense	-	1.9	-12.5	4.5	4.5
<i>Related capital (\$m)</i>					
<i>Department of Foreign Affairs and Trade</i>	-	0.1	1.5	-	-

The Government will provide \$37.9 million over four years from 2017-18 (including \$1.6 million in capital funding) for initiatives supporting the 2017 Foreign Policy White Paper.

These initiatives will contribute to enhanced maritime security capacity for the nations of South East Asia. It will also provide for the establishment of an Australia Pacific Security College and the development of a stronger national brand.

Further information can be found in the joint press release of 23 November 2017 issued by the Prime Minister, the Minister for Foreign Affairs and the Minister for Trade, Tourism and Investment.

National Security — Australian Secret Intelligence Service — additional funding

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Secret Intelligence Service	-	nfp	nfp	nfp	nfp
<i>Related capital (\$m)</i>					
<i>Australian Secret Intelligence Service</i>	-	nfp	nfp	nfp	nfp

The Government will provide additional funding to support the operations of the Australian Secret Intelligence Service and strengthen its capacity to meet the strategic priorities and objectives of the organisation and the Government.

This national security measure underlines the Government's commitment to a safe and secure Australia.

The financial implications for this measure are not for publication (nfp) due to national security reasons.

National Security — enhancing Australia's regional counter-terrorism assistance

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Various Agencies	-	nfp	nfp	nfp	nfp
<i>Related revenue (\$m)</i>					
Various Agencies	-	nfp	nfp	nfp	nfp
<i>Related capital (\$m)</i>					
Various Agencies	-	nfp	nfp	nfp	nfp

The Government will provide additional funding to enhance counter-terrorism capability within the South East Asia region. This funding will assist our regional partners to detect and disrupt terrorist groups, strengthening security for Australia and the region.

The cost of this measure will be partially offset by revenue collected by the Australian Transaction Reports and Analysis Centre through the *Australian Transaction Reports and Analysis Centre Industry Contribution (Collection) Act 2011* levy.

The financial implications of this measure are not for publication (nfp) due to national security reasons.

Further information can be found in the press release of 14 September 2017 issued by the Minister for Justice.

Restrict Overseas Travel by Child Sex Offenders

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Foreign Affairs and Trade	-	-	-	-	-

The Government will provide \$4.0 million over four years from 2017-18 to prevent Australian registered child sex offenders from travelling overseas.

This measure will ensure that child sex offenders who are subject to supervision and reporting obligations are not able to obtain an Australian passport or leave Australia.

Provision for this funding has already been included in the forward estimates.

Further information can be found in the joint press release of 30 May 2017 issued by the Minister for Foreign Affairs and the Minister for Justice.

HEALTH

FIFA Women's World Cup 2023 Bid — support to Football Federation Australia

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	-	-	-	-

The Government provided \$1.0 million in 2016-17 to Football Federation Australia to assist in preparing a bid for the 2023 FIFA Women's World Cup.

The cost of this measure has been met from within the existing resources of the Department of Health.

Further information can be found in the joint press release of 13 June 2017 issued by the Prime Minister, the Minister for Sport and the Minister for Women.

Fighting Cancer — National Bowel Cancer Screening Program — continuation of the participant follow-up function

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of the Treasury	-	-	8.0	8.9	9.1
Department of Health	-	-	-	-	-
Total — Expense	-	-	8.0	8.9	9.1

The Government will provide \$35.1 million over four years from 2018-19 (including \$9.0 million in 2021-22) to the States and Territories to continue the Participant Follow-up Function of the National Bowel Cancer Screening Program. This program provides follow-up services for participants who return a positive test result but have not continued on to appropriate medical care.

Fighting Cancer — Radiation Oncology Health Program Grants Scheme — additional funding for linear accelerators

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	0.1	1.1	1.3	2.1

The Government will provide \$4.5 million over four years from 2017-18 to increase capital funding under the *Radiation Oncology Health Program Grants Scheme* to support the use of linear accelerators for the treatment of cancer patients.

Guaranteeing Medicare — Health and Aged Care Payment Systems — maintenance

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	-	-	-	-

The Government will provide \$16.6 million in 2017-18 for remediation and essential maintenance of the health and aged care payment systems and ensure that the Government continues to own and operate the ICT systems that deliver Medicare, the Pharmaceutical Benefits Scheme, Aged Care and related payments into the future.

The cost of this measure will be met from within the existing resources of the Department of Health.

This measure builds on the 2017-18 Budget measure titled *Guaranteeing Medicare – modernising the health and aged care payments systems*.

Guaranteeing Medicare — Medicare Benefits Schedule — new and amended listings

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	39.8	27.8	-9.4	-41.0
Department of Veterans' Affairs	-	0.4	0.2	-0.1	-0.3
Department of Human Services	-	0.2	-0.8	-2.6	-3.7
Total — Expense	-	40.4	27.2	-12.1	-45.0

The Government will provide \$10.6 million over four years from 2017-18 for new and amended Medicare Benefits Schedule (MBS) and Veterans' Benefits items, based on recommendations from the independent Medical Services Advisory Committee and the independent, clinician-led MBS Review Taskforce.

The amendments to the MBS include:

- new services for magnetic resonance imaging of the heart for patients with suspected arrhythmogenic right ventricular cardiomyopathy;
- new ophthalmology services for the treatment of progressive corneal ectatic disease;
- new services for the insertion of implantable loop recorders for the diagnosis of atrial fibrillation in patients with cryptogenic stroke or embolic stroke; and
- new services for the treatment of varicose veins caused by chronic venous insufficiency.

Further information will be available in the summary of changes included in the MBS issued by the Department of Health when relevant amendments take effect.

Guaranteeing Medicare — Medicare Benefits Schedule Review — response to Taskforce recommendations

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	-	-	-	-
Department of Human Services	-	-	-	-	-
Department of Veterans' Affairs	-	-	-	-	-
Total — Expense	-	-	-	-	-

The Government has responded to a number of recommendations from the independent, clinician-led Medicare Benefits Schedule (MBS) Review Taskforce to align certain MBS items with contemporary clinical evidence and practice and improve health outcomes for patients by:

- addressing variations in billing of medical consultations;
- reducing unnecessary bone densitometry testing;
- introducing consistent billing for tonsillectomy and adenoidectomy;
- ensuring appropriate use of gastroenterology MBS services;
- reducing unnecessary spinal x-rays;
- increasing the rebate based on procedure not practitioner;
- supporting better quality and greater access to obstetric services;
- better access to aftercare arrangements for patients; and
- ensuring appropriate use of urgent after-hours MBS services.

Net savings of \$409.0 million over five years from 2016-17 have already been reinvested by the Government in Medicare.

Improving Access to Medicines — Life Saving Drugs Program — new listing

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	5.3	7.2	9.3	10.9

The Government will provide \$44.2 million over five years from 2017-18 (including \$11.4 million in 2021-22) to list elosulfase alfa (Vimizim®) on the *Life Saving Drugs Program* from 1 August 2017. This listing will provide a life saving treatment to Australian patients who have a rare medical condition known as Morquio A Syndrome, at no cost to the patient.

Further information can be found in the press release of 15 June 2017 issued by the Minister for Health.

Improving Access to Medicines — National Immunisation Program — new and amended listings

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of the Treasury	-	-0.5	-0.9	-0.9	-0.9
Department of Health	-	-7.7	-8.3	-8.5	-9.2
Total — Expense	-	-8.2	-9.2	-9.4	-10.1

The Government will list Gardasil®9 for the treatment of Human Papillomavirus (HPV) on the *National Immunisation Program* from 1 January 2018. Gardasil®9 will protect against nine strains of HPV and will replace Gardasil®4, which provided protection against only four strains of HPV at a higher cost.

The listing of Gardasil®9 will generate savings of \$36.9 million over four years from 2017-18. These savings will be redirected by the Government to fund other health policy priorities.

Further information can be found in the joint press release of 8 October 2017 issued by the Prime Minister and the Minister for Health.

Improving Access to Medicines — Pharmaceutical Benefits Scheme — new and amended listings

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	329.5	460.9	448.2	452.0
Department of Veterans' Affairs	-	6.1	7.3	6.5	6.1
Department of Human Services	0.1	0.6	0.2	0.2	0.2
Total — Expense	0.1	336.2	460.4	454.9	458.3
<i>Related revenue (\$m)</i>					
Department of Health	-	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>

The Government will provide \$2.1 billion over four years from 2017-18 for new and amended listings on the Pharmaceutical Benefits Scheme (PBS) and the Repatriation Pharmaceutical Benefits Scheme (RPBS).

New and amended listings since the 2017-18 Budget include:

- Adalimumab (Humira®) from 1 July 2017 for the treatment of the chronic skin condition hidradenitis suppurativa;
- Nivolumab (Opdivo®) from 1 August 2017 for the treatment of Stage IV clear cell variant renal cell carcinoma, and non-small cell lung cancer;
- Usktekinumab (Stelara®) from 1 September 2017 for the treatment of chronic inflammatory bowel disease;
- Alprazolam from 1 October 2017 for the treatment of panic disorders;
- Cefuroxime from 1 November 2017 for the treatment of pharyngitis and tonsillitis; and
- Ibrutinib (Imbruvica®) from 1 December 2017 for the treatment of chronic lymphocytic leukemia and small lymphocytic lymphoma.

The costs for some of these medicines are reduced by revenue from rebates negotiated as part of purchase agreements. Related revenue is not for publication (nfp) as it is commercial-in-confidence. Part of the funding for this measure has already been included in the forward estimates.

The Government has also amended the price of 37 medicines currently listed on the PBS and RPBS, which took effect from 1 August 2017, 1 October 2017 and 1 December 2017.

Further information can be found in the press releases of 30 June 2017, 28 July 2017, 30 July 2017, 30 August 2017, 2 October 2017 and 1 December 2017 issued by the Minister for Health, and the PBS website (www.pbs.gov.au).

Investing in Health and Medical Research — Medical Research Future Fund — continued support

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	3.2	5.8	4.1	4.1

The Government will provide \$23.0 million over four years from 2017-18 to fund administrative costs associated with investments being made by the Government in Australian health and medical research utilising proceeds from the Medical Research Future Fund (MRFF).

As part of total Government investments in Australian medical research over four years of \$1.4 billion from proceeds from the MRFF, the Government will provide \$50 million (including \$30 million from 2021-22 to 2026-27) to support the Australian Brain Cancer Mission to improve the survival rates of people living with brain cancer, \$70 million (including \$10 million in 2021-22) to support Australia’s next generation of medical research fellowships and \$30 million over four years to support Australia’s biomedical technology sector.

The Government will make further announcements in relation to the allocation of funds from the MRFF in due course.

The administrative cost of this measure will be partially met from within the existing resources of the Department of Health. Disbursements from the MRFF are already provided for by the Government.

This measure builds on the 2017-18 Budget measure titled *Investing in Medical Research Medical Research Future Fund*.

Making Private Health Insurance Simpler and More Affordable

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	3.7	11.9	12.3	4.9
Office of the Commonwealth Ombudsman	-	-	1.9	1.1	1.0
Department of Veterans' Affairs	-	-3.5	-9.8	-11.6	-14.5
Total — Expense	-	0.2	4.0	1.8	-8.6
<i>Related revenue (\$m)</i>					
<i>Department of Health</i>	-	-	2.0	1.3	1.2
<i>Related capital (\$m)</i>					
<i>Department of Health</i>	-	2.3	0.7	0.4	-

The Government is reforming private health insurance to reduce pressure on premium growth and make private health insurance simpler for Australians. The reforms include:

- lowering the price of implanted medical devices;
- allowing insurers to discount hospital insurance premiums for 18 to 29 year olds by up to 10 per cent;
- removing waiting periods for mental health services and benefit limitations for existing policy-holders on a once-off basis;
- including benefits for travel and accommodation within hospital cover to support Australians in regional and rural areas;
- introducing Gold, Silver, Bronze and Basic product categories and standard definitions for clinical conditions and procedures to make policies easier to understand and compare;
- strengthening the powers of the Private Health Insurance Ombudsman and improving information provision;
- limiting the Government rebate for natural therapies to exclude therapies such as Rolfing and Bowen therapy; and
- implementing administrative reforms to second tier default benefit arrangements.

Further information can be found in the press release of 13 October 2017 issued by the Minister for Health.

Management of Per- and Poly-Fluorinated Alkyl Substances — community support package for RAAF Base Tindal

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	1.8	2.1	1.1	0.7
Department of Defence	-	-1.8	-2.1	-1.1	-0.7
Total — Expense	-	-	-	-	-

The Government will provide \$5.7 million over four years from 2017-18 for a community support package in relation to per- and poly-fluorinated alkyl substance contamination emanating from the RAAF Base Tindal.

The cost of this measure will be met from within the existing resources of the Department of Defence.

Further information can be found in the joint press release of 3 December 2017 issued by the Minister for Health and the Minister for Defence.

National Approach to Prescription Drug Misuse

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	-	-	-	-
Department of the Treasury	-	-	-	-	-
Total — Expense	-	-	-	-	-

The Government will provide \$16.4 million over five years from 2016-17 to deliver the national rollout of real time prescription monitoring for controlled medicines. This will provide an instant alert to pharmacists and doctors if patients receive multiple supplies of prescription-only medicines. Controlled medicines include morphine, oxycodone, dexamphetamine and alprazolam.

Provision for this funding has already been included in the forward estimates.

Further information can be found in the press release of 28 July 2017 issued by the Minister for Health.

National Blood Arrangements — National Fractionation Agreement

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
National Blood Authority	-	0.1	0.2	0.2	-
Department of Health	-	-4.4	-9.3	-8.9	-9.7
Total — Expense	-	-4.3	-9.1	-8.8	-9.7

The Government will introduce health technology assessment and post listing review processes to ensure the clinical effectiveness and cost effectiveness of immunoglobulin products. The Government will also enter into a new National Fractionation Agreement (NaFA) with CSL Behring for the continued production of blood products, delivering net savings of \$31.9 million over four years from 2017-18.

State and Territory governments will also benefit from reduced expenditure from the new NaFA which will be managed by the National Blood Authority on behalf of the Commonwealth and State and Territory governments.

Further information can be found in the joint press release of 11 December 2017 issued by the Minister for Health and the Assistant Minister for Health.

Strengthening Aged Care — improvements to quality, services and access

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	1.1	-0.2	-0.9	-

The Government will improve the quality, safety and availability of key aged care services, including:

- rebalancing the mix of home care packages in 2017-18 and 2018-19 to reduce waiting times for older Australians with higher care needs and who wish to remain at home;
- providing \$2.8 million in 2017-18 to develop a detailed business case to improve the aged care gateway, My Aged Care; and
- replacing accreditation visits with unannounced audits for Australia’s residential aged care facilities, to help ensure that safety and quality care standards are maintained at all aged care homes.

The reforms in this measure respond to key recommendations of the *Legislated Review of Aged Care 2017* and the *Review of National Aged Care Quality Regulatory Processes*. The cost of this measure will be met from within the existing resources of the Department of Health. The Government will respond to other recommendations of these reviews in the 2018-19 Budget.

Further information can be found in the joint press release of 14 September 2017 issued by the Minister for Health and the Minister for Aged Care, and the press releases of 25 October 2017 and 7 November 2017 issued by the Minister for Aged Care.

Tokyo 2020 Olympic Games — additional targeted support for high performance sport

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Sports Commission	-	3.3	6.6	-	-

The Government will provide \$10.0 million over two years from 2017-18 to the Australian Sports Commission to support around 325 athletes to maximise their potential for success at the 2020 Tokyo Olympic and Paralympic Games.

Further information can be found in the press release of 13 December 2017 issued by the Minister for Sport.

Western Australian Children's Health Telethon

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	1.3	1.3	1.3	1.3

The Government has provided \$2.0 million in 2017-18 to the Channel 7 Telethon Trust (the Trust), to support children's health in Western Australia. The Trust provides financial assistance to charitable organisations and children's hospitals, and funds research into children's diseases.

The Government will also contribute \$13.0 million over ten years from 2017-18 to support the ORIGINS Project longitudinal children's health study jointly conducted between the Telethon Kids Institute and Joondalup Health Campus.

Provision for \$2.0 million of this funding has already been included in the forward estimates.

Further information can be found in the press release of 22 October 2017 issued by the Prime Minister.

Women's Rugby League World Cup 2017 — contribution

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	-	-	-	-

The Government provided \$0.5 million in 2016-17 to support the planning and delivery of the Women's Rugby League World Cup 2017, which was held in Sydney and Brisbane in November 2017.

The cost of this measure has been met from within the existing resources of the Department of Health.

HOME AFFAIRS

Australian Victims of Terrorism — overseas payment

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Home Affairs	-	2.0	0.7	0.4	-
Attorney-General's Department	-	0.2	-	-	-
Total — Expense	-	2.2	0.7	0.4	-

The Government will provide \$3.3 million over three years from 2017-18 to the Australian victims of terrorism for various terrorist incidents overseas, including in Stockholm, Manchester, Baghdad, London, Barcelona and Cambrils.

Confiscated Assets Account

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Criminal Intelligence Commission	-	4.8	5.0	1.5	-
Australian Commission for Law Enforcement Integrity	-	1.9	1.9	-	-
Australian Transaction Reports and Analysis Centre	-	1.9	2.1	1.6	-
Department of Home Affairs	-	0.8	0.2	-	-
Attorney-General's Department	0.5	0.4	-	-	-
Total — Expense	0.5	9.8	9.2	3.1	-
<i>Related capital (\$m)</i>					
<i>Australian Criminal Intelligence Commission</i>	-	4.7	3.4	-	-

The Government will provide \$40.1 million over four years from 2016-17 (including \$8.1 million in capital funding) from the Confiscated Assets Account under the *Proceeds of Crime Act 2002* to fund crime prevention and law enforcement initiatives.

Further information can be found in the press release of 16 June 2017 issued by the Minister for Justice.

Disaster Relief

Expense (\$m)

	2016-17	2017-18	2018-19	2019-20	2020-21
Department of the Treasury	-	5.8	11.8	36.3	-
Department of Home Affairs	-	-	-	-	-
Total — Expense	-	5.8	11.8	36.3	-

The Government will provide \$53.9 million over three years from 2017-18 under Category D of the Natural Disaster Relief and Recovery Arrangements (NDRRA) for disaster clean up, support and rebuilding in respect of the following:

- the impact in Queensland of Tropical Cyclone Debbie; and
- bushfires in the Tasmanian Wilderness World Heritage area.

This payment is in addition to payments made under other categories of the NDRRA, such as for road reconstruction, and payments made under the Australian Government Disaster Relief Payments to those directly affected by natural disasters.

This measure builds on the 2017-18 Budget measure titled *Disaster Relief*.

Emerging International Airports

Expense (\$m)

	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Home Affairs	-	9.8	13.9	13.9	14.0
Department of Agriculture and Water Resources	-	1.2	2.3	2.3	2.3
Total — Expense	-	11.0	16.2	16.3	16.4
<i>Related revenue (\$m)</i>					
Department of Home Affairs	-	7.5	-	-	-
Department of Agriculture and Water Resources	-	0.4	-	-	-
Total — Revenue	-	8.0	-	-	-
<i>Related capital (\$m)</i>					
Department of Home Affairs	-	7.0	-	-	-
Department of Agriculture and Water Resources	-	0.4	-	-	-
Total — Capital	-	7.4	-	-	-

The Government will provide \$59.8 million over four years from 2017-18 for border clearance services for international terminals at Perth (T3) and Canberra airports, including customs, immigration and biosecurity clearances.

This measure builds on the 2017-18 Budget measure titled *Funding for Border Services at New International Airports*.

Managing Refugees and Asylum Seekers Offshore — continuation

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Home Affairs	-	25.1	-	-	-

The Government will provide an additional \$25.1 million in 2017-18 to continue regional processing arrangements in Papua New Guinea and Nauru.

This measure builds on the 2017-18 Budget measure titled *Managing Asylum Seekers in Regional Processing Centres – continuation* and the 2016-17 MYEFO measure titled *International Settlement Strategy – enhanced border protection measures and resettlement of refugees*.

National Security Public Information Campaign

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Home Affairs	-	3.3	-	-	-
Attorney-General's Department	-	1.7	-	-	-
Total — Expense	-	5.0	-	-	-

The Government will provide \$5.0 million in 2017-18 to fund a national security public information campaign. The campaign will inform the Australian public about how they can help law enforcement and security agencies keep Australia safe, including encouraging the public to report information and suspicious activity to the National Security Hotline.

Strengthening Australia's Defences Against Money Laundering and Terrorism Financing

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Transaction Reports and Analysis Centre	-	1.3	7.4	9.4	10.2
<i>Related revenue (\$m)</i>					
<i>Australian Transaction Reports and Analysis Centre</i>	-	-	9.6	10.9	12.1
<i>Related capital (\$m)</i>					
<i>Australian Transaction Reports and Analysis Centre</i>	-	1.6	6.7	3.6	3.1

The Government will provide \$43.3 million over four years from 2017-18 (including \$15.0 million in capital funding) to the Australian Transaction Reports and Analysis Centre to further identify and act against serious breaches of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

Appendix A: Policy decisions taken since the 2017-18 Budget

The funding will also provide for an education and guidance program to support and improve industry’s compliance culture, systems and processes.

The cost of this measure will be offset by an increase to the *Australian Transaction Reports and Analysis Centre Industry Contribution (Collection) Act 2011* levy.

Working with Children Checks National Database — establishment

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Criminal Intelligence Commission	-	0.3	0.5	0.5	0.5
Attorney-General's Department	-	-2.7	-	-	-
Total — Expense	-	-2.4	0.5	0.5	0.5
<i>Related revenue (\$m)</i>					
<i>Australian Criminal Intelligence Commission</i>	-	-	0.3	0.5	0.5
<i>Related capital (\$m)</i>					
<i>Australian Criminal Intelligence Commission</i>	-	-	2.2	-	-

The Government will provide \$2.7 million over two years from 2017-18 (including \$2.2 million in capital funding) for the Australian Criminal Intelligence Commission to establish a national database of rejected applications for Working with Children Checks. This will allow State and Territory governments to share information regarding rejected applications. The States and Territories will be responsible for integration costs and ongoing maintenance costs.

This measure is in response to the recommendations of the Royal Commission into Institutional Responses to Child Sexual Abuse.

This measure will be offset by redirecting funding from the 2016-17 MYEFO measure titled *Royal Commission into the Protection and Detention of Children in the Northern Territory*.

INDUSTRY, INNOVATION AND SCIENCE

Australian Domestic Gas Security Mechanism — implementation

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Industry, Innovation and Science	-	1.7	0.7	0.8	0.6
Department of the Environment and Energy	-	0.7	0.9	0.7	0.7
Department of Home Affairs	-	0.2	0.1	0.1	0.1
Total — Expense	-	2.6	1.7	1.6	1.3
<i>Related capital (\$m)</i>					
<i>Department of Industry, Innovation and Science</i>	-	0.4	0.1	-	-

The Government will provide \$10.0 million over six years from 2017-18 (including \$2.5 million over two years from 2021-22) to implement the Australian Domestic Gas Security Mechanism (ADGSM).

The purpose of ADGSM is to secure the supply of natural gas to Australian consumers including households and industry, by allowing the imposition of temporary export restrictions on natural gas when a potential shortfall in domestic supply is identified.

Further information can be found in the press release of 1 July 2017 issued by the Minister for Resources and Northern Australia.

Clean Energy Initiative — efficiencies

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Industry, Innovation and Science	-	-10.0	-	-	-

The Government will achieve efficiencies of \$10.0 million in 2017-18 through changes to the *Carbon Capture and Storage Flagships Program*, under the Clean Energy Initiative.

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

Industry 4.0 Testlabs for Australia — establishment

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Industry, Innovation and Science	-	-	5.0	-	-

The Government will provide \$5.1 million over three years from 2018-19 to establish five new Industry 4.0 Testlabs across Australian educational institutions.

The initiative will accelerate collaboration between the tertiary education sector and industry, particularly small to medium enterprises, and build the skills required to capitalise on technological opportunities presented by Industry 4.0.

The cost of this measure will be funded from the Department of Education and Training and the Department of Industry, Innovation and Science.

National Business Simplification Initiative — modernising business registers

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Securities and Investments Commission	-	-	-	-	-
Australian Taxation Office	-	-	-	-	-
Department of Industry, Innovation and Science	-	-	-	-	-
Total — Expense	-	-	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Industry, Innovation and Science</i>	-	..	-	-	-

The Government will provide \$2.4 million in 2017-18 to explore a preferred approach to modernise the Australian Securities and Investments Commission registers and the Australian Business Register.

Provision for this funding has already been included in the forward estimates.

INFRASTRUCTURE AND REGIONAL DEVELOPMENT

Australian Stockman's Hall of Fame

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Infrastructure and Regional Development	-	15.0	-	-	-

The Government will provide \$15.0 million in 2017-18 to support the construction of further multi-purpose recreational and entertainment facilities; new and interactive displays; and amenity upgrades at the Australian Stockman's Hall of Fame in Longreach, Queensland. Funding will also support the establishment of the Australian Rural Heritage Foundation which will provide for the ongoing development and management of the facility.

Community Development Grants Programme — additional projects

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Infrastructure and Regional Development	-	-	-	-	-

The Government will provide an additional \$19.9 million over two years from 2018-19 to the *Community Development Grants Programme* for important community projects across Australia including:

- \$8.9 million toward Stage One of the Convention and Emergency Evacuation Centre project at the Ipswich Showgrounds, Queensland;
- \$5.5 million toward the Willetton Basketball Stadium Expansion Project in Perth, Western Australia;
- \$5.0 million toward the permanent driver education and motorsport precinct in Townsville, Queensland;
- \$0.3 million toward a new imperial dragon for the Easter Festival Gala Parade in Bendigo, Victoria;
- \$0.2 million toward the relocation of the Men's Shed in Claremont, Tasmania; and
- \$0.1 million to establish an improved lookout, memorial and commemoration of former Prime Minister the Hon. Mr Harold Holt at Cheviot Beach, Victoria.

Appendix A: Policy decisions taken since the 2017-18 Budget

Provision for this funding has already been included in the forward estimates.

This measure extends the 2016-17 MYEFO measure titled *Community Infrastructure Projects – new announcements*.

Heavy Vehicle Road Reform — next steps

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	26.0	27.0	-
Department of the Treasury	-	-	-	-	-53.0
Department of Infrastructure and Regional Development	-	-5.6	-1.2	6.8	-
Total — Expense	-	-5.6	24.8	33.8	-53.0

The Government will provide \$14.2 million over three years from 2017-18 for the establishment of a National Heavy Vehicle Charging Pilot and the development of business cases for Local Heavy Vehicle Charging Trials.

The Pilot and Charging Trials will play an important role in building government, industry and community confidence representing a critical step in COAG's heavy vehicle road reform process.

The Government will also maintain the Road User Charge rate at the 2017-18 level of 25.8 cents per litre for two years. This will increase expenditure on the Fuel Tax Credit by \$53.0 million over two years from 2018-19.

This measure will be offset from uncommitted funding in the Department of Infrastructure and Regional Development.

Infrastructure Investment Programme — Victorian Infrastructure Investments — additional funding

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Infrastructure and Regional Development	-	-	-	-	-
Department of the Treasury	-	-	-	-	-
Total — Expense	-	-	-	-	-

The Government will provide an additional \$438.8 million to fund priority regional rail projects in Victoria. This forms part of the \$1.52 billion Commonwealth investments in Victorian Infrastructure to ease congestion and provide better rail services right across the state.

Provision for this funding has already been included in the forward estimates.

This measure builds on the 2017-18 Budget measure titled *Infrastructure Investment Programme – Victorian Infrastructure Investments*.

Further information can be found in the joint press release of 27 June 2017 issued by the Prime Minister and the Minister for Infrastructure and Transport.

Macquarie Park Transport Interchange

Expense (\$m)

	2016-17	2017-18	2018-19	2019-20	2020-21
Department of the Treasury	-	-	5.0	10.0	-60.0
Department of Infrastructure and Regional Development	-	-	-	-	-
Total — Expense	-	-	5.0	10.0	-60.0

The Government will provide \$80.0 million over five years from 2018-19 (including \$25.0 million in 2021-22 and \$20.0 million in 2022-23) toward a new transport interchange at Macquarie Park in Sydney, New South Wales.

The cost of this measure will be met from within the *Infrastructure Investment Programme*.

Further information can be found in the press release of 28 November 2017 issued by the Prime Minister.

National System for Domestic Commercial Vessel Safety — transitional funding package

Expense (\$m)

	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Maritime Safety Authority	-	-	27.0	26.5	27.0
Department of the Treasury	-	-	-	-	-20.9
Total — Expense	-	-	27.0	26.5	6.0
<i>Related revenue (\$m)</i>					
<i>Australian Maritime Safety Authority</i>	-	-	19.8	19.1	20.8

The Government will provide \$55.0 million over ten years from 2018-19 toward a \$102.4 million funding package to support the domestic vessel industry transitioning to full cost recovery for safety regulation under the National System for Domestic Commercial Vessel Safety.

The States and the Northern Territory will collectively contribute \$47.4 million over ten years toward the package.

Appendix A: Policy decisions taken since the 2017-18 Budget

This measure will be offset by redirecting funding from the *Infrastructure Investment Programme*.

This measure builds on the 2016-17 Budget measure titled *National System for Domestic Commercial Vessel Safety – staged implementation of cost recovery*.

Further information can be found in the press release of 6 December 2017 issued by the Minister for Infrastructure and Transport.

Norfolk Island Reform — additional funding

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Infrastructure and Regional Development	-	..	-	-	-

The Government will provide an additional \$2.0 million in 2017-18 to support service delivery on Norfolk Island.

This measure builds on the 2015-16 Budget measure titled *Norfolk Island Reform*.

Qantas Founders Museum

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Infrastructure and Regional Development	-	11.3	-	-	-

The Government will provide \$11.3 million in 2017-18 to the Qantas Founders Museum in Longreach, Queensland. Funding will support the construction of roofing facilities to preserve outdoor aircraft visitor displays.

PRIME MINISTER AND CABINET**National Security — 2017 Independent Intelligence Review — implementation**

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Office of National Assessments	-	9.4	16.0	23.0	29.2
Attorney-General's Department	-	2.5	4.8	4.7	4.8
Australian Security Intelligence Organisation	-	1.8	3.6	2.2	2.2
Australian Criminal Intelligence Commission	-	0.2	0.4	0.4	0.4
Total — Expense	-	13.9	24.8	30.3	36.5
<i>Related capital (\$m)</i>					
Office of National Assessments	-	11.7	-	-	-
Australian Security Intelligence Organisation	-	0.8	-	-	-
Total — Capital	-	12.5	-	-	-

The Government will provide \$154.5 million over five years from 2017-18 (including \$12.5 million in capital funding) in response to the recommendations of the 2017 Independent Intelligence Review. The response includes:

- \$118.5 million to establish the Office of National Intelligence;
- \$33.6 million to fund a 24/7 cyber incident monitoring and response capability within the Australian Cyber Security Centre; and
- \$2.4 million for the secondment of additional Australian Security Intelligence Organisation personnel to the Australian Government Security Vetting Service to enhance Commonwealth security vetting.

Further information can be found in the joint press release of 18 July 2017 issued by the Prime Minister, the Attorney-General, the Minister for Immigration and Border Protection and the Minister for Justice.

Religious Freedom Taskforce

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of the Prime Minister and Cabinet	-	1.0	-	-	-

The Government will provide \$1.0 million in 2017-18 to the Department of the Prime Minister and Cabinet to support a review of whether Australian law adequately

Appendix A: Policy decisions taken since the 2017-18 Budget

protects the human right to religious freedom. The review will be led by the Hon. Philip Ruddock and will examine a variety of proposals for legislative reform to protect freedom of religion including those that go beyond the immediate issue of marriage.

Further information can be found in the press release of 22 November 2017 issued by the Prime Minister.

School Enrolment and Attendance Measure — cessation

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of the Prime Minister and Cabinet	-	..	-0.1	-0.1	-0.1
Department of the Treasury	-	-1.1	-2.2	-2.3	-2.3
Department of Human Services	-	-3.3	-6.1	-6.1	-6.1
Total — Expense	-	-4.3	-8.4	-8.4	-8.5

The Government will achieve savings of \$29.6 million over four years from 1 January 2018 by ceasing the School Enrolment and Attendance Measure. The Government will continue to support Aboriginal and Torres Strait Islander students through initiatives to address barriers to improved school attendance, including the Remote School Attendance Strategy.

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

Secure Cloud Strategy — implementation

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Digital Transformation Agency	-	-	-	-	-

The Government will provide \$8.0 million over four years from 2018-19 to the Digital Transformation Agency to implement a Secure Cloud Strategy that will support government agencies adopting cloud computing services.

The cost of this measure will be met from within the existing resources of the Digital Transformation Agency.

SOCIAL SERVICES

Children and Parenting Support Services — continuation

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Social Services	-	-	10.4	10.5	-

The Government will provide \$20.9 million over two years from 2018-19 to continue Children and Parenting Support Services to children and families, including those affected by domestic violence, culturally and linguistically diverse families and Indigenous families.

This measure extends the 2016-17 MYEFO measure titled *Children and Parenting Support Services — continuation*.

Commonwealth Redress Scheme for Survivors of Institutional Child Sexual Abuse — additional funding

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Finance	-	0.1	-	-	-
Department of Social Services	-	-	20.3	16.9	17.4
Various Agencies	-	-0.5	-0.8	-5.3	-5.2
Total — Expense	-	-0.5	19.5	11.6	12.1

The Government will provide \$54.7 million over four years from 1 January 2018 to support the operation of the Commonwealth Redress Scheme for Survivors of Institutional Child Sexual Abuse, including funding for Redress Support Services to assist applicants to the Scheme.

The offsets for this measure will be provided from whole-of-government savings.

This measure builds on the 2017-18 Budget measure titled *Commonwealth Redress Scheme for Survivors of Institutional Child Sexual Abuse*.

Disability Employment Services — encouraging better employment outcomes

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Social Services	-	-	-1.5	-1.7	-1.7

The Government will restructure the education outcome fees which will be paid to service providers under the new Disability Employment Services framework from

Appendix A: Policy decisions taken since the 2017-18 Budget

1 July 2018, in order to encourage providers to focus on achieving long-term employment outcomes. Additional funding will also be provided to extend the JobAccess portal, which provides disability employment information and services, for a further three years.

This measure builds on the 2015-16 Budget measure titled *Disability Employment – a better way to work*.

DisabilityCare Australia Fund — initial payments

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of the Treasury	-345.3	361.8	-16.5	-	-
Total — Expense	-345.3	361.8	-16.5	-	-
<i>Related revenue (\$m)</i>					
Department of Finance	0.6	1.0	-0.1	-	-

The Government will provide \$361.8 million in 2017-18 from the DisabilityCare Australia Fund to partially reimburse the States and Territories for the costs of implementing the National Disability Insurance Scheme. The funding will be provided through the *National Partnership on DisabilityCare Australia Fund Payments: Initial Payment*.

Encouraging Self-Sufficiency for Newly Arrived Migrants

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Human Services	-	12.0	5.8	0.3	-4.3
Department of Social Services	-	1.2	-124.4	-410.0	-746.7
Administrative Appeals Tribunal	-	-	1.0	0.7	-
Department of Employment	-	-	-	-	-3.4
Department of Health	-	-	-2.7	-8.8	-16.1
Total — Expense	-	13.1	-120.4	-417.8	-770.5

The Government will achieve efficiencies of \$1.3 billion over four years from 2017-18 by broadening the criteria for waiting periods for newly arrived migrants before they can access certain welfare benefits. From 1 July 2018:

- the current two-year waiting period for a range of payments will be extended to three years;
- a three-year waiting period will also be applied to Family Tax Benefit (FTB), Paid Parental Leave (PPL) and Carer Allowance; and

- the current two-year Assurance of Support requirement applying to family visas will be increased to three years.

Exemptions for vulnerable groups will apply, and New Zealand citizens who are on Special Category Visas and have children in their care would be exempt from waiting periods when accessing FTB and PPL.

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

Family Tax Benefit — broadening debt repayment

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Human Services	-	1.2	31.2	7.7	5.6
Department of Social Services	-	-	-18.5	-106.7	-97.1
Total — Expense	-	1.2	12.7	-99.0	-91.6
<i>Related revenue (\$m)</i>					
<i>Australian Taxation Office</i>	-	-	-	-	-

The Government will achieve savings of \$176.6 million over four years from 2017-18 by using Family Tax Benefit lump-sum, reconciliation or instalment arrears payments to repay outstanding social security, student assistance or Paid Parental Leave debts from 1 December 2018.

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

Family Tax Benefit and Paid Parental Leave — maintaining income thresholds

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Human Services	-	1.0	0.2	0.1	-0.7
Department of Health	-	-	-	-	-1.7
Department of Social Services	-	-	-41.4	-81.0	-198.5
Total — Expense	-	1.0	-41.2	-80.9	-200.8

The Government will achieve efficiencies of \$321.9 million over four years from 2017-18 by maintaining the higher income thresholds and supplement amounts for family payments at their current levels until 30 June 2021.

Appendix A: Policy decisions taken since the 2017-18 Budget

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

National Disability Insurance Scheme Quality and Safeguards Commission — national worker screening database

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Social Services	-	0.4	2.6	1.8	1.3
NDIS Quality and Safeguards Commission	-	0.4	0.9	0.5	0.5
Department of Finance	-	-	-	-	-
Total — Expense	-	0.7	3.5	2.3	1.9
<i>Related revenue (\$m)</i>					
<i>Department of Social Services</i>	-	-	4.5	0.9	0.7
<i>Department of Finance</i>	-	-	-0.1	-	-
Total — Revenue	-	-	4.4	0.9	0.7
<i>Related capital (\$m)</i>					
<i>Department of Social Services</i>	-	-	6.5	-	-

The Government will provide \$14.9 million over four years from 2017-18 to support the implementation of a new IT-based, nationally consistent worker screening database for the National Disability Insurance Scheme (NDIS).

Up to 162,000 full-time equivalent disability workers will benefit from the portability of worker screening checks across jurisdictions and approximately 19,120 registered providers of NDIS services will be able to verify whether prospective workers have attained relevant clearances.

No Job No Pay and Healthy Start for School — strengthening compliance arrangements

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Social Services	-	-	-1.0	-2.6	-4.2

The Government will achieve efficiencies of \$7.8 million by aligning the withholding amount under the No Job No Pay and Healthy Start for School policies with the \$737.30 value of the current Family Tax Benefit (FTB) Part A end-of-year supplement, resulting in a fortnightly withholding amount of \$28.28. The withholding amount will be indexed in line with future increases in FTB Part A payments.

This measure builds on the 2017-18 Budget measure titled *Supporting No Job No Pay Healthy Start for School — new compliance arrangements*.

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

Rollout of National Disability Insurance Scheme in Western Australia — revised implementation arrangements

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
National Disability Insurance Agency	-	109.2	445.1	782.1	1,121.2
Department of Social Services	-	0.4	-0.2	-4.6	-9.2
Department of Human Services	-	-	-	0.1	0.1
Department of Finance	-	-	-	-	-
Department of Health	-	-2.8	-17.0	-15.4	-16.0
Department of the Treasury	-	-115.9	-253.6	-458.0	-1,115.7
Total — Expense	-	-9.1	174.3	304.2	-19.6
<i>Related revenue (\$m)</i>					
National Disability Insurance Agency	-	36.8	140.6	205.5	41.1
Department of Finance	-	0.5	1.0	0.1	-
Department of Health	-	-	1.8	-0.5	-
Department of Social Services	-	-	-	-	-
Total — Revenue	-	37.3	143.4	205.2	41.1

The Government will provide \$22.8 million over four years from 2017-18 to implement an agreement to bring Western Australia into the National Disability Insurance Scheme (NDIS). This agreement, which is the final step towards making the NDIS a truly national scheme.

From 1 July 2018, the National Disability Insurance Agency will assume responsibility for the delivery of the NDIS in Western Australia. The NDIS will continue to roll out on geographic basis and will be rolled out across Western Australia by 2020.

Further information can be found in the joint press release issued by the Prime Minister, the Minister for Social Services and the Assistant Minister for Disability Services on 12 December 2017.

Social Services Legislation Amendment (Welfare Reform) Bill 2017 — amendments

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Social Services	-	-	-

The Government will provide \$40,000 over two years from 2019-20 for policy amendments associated with the Social Services Legislation Amendment (Welfare Reform) Bill 2017, including:

- ensuring that the level of support for newly bereaved pregnant women does not change under revised bereavement payment arrangements that will commence from 20 March 2020; and
- amending the participation requirements for job seeker recipients aged from 55 to 59 to enable the activity test to be met through any combination of paid work or volunteering after 12 months of payment.

Strengthening the Integrity of Welfare Payments and Better Management of the Social Welfare System — unlegislated components — not proceeding

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	0.1	0.3	0.3	0.3
Department of Social Services	-	-	43.2	215.6	402.3
Department of Employment	-	-	-1.1	-2.4	-2.3
Administrative Appeals Tribunal	-	-0.4	-5.3	-6.8	-6.9
Department of Human Services	-	-21.0	-16.9	-9.0	-8.8
Total — Expense	-	-21.3	20.1	197.7	384.5

The Government will not proceed with the unlegislated components of the 2015-16 Budget measure titled *Strengthening the Integrity of Welfare Payments* and the 2016-17 MYEFO measure titled *Better Management of the Social Welfare System*, at a net cost to the Budget of \$581.0 million over four years from 2017-18.

Treatment Support Services for the Drug Testing Trial

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	2.9	1.5	-	-
Department of Human Services	-	-2.8	1.0	0.4	..
Department of Social Services	-	-9.8	0.6	1.0	-
Total — Expense	-	-9.7	3.0	1.4	..
<i>Related capital (\$m)</i>					
Department of Human Services	-	3.5	-	-	-

The Government will provide \$10.0 million over two years, subject to the passage of legislation, for a dedicated fund to provide additional drug and alcohol treatment and support services in three locations where drug testing will be trialled for job seekers. Support will be targeted at those job seekers who test positive to a drug test more than once.

This measure builds on the 2017-18 Budget measure titled *Better Targeting of Assistance to Support Jobseekers*.

Further information can be found in the joint press release of 22 August 2017 issued by the Minister for Social Services and the Minister for Human Services.

Welfare Payment Infrastructure Transformation — update to Tranche Two

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Education and Training	-	1.7	-	-	-
Department of Human Services	-	-45.5	-23.1	-33.9	-2.8
Total — Expense	-	-43.8	-23.1	-33.9	-2.8
<i>Related capital (\$m)</i>					
Department of Human Services	-	11.2	-9.7	-2.0	-
Department of Education and Training	-	0.5	-	-	-
Total — Capital	-	11.7	-9.7	-2.0	-

The Government will deliver the Welfare Payment Infrastructure Transformation (WPIT) program at a reduced cost by using existing commercially available software to deliver an improved user experience and bringing forward the implementation of three projects. Efficiencies of \$103.7 million over four years from 2017-18 will be realised. The WPIT program will progressively replace Centrelink's ageing technology platform.

Provision for the funding of the implementation of the three projects has already been included in the forward estimates.

Appendix A: Policy decisions taken since the 2017-18 Budget

This measure builds on the 2016-17 MYEFO measure titled *Welfare Payment Infrastructure Transformation – Tranche Two*.

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

TREASURY

Assetless Administration Fund to Curb Illegal Phoenix Activity — additional funding

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Securities and Investments Commission	-	-	1.0	1.0	1.1

The Government will provide an additional \$3.1 million over three years from 2018-19 to increase funding for the Assetless Administration Fund. This will allow the Australian Securities and Investments Commission to appoint liquidators to examine potential phoenixing activity, pursuant to amendments enacted by the *Insolvency Law Reform Act 2016*.

Australian Energy Regulator — additional funding

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Competition and Consumer Commission	-	7.5	19.9	19.9	20.1

The Government will provide an additional \$67.4 million over four years from 2017-18 to the Australian Competition and Consumer Commission for the Australian Energy Regulator (AER). The additional resourcing will strengthen the AER's regulation of Australia's energy markets.

Further information can be found in the joint press release of 20 June 2017 issued by the Prime Minister, the Minister for the Environment and Energy and the Minister for Resources and Northern Australia.

Australian Marriage Law Postal Survey

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Bureau of Statistics	-	80.5	-	-	-

The Government has funded the Australian Bureau of Statistics to conduct a voluntary postal survey at a cost of \$80.5 million in 2017-18 that asked Australian voters about their views on whether the law should be changed to allow same-sex couples to marry.

Further information can be found in the press release of 9 August 2017 issued by the Minister for Finance.

Junior Minerals Exploration Incentive Scheme — establishment

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	15.0	25.0	30.0	30.0

The Government will provide \$100.0 million over four years from 2017-18 to encourage additional investment in greenfields minerals exploration through the Junior Minerals Exploration Incentive Scheme (the Scheme).

The Scheme will provide a tax incentive to Australian resident investors who purchase newly issued shares in small minerals exploration companies that are raising capital to fund exploration activity.

The Scheme builds on the former Exploration Development Incentive.

Further information can be found in the joint press release of 2 September 2017 issued by the Prime Minister and the Deputy Prime Minister.

National Competition Council — not proceeding

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
National Competition Council	-	-2.0	-1.5	-1.5	-1.5

The Government will not proceed with funding of \$6.5 million over four years from 2017-18 for the National Competition Council, announced as part of the 2017-18 Budget measure titled *Reducing Pressure on Housing Affordability – a new National Housing and Homelessness Agreement*.

The Department of the Treasury will now assist with the implementation and ongoing assessment of performance under the National Housing and Homelessness Agreement, from within existing resources.

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

National Partnership Agreement on Financial Literacy

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of the Treasury	-	1.3	1.3	1.3	1.3

The Government will provide \$5.2 million over four years from 2017-18 to extend payments to the States and Territories under the National Partnership Agreement for the MoneySmart Teaching program.

Philanthropy — managing the risks of overseas philanthropy

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Taxation Office	-	-	0.7	0.2	0.2

The Government will provide \$1.1 million for the Australian Charities and Not-for-profits Commission (ACNC) to issue external conduct standards under the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act). The standards will give the ACNC stronger oversight of charities' overseas activities and finances, to address the risks of overseas philanthropy such as money laundering and terrorism financing. The Government will give certainty to not-for-profits by not proceeding with the unlegislated 2009-10 Budget measure titled *Philanthropy — reforming the 'in Australia' requirements that apply to tax exempt entities*.

Reducing Pressure on Housing Affordability — implementation of the National Housing Finance and Investment Corporation and additional measures

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of the Treasury	-	10.6	0.5	-	-
National Housing Finance and Investment Corporation	-	-	0.6	0.3	0.2
Total — Expense	-	10.6	1.1	0.3	0.2
<i>Related revenue (\$m)</i>					
<i>National Housing Finance and Investment Corporation</i>	-	-	2.2	2.7	3.3

The Government will provide \$1.1 million over three years from 2018-19 to establish the National Housing Finance and Investment Corporation (NHFIC). The NHFIC will operate the affordable housing bond aggregator to provide cheaper and longer-term finance to registered community housing providers and to administer the \$1 billion National Housing Infrastructure Facility (NHIF) that will finance infrastructure needed to speed up the supply of new housing.

In addition to local governments, entities eligible for financing from the NHIF will be expanded to include local government-owned investment corporations and utility providers, state government-owned utility providers, registered community housing providers and Special Purpose Vehicles involving at least one of these entities.

The Government will also provide a \$150.0 million line of credit to the NHFIC until the end of 2022-23 to provide greater flexibility in the provision of credit. The NHFIC will also provide registered community housing providers with support services to assist in developing their capability, funded from the NHIF. Bonds issued by the NHFIC will be guaranteed by the Commonwealth, unless otherwise determined in writing by the Treasurer.

Appendix A: Policy decisions taken since the 2017-18 Budget

The Government will also provide \$10.0 million to undertake a communications campaign to inform Australians about how housing affordability measures can assist them and \$1.1 million over two years from 2017-18 to contribute to a review of the national regulatory system for community housing being led by the NSW Registrar of Community Housing. The development of a consistent national approach to the regulation of community housing will assist in the growth of the sector and implementation of an affordable housing bond aggregator by the NHFIC.

Review of Collection Models for GST on Low Value Imported Goods

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Productivity Commission	-	-	-	-	-

The Productivity Commission has undertaken an inquiry into collection models for GST on low value imported goods. The inquiry is required under the *Treasury Laws Amendment (GST Low Value Goods) Act 2017*.

The cost of this measure was met from within the existing resources of the Productivity Commission.

Small Business Digital Taskforce — establishment

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of the Treasury	-	-	-	-	-

The Government will provide \$0.2 million in 2017-18 to the Department of the Treasury to establish a taskforce to promote small business engagement with digital technologies and examine the impediments small business face in engaging with digital technologies.

The cost of this measure will be met from within the existing resources of the Department of the Treasury.

Small Business Regulatory Reform Agenda — additional funding

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
National Competition Council	-	-1.9	-1.8	-	-
Department of the Treasury	-	-48.1	51.8	-	-
Total — Expense	-	-50.0	50.0	-	-

The Government will redirect funding of \$303.7 million over two years from 2017-18 from the National Partnership on Regulatory Reform to a new reform agenda that will

reward States and Territories that reduce the regulatory burden on small businesses. The funding includes \$3.7 million which will be reallocated from the National Competition Council to the Department of the Treasury, to develop and administer agreements.

Taking Action Now — Australian Financial Complaints Authority

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of the Treasury	-	1.8	-	-	-
Australian Securities and Investments Commission	-	1.1	4.9	3.4	-
Total — Expense	-	2.9	4.9	3.4	-
<i>Related revenue (\$m)</i>					
<i>Australian Prudential Regulation Authority</i>	-	1.1	4.9	3.4	-

The Government will provide \$1.8 million in 2017-18 for an expert reference panel to assist with the establishment of the Australian Financial Complaints Authority (AFCA). The AFCA will be a one-stop-shop financial dispute resolution scheme and will be established by 1 July 2018. From 1 July 2018, any new complaints will be addressed by the AFCA.

The Government will also provide \$9.5 million over three years from 2017-18 to the Australian Securities and Investments Commission for the Superannuation Complaints Tribunal (SCT) to resolve outstanding complaints by 30 June 2020, when the SCT will cease operations.

The additional funding for the SCT will be offset by a corresponding increase in the Australian Prudential Regulation Authority Financial Institutions Supervisory Levies.

This measure builds on the 2017-18 Budget measure titled *A More Accountable and Competitive Banking System – improving external dispute resolution*.

Further information can be found in the press release of 22 August 2017 issued by the Minister for Revenue and Financial Services.

Taking Action Now — professional standards reform

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Securities and Investments Commission	-	-	-	-	-
<i>Related capital (\$m)</i>					
Australian Securities and Investments Commission	-	-	-	-	-

The Government will provide \$3.5 million over three years from 2017-18 (including \$1.5 million in capital funding over two years from 2017-18) to allow the Australian Securities and Investments Commission (ASIC) to further develop its online financial advisers' register to include additional fields of information. This will meet the requirements of the *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017*.

Funding for this measure will be met from within the existing resources of ASIC.

Treasury Portfolio — efficiencies

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Various Agencies	-	-12.1	-11.5	-11.1	-10.2

The Government will achieve efficiencies of \$45.0 million over four years from 2017-18 by reducing expenditure from the Treasury portfolio.

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

VETERANS' AFFAIRS

Australian War Memorial — detailed business case for additional exhibition space

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian War Memorial	-	5.6	5.8	-	-

The Government will provide an additional \$11.4 million over two years from 2017-18 to develop a detailed business case for additional exhibition space at the Australian War Memorial (AWM). The business case will analyse options to support the AWM to tell more stories of recent conflicts.

This measure builds on the 2017-18 Budget measure titled *Australian War Memorial — business case for additional exhibition space*.

Department of Veterans' Affairs — travel efficiencies

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Veterans' Affairs	-	-0.4	-0.5	-0.5	-0.5

The Government will achieve efficiencies of \$2.0 million over four years from 2017-18 (with \$0.5 million ongoing) through more targeted expenditure on travel for departmental staff.

This measure will not result in a reduction in services provided to veterans.

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

Repatriation Pharmaceutical Benefits Scheme — new listings and price amendments

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Veterans' Affairs	-

The Government will provide \$33,000 over four years from 1 January 2018 to add new generic brands of Azithromycin and Clopidogrel, and to amend the prices of a range of medicines which are already listed on the *Repatriation Schedule of Pharmaceutical Benefits*.

The new listings and price amendments have been recommended by the Repatriation Pharmaceutical Reference Committee, which advises on the clinical appropriateness of

items to be made available under the Repatriation Pharmaceutical Benefits Scheme (RPBS).

The RPBS was established to meet the specific clinical needs of veterans with health conditions arising from war or military service.

Support for Veterans' Mental Health — additional funding

Expense (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Veterans' Affairs	-	3.2	12.7	9.9	8.2
Department of Human Services	-	2.1	0.4	0.3	0.3
Department of Social Services	-	-0.2	-2.5	-2.6	-2.8
Total — Expense	-	5.2	10.5	7.6	5.7
<i>Related revenue (\$m)</i>					
Australian Taxation Office	-	..	1.0	..	..
<i>Related capital (\$m)</i>					
Department of Veterans' Affairs	-	2.5	0.8	-	-

The Government will provide \$31.0 million over four years from 2017-18 to support veterans' mental health in response to the recommendations of the Senate Inquiry Report *The Constant Battle: Suicide by Veterans*. This measure includes:

- \$16.1 million for a new payment for vulnerable veterans while their claims for assistance are being assessed;
- \$7.1 million to expand support provided to the families of veterans;
- \$2.1 million for an annual comprehensive health assessment for veterans for the first five years after they have been discharged;
- \$4.0 million over two years from 2018-19 to pilot two new models of case management services; and
- \$1.7 million over two years from 2017-18 to undertake a scoping study to identify options to improve veterans' advocacy services.

This measure builds on the 2016-17 and 2017-18 Budget measures titled *Mental Health Treatment for Current and Former Members of the Australian Defence Force*.

Further information can be found in the press release of 24 October 2017 issued by the Minister for Veterans' Affairs.

Capital Measures

Table 3: Capital measures since the 2017-18 Budget^(a)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
AGRICULTURE AND WATER RESOURCES					
<i>Department of Agriculture and Water Resources</i>					
Emerging International Airports(b)(c)	-	0.4	-	-	-
Portfolio total	-	0.4	-	-	-
ATTORNEY-GENERAL'S					
<i>Attorney-General's Department</i>					
Foreign Influence Transparency Scheme — establishment(b)(c)	-	-	0.8	-	-
<i>Australian Security Intelligence Organisation</i>					
National Security — 2017 Independent Intelligence Review — implementation(b)	-	0.8	-	-	-
Portfolio total	-	0.8	0.8	-	-
COMMUNICATIONS AND THE ARTS					
<i>Australian Communications and Media Authority</i>					
National Broadband Network — enhanced consumer experience(b)(c)	-	-	..	-	-
Portfolio total	-	-	..	-	-
EDUCATION AND TRAINING					
<i>Department of Education and Training</i>					
Higher Education Reforms — revised implementation(b)(c)	-	2.6	-	-	-
Welfare Payment Infrastructure Transformation — update to Tranche Two	-	0.5	-	-	-
Portfolio total	-	3.1	-	-	-
ENVIRONMENT AND ENERGY					
<i>Bureau of Meteorology</i>					
Bureau of Meteorology — sale of residential properties(b)	-	nfp	nfp	nfp	nfp
Portfolio total	-	nfp	nfp	nfp	nfp
FINANCE					
<i>Department of Finance</i>					
Cox Peninsula — remediation of Wagait Shire Tip(b)	-	5.4	8.1	-	-
Parliamentary Expenses Management System(b)	-	5.3	22.9	2.3	-
Portfolio total	-	10.7	31.0	2.3	-

Table 3: Capital measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
FOREIGN AFFAIRS AND TRADE					
<i>Australian Secret Intelligence Service</i>					
National Security — Australian Secret Intelligence Service— additional funding(b)	-	nfp	nfp	nfp	nfp
<i>Department of Foreign Affairs and Trade</i>					
2017 Foreign Policy White Paper(b)	-	0.1	1.5	-	-
<i>Various Agencies</i>					
National Security — enhancing Australia's regional counter-terrorism assistance(b)(c)	-	nfp	nfp	nfp	nfp
Portfolio total	-	0.1	1.5	nfp	nfp
HEALTH					
<i>Department of Health</i>					
Making Private Health Insurance Simpler and More Affordable(b)(c)	-	2.3	0.7	0.4	-
Portfolio total	-	2.3	0.7	0.4	-
HOME AFFAIRS					
<i>Australian Criminal Intelligence Commission</i>					
Confiscated Assets Account(b)	-	4.7	3.4	-	-
Working with Children Checks National Database — establishment(b)(c)	-	-	2.2	-	-
<i>Australian Federal Police</i>					
Australian Federal Police Unified Operational Communications — Phase Two(b)	-	-	-	-	-
<i>Australian Transaction Reports and Analysis Centre</i>					
Strengthening Australia's Defences Against Money Laundering and Terrorism Financing(b)(c)	-	1.6	6.7	3.6	3.1
<i>Department of Home Affairs</i>					
Emerging International Airports(b)(c)	-	7.0	-	-	-
Pacific Labour Scheme(b)(c)	-	0.8	-	-	-
Seasonal Worker Programme — improving take-up and streamlining administration(b)(c)	-	0.3	-	-	-
Portfolio total	-	14.4	-12.3	-3.6	-3.1
INDUSTRY, INNOVATION AND SCIENCE					
<i>Department of Industry, Innovation and Science</i>					
Australian Domestic Gas Security Mechanism — implementation(b)	-	0.4	0.1	-	-
National Business Simplification Initiative — modernising business registers(b)	-	..	-	-	-
Portfolio total	-	0.4	0.1	-	-

Table 3: Capital measures since the 2017-18 Budget^(a) (continued)

	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
PRIME MINISTER AND CABINET					
<i>Office of National Assessments</i>					
National Security — 2017 Independent Intelligence Review — implementation(b)	-	11.7	-	-	-
Portfolio total	-	11.7	-	-	-
SOCIAL SERVICES					
<i>Department of Human Services</i>					
Treatment Support Services for the Drug Testing Trial(b)	-	3.5	-	-	-
Welfare Payment Infrastructure Transformation — update to Tranche Two(b)	-	11.2	-9.7	-2.0	-
<i>Department of Social Services</i>					
National Disability Insurance Scheme Quality and Safeguards Commission — national worker screening database(b)(c)	-	-	6.5	-	-
Portfolio total	-	14.7	-3.2	-2.0	-
TREASURY					
<i>Australian Securities and Investments Commission</i>					
Taking Action Now — professional standards reform(b)	-	-	-	-	-
<i>Australian Taxation Office</i>					
Higher Education Reforms — revised implementation(b)(c)	-	-	0.1	0.1	-
Superannuation Guarantee Integrity Package — modernising payroll and superannuation fund reporting(b)(c)	-	-	10.3	-	-
Taking Action Now — professional standards reform	-	-	-	-	-
VET Student Loans — separation from the Higher Education Loan Program(b)	-	0.4	0.4	-	-
Portfolio total	-	0.4	10.9	0.1	-
VETERANS' AFFAIRS					
<i>Department of Veterans' Affairs</i>					
Support for Veterans' Mental Health — additional funding(b)(c)	-	2.5	0.8	-	-
Portfolio total	-	2.5	0.8	-	-
Decisions taken but not yet announced(d)	-	9.3	22.3	-28.0	15.1
Depreciation Expense		-0.2	-5.4	-5.5	-5.5
Total impact of capital measures(e)	-	70.5	71.7	-29.1	12.8

* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

(a) A minus sign before an estimate indicates a reduction in capital, no sign before an estimate indicates increased capital.

(b) These measures can also be found in the expense measures summary table.

(c) These measures can also be found in the revenue measures summary table.

(d) Includes the impact of measures that are not for publication (nfp).

(e) Measures may not add due to rounding.

ENVIRONMENT AND ENERGY

Bureau of Meteorology — sale of residential properties

Capital (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Bureau of Meteorology	-	nfp	nfp	nfp	nfp
<i>Related expense (\$m)</i>					
<i>Bureau of Meteorology</i>	-	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>

The Government will generate revenue over four years from 2017-18 by selling excess Bureau of Meteorology residential properties.

The overall positive financial impact of this measure is not for publication (nfp) due to commercial-in-confidence considerations.

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

FINANCE

Cox Peninsula — remediation of Wagait Shire Tip

Capital (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Finance	-	5.4	8.1	-	-
<i>Related expense (\$m)</i>					
<i>Department of Finance</i>	-	-5.4	-8.1	-	-

The Government will provide \$13.5 million over two years from 2017-18 to remediate contamination at the former Wagait Shire Tip on Commonwealth land in the Cox Peninsula, the Northern Territory, in cooperation with the Northern Territory Government.

Remediation of the Tip will facilitate the settlement of the Kenbi land claim at the Cox Peninsula.

Provision for this funding has already been included in the forward estimates.

Parliamentary Expenses Management System

Capital (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Finance	-	5.3	22.9	2.3	-
<i>Related expense (\$m)</i>					
<i>Independent Parliamentary Expenses Authority</i>	-	-	-	0.1	-1.3
<i>Department of Finance</i>	-	-5.1	-22.1	0.2	-0.3
<i>Total — Expense</i>	-	-5.1	-22.1	0.3	-1.6

The Government will provide \$38.1 million over four years from 2017-18 (including \$30.5 million in capital funding) to establish an integrated ICT solution to manage and report the expenses of current and former parliamentarians and their staff, support human resources administration and to replace the current COMCAR management system with a commercial, off-the-shelf, cloud-based solution. This measure implements a key finding of the independent review, *An Independent Parliamentary Entitlements System*, which recommended the urgent development of a fit-for-purpose, integrated online work expenses system.

The cost of this measure will be partially offset by operating savings from the Department of Finance and the Independent Parliamentary Expenses Authority, and by a provision for funding that has already been included in the forward estimates.

HOME AFFAIRS

Australian Federal Police Unified Operational Communications — Phase Two

Capital (\$m)	2016-17	2017-18	2018-19	2019-20	2020-21
Australian Federal Police	-	-	-	-	-
<i>Related expense (\$m)</i>					
Australian Federal Police	-	-	-	-	-

The Government will provide \$44.0 million over three years from 2017-18 (including \$37.6 million in capital funding) for the second phase of the Australian Federal Police's (AFP) new Unified Operational Communications system. The new system will upgrade the AFP's existing radio capabilities.

The cost of this measure will be met from within the existing resources of the AFP.

APPENDIX B: AUSTRALIAN GOVERNMENT BUDGET FINANCIAL STATEMENTS

Consistent with the *Charter of Budget Honesty Act 1998* (the Charter), the Government has produced a single set of financial statements for the Australian Government general government sector (GGS), the public non-financial corporations (PNFC) sector, the total non-financial public sector (NFPS) and the public financial corporations (PFC) sector. The financial statements comply with both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), with departures disclosed. These statements are:

- an operating statement, including other economic flows, which shows the net operating balance and net lending/borrowing (fiscal balance);
- a balance sheet, which also shows net worth, net financial worth, net financial liabilities and net debt; and
- a cash flow statement, which includes the calculation of the underlying cash balance.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS.

The statements reflect the policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

The Australian, State and Territory governments have an agreed framework – the Uniform Presentation Framework (UPF) – for the presentation of government financial information on a basis broadly consistent with the Australian Accounting Standards Board standard AASB 1049. The financial statements are consistent with the requirements of the UPF.

In accordance with the UPF requirements, this appendix also contains an update of the Australian Loan Council Allocation.

AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

Table B1: Australian Government general government sector operating statement

	Note	Estimates		Projections	
		2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Revenue					
Taxation revenue	3	421,508	443,137	473,429	502,395
Sales of goods and services	4	10,491	13,980	14,838	15,124
Interest income	5	3,580	4,463	5,432	6,004
Dividend income	5	3,112	3,935	4,325	4,745
Other	6	10,012	10,073	9,787	9,951
Total revenue		448,702	475,588	507,811	538,220
Expenses					
Gross operating expenses					
Wages and salaries(a)	7	20,083	20,151	20,385	20,595
Superannuation	7	7,748	4,817	4,877	4,909
Depreciation and amortisation	8	9,507	9,063	8,938	9,437
Supply of goods and services	9	104,308	116,347	123,092	127,945
Other operating expenses(a)	7	5,832	5,673	5,737	5,892
<i>Total gross operating expenses</i>		<i>147,478</i>	<i>156,052</i>	<i>163,028</i>	<i>168,778</i>
Superannuation interest expense	7	9,240	10,761	11,133	11,502
Interest expenses	10	18,027	19,304	20,166	19,520
Current transfers					
Current grants	11	140,142	147,954	149,667	154,543
Subsidy expenses		11,869	12,503	13,126	13,744
Personal benefits	12	128,483	128,479	135,514	142,407
<i>Total current transfers</i>		<i>280,495</i>	<i>288,935</i>	<i>298,306</i>	<i>310,693</i>
Capital transfers					
Mutually agreed write-downs		1,913	1,395	1,486	1,578
Other capital grants		9,784	9,065	6,907	5,246
<i>Total capital transfers</i>		<i>11,697</i>	<i>10,460</i>	<i>8,393</i>	<i>6,824</i>
Total expenses		466,937	485,512	501,026	517,318
Net operating balance		-18,235	-9,924	6,785	20,902
Other economic flows – included in operating result					
Net write-downs of assets					
(including bad and doubtful debts)		-7,852	-8,274	-8,350	-8,321
Assets recognised for the first time		204	213	221	229
Actuarial revaluations		8	7	-8	-9
Net foreign exchange gains		-64	-4	206	253
Net swap interest received		250	0	0	0
Market valuation of debt		-1,303	2,272	1,984	1,547
Other gains/(losses)		7,443	3,419	3,520	3,975
Total other economic flows – included in operating result		-1,314	-2,366	-2,426	-2,327
Operating Result(b)		-19,549	-12,290	4,359	18,575

Table B1: Australian Government general government sector operating statement (continued)

	Note	Estimates		Projections	
		2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Non-owner movements in equity					
Revaluation of equity investments		-6,231	0	0	0
Actuarial revaluations		-2,274	1	0	-7
Other economic revaluations		-302	-354	-371	-393
Total other economic flows - included in equity		-8,807	-353	-372	-399
Comprehensive result - Total change in net worth		-28,355	-12,644	3,987	18,176
Net operating balance		-18,235	-9,924	6,785	20,902
Net acquisition of non-financial assets					
Purchases of non-financial assets		12,993	13,952	14,502	15,558
<i>less</i> Sales of non-financial assets		3,699	263	433	83
<i>less</i> Depreciation		9,507	9,063	8,938	9,437
<i>plus</i> Change in inventories		405	197	132	56
<i>plus</i> Other movements in non-financial assets		1	1	-2	0
Total net acquisition of non-financial assets		193	4,823	5,261	6,094
Fiscal balance (Net lending/borrowing)(c)		-18,428	-14,747	1,524	14,808

(a) Consistent with the ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) Operating result under AAS.

(c) The term fiscal balance is not used by the ABS.

Table B2: Australian Government general government sector balance sheet

	Note	Estimates		Projections	
		2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Assets					
Financial assets					
Cash and deposits		4,400	4,417	5,172	5,161
Advances paid(a)	13	63,049	77,431	86,561	73,306
Investments, loans and placements	14	186,430	184,487	194,659	203,991
Other receivables	13	53,945	56,791	58,800	61,294
Equity investments(a)					
Investments in other public sector entities		46,725	48,664	51,205	54,712
Equity accounted investments		200	287	313	315
Investments - shares		42,546	47,014	51,983	55,589
<i>Total financial assets</i>		<i>397,295</i>	<i>419,092</i>	<i>448,693</i>	<i>454,368</i>
Non-financial assets					
Land	15	10,882	10,807	10,533	10,569
Buildings		26,280	27,417	28,833	30,567
Plant, equipment and infrastructure		74,670	77,132	80,642	84,577
Inventories		8,538	8,316	8,034	7,679
Intangibles		8,381	9,167	9,337	9,364
Investment properties		113	113	113	113
Biological assets		54	54	54	54
Heritage and cultural assets		11,601	11,570	11,538	11,489
Assets held for sale		86	86	86	86
Other non-financial assets		61	62	60	60
<i>Total non-financial assets</i>		<i>140,666</i>	<i>144,726</i>	<i>149,231</i>	<i>154,559</i>
Total assets		537,962	563,818	597,923	608,927
Liabilities					
Interest bearing liabilities					
Deposits held		218	218	218	218
Government securities		580,340	612,350	634,375	620,507
Loans	16	15,518	15,405	15,455	15,566
Other borrowing		1,582	1,540	1,494	1,445
<i>Total interest bearing liabilities</i>		<i>597,658</i>	<i>629,513</i>	<i>651,542</i>	<i>637,736</i>

Table B2: Australian Government general government sector balance sheet (continued)

	Note	Estimates		Projections	
		2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Provisions and payables					
Superannuation liability	17	181,257	187,638	194,015	200,359
Other employee liabilities	17	18,600	19,017	19,475	19,907
Suppliers payables	18	8,015	8,089	8,187	8,309
Personal benefits payables	18	2,993	3,091	3,460	3,265
Subsidies payables	18	554	555	560	546
Grants payables	18	3,350	3,144	3,967	3,577
Other payables	18	2,183	2,185	2,221	2,252
Provisions	18	34,012	33,889	33,812	34,116
<i>Total provisions and payables</i>		<i>250,964</i>	<i>257,608</i>	<i>265,698</i>	<i>272,332</i>
Total liabilities		848,622	887,121	917,240	910,068
Net worth(b)		-310,660	-323,304	-319,316	-301,141
<i>Net financial worth(c)</i>		<i>-451,326</i>	<i>-468,030</i>	<i>-468,547</i>	<i>-455,700</i>
<i>Net financial liabilities(d)</i>		<i>498,052</i>	<i>516,693</i>	<i>519,752</i>	<i>510,411</i>
<i>Net debt(e)</i>		<i>343,778</i>	<i>363,177</i>	<i>365,150</i>	<i>355,277</i>

(a) Due to the implementation of the 2015 ABS GFS Manual, Australia' subscriptions to the International Development Association and the Asian Development Fund were reclassified in the 2017-18 Budget from nominal value 'advances paid' to fair value 'equity investments' on the balance sheet.

(b) Net worth is calculated as total assets minus total liabilities.

(c) Net financial worth equals total financial assets minus total liabilities.

(d) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.

(e) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table B3: Australian Government general government sector cash flow statement^(a)

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Cash receipts from operating activities				
Taxes received(b)	409,350	432,324	462,669	491,505
Receipts from sales of goods and services(b)	10,609	14,091	14,930	15,230
Interest receipts	3,249	4,051	4,893	5,342
Dividends and income tax equivalents	4,174	3,407	4,105	4,542
Other receipts	8,305	8,522	8,783	8,908
Total operating receipts	435,686	462,395	495,381	525,526
Cash payments for operating activities				
Payments for employees	-28,917	-29,342	-29,968	-30,665
Payments for goods and services	-101,030	-113,790	-121,090	-126,066
Grants and subsidies paid	-162,144	-169,329	-168,800	-172,966
Interest paid	-16,623	-17,263	-17,790	-19,837
Personal benefit payments	-130,231	-131,021	-137,228	-144,614
Other payments	-5,498	-5,312	-5,364	-5,407
Total operating payments	-444,443	-466,057	-480,239	-499,554
Net cash flows from operating activities	-8,757	-3,662	15,141	25,972
Cash flows from investments in non-financial assets				
Sales of non-financial assets	1,389	695	865	83
Purchases of non-financial assets	-13,163	-14,022	-14,784	-15,892
Net cash flows from investments in non-financial assets	-11,774	-13,327	-13,918	-15,809
Net cash flows from investments in financial assets for policy purposes	-19,042	-19,245	-14,430	7,248
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	8,165	3,365	-8,691	-5,865
Net cash flows from investments in financial assets for liquidity purposes	8,165	3,365	-8,691	-5,865
Cash receipts from financing activities				
Borrowing	119,603	148,578	143,005	123,109
Other financing	1,692	0	0	0
Total cash receipts from financing activities	121,296	148,578	143,006	123,109
Cash payments for financing activities				
Borrowing	-85,858	-112,807	-117,497	-131,414
Other financing	-4,769	-2,885	-2,856	-3,252
Total cash payments for financing activities	-90,626	-115,692	-120,353	-134,666
Net cash flows from financing activities	30,669	32,886	22,653	-11,557
Net increase/(decrease) in cash held	-739	17	755	-11

Table B3: Australian Government general government sector cash flow statement (continued)^(a)

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
GFS cash surplus(+)/deficit(-)(c)(d)	-20,531	-16,989	1,223	10,163
<i>less</i> Finance leases and similar arrangements(c)(e)	0	0	0	0
<i>less</i> Net Future Fund earnings(f)	3,076	3,503	3,861	na
Equals underlying cash balance(g)	-23,608	-20,493	-2,638	10,163
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-19,042	-19,245	-14,430	7,248
<i>plus</i> Net Future Fund earnings(f)	3,076	3,503	3,861	na
Equals headline cash balance	-39,573	-36,235	-13,206	17,412
<i>Memorandum:</i>				
<i>Net Future Fund earnings(f)</i>	<i>3,076</i>	<i>3,503</i>	<i>3,861</i>	<i>4,115</i>

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation receipts to taxation receipts and financial institutions supervisory levies were reclassified from taxation receipts to non-taxation receipts.

(c) Due to the implementation of the 2015 ABS GFS Manual, from the 2017-18 Budget, finance leases are no longer deducted in the derivation of the GFS cash surplus/deficit.

(d) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.

(e) The acquisition of assets under finance leases worsens the underlying cash balance. The disposal of assets previously held under finance leases improves the underlying cash balance.

(f) Under the *Future Fund Act 2006*, net Future Fund earnings will be available to meet the Government superannuation liability in 2020-21. From this time, the underlying cash balance includes expected net Future Fund earnings.

(g) The term underlying cash balance is not used by the ABS.

Table B4: Australian Government public non-financial corporations sector operating statement

	Estimates
	2017-18 \$m
Revenue	
Current grants and subsidies	142
Sales of goods and services	11,533
Interest income	26
Other	18
Total revenue	11,718
Expenses	
Gross operating expenses	
Wages and salaries(a)	4,504
Superannuation	384
Depreciation and amortisation	2,974
Supply of goods and services	8,388
Other operating expenses(a)	474
<i>Total gross operating expenses</i>	<i>16,725</i>
Interest expenses	764
Other property expenses	163
Current transfers	
Tax expenses	41
<i>Total current transfers</i>	<i>41</i>
Total expenses	17,694
Net operating balance	-5,975
Other economic flows	77
Comprehensive result - Total change in net worth excluding contribution from owners	-5,899
Net acquisition of non-financial assets	
Purchases of non-financial assets	10,433
<i>less</i> Sales of non-financial assets	308
<i>less</i> Depreciation	2,974
<i>plus</i> Change in inventories	7
<i>plus</i> Other movements in non-financial assets	306
Total net acquisition of non-financial assets	7,464
Fiscal balance (Net lending/borrowing)(b)	-13,439

(a) Consistent with the ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.

Table B5: Australian Government public non-financial corporations sector balance sheet

	Estimates
	2017-18
	\$m
Assets	
Financial assets	
Cash and deposits	2,397
Investments, loans and placements	623
Other receivables	2,187
Equity investments	409
<i>Total financial assets</i>	5,616
Non-financial assets	
Land and other fixed assets(a)	38,292
Other non-financial assets(a)(b)	3,420
<i>Total non-financial assets</i>	41,712
Total assets	47,328
Liabilities	
Interest bearing liabilities	
Deposits held	6
Advances received	310
Loans	10,885
Other borrowing	7,942
<i>Total interest bearing liabilities</i>	19,142
Provisions and payables	
Superannuation liability	19
Other employee liabilities	1,645
Other payables	5,212
Other provisions(b)	398
<i>Total provisions and payables</i>	7,274
Total liabilities	26,416
Shares and other contributed capital	20,912
Net worth(c)	20,912
<i>Net financial worth(d)</i>	-20,800
<i>Net debt(e)</i>	16,122

(a) In the 2017-18 Budget, the estimate for intangible produced assets was reclassified from land and other fixed assets to other non-financial assets to provide consistency across sectors.

(b) Excludes the impact of commercial taxation adjustments.

(c) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(d) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(e) Net debt equals the sum of interest bearing liabilities (deposits held, advances received, loans and other borrowing), minus the sum of cash and deposits and investments, loans and placements.

Table B6: Australian Government public non-financial corporations sector cash flow statement^(a)

	Estimates
	2017-18 \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	12,342
Grants and subsidies received	103
GST input credit receipts	904
Other receipts	38
Total operating receipts	13,388
Cash payments for operating activities	
Payments to employees(b)	-4,313
Payment for goods and services	-8,479
Interest paid	-719
GST payments to taxation authority	-117
Other payments(b)	-1,365
Total operating payments	-14,994
Net cash flows from operating activities	-1,606
Cash flows from investments in non-financial assets	
Sales of non-financial assets	308
Purchases of non-financial assets	-9,782
Net cash flows from investments in non-financial assets	-9,474
Net cash flows from investments in financial assets for policy purposes	-7
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	32
Net cash flows from investments in financial assets for liquidity purposes	32
Net cash flows from financing activities	
Borrowing (net)	8,816
Other financing (net)	2,617
Distributions paid (net)	-165
Net cash flows from financing activities	11,268
Net increase/(decrease) in cash held	213
Cash at the beginning of the year	2,184
Cash at the end of the year	2,397
Net cash from operating activities and investments in non-financial assets	-11,080
Distributions paid	-165
GFS cash surplus(+)/deficit(-)(c)	-11,245

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) Other employee related payments are reported under other payments consistent with the treatment in the general government sector.

(c) Due to the implementation of the 2015 ABS GFS Manual, from the 2017-18 Budget, finance leases are no longer deducted in the derivation of the GFS cash surplus/deficit.

Table B7: Australian Government total non-financial public sector operating statement

	Estimates
	2017-18 \$m
Revenue	
Taxation revenue	421,467
Sales of goods and services	21,028
Interest income	3,498
Dividend income	2,948
Other	10,146
Total revenue	459,087
Expenses	
Gross operating expenses	
Wages and salaries(a)	24,587
Superannuation	8,117
Depreciation and amortisation	12,481
Supply of goods and services	111,697
Other operating expenses(a)	6,309
<i>Total gross operating expenses</i>	<i>163,191</i>
Superannuation interest expense	9,240
Interest expenses	18,684
Current transfers	
Current grants	140,142
Subsidy expenses	11,863
Personal benefits	128,483
<i>Total current transfers</i>	<i>280,489</i>
Capital transfers	11,694
Total expenses	483,297
Net operating balance	-24,210
Other economic flows	-4,012
Comprehensive result - Total change in net worth	-28,222
Net acquisition of non-financial assets	
Purchases of non-financial assets	23,426
<i>less</i> Sales of non-financial assets	<i>4,007</i>
<i>less</i> Depreciation	<i>12,481</i>
<i>plus</i> Change in inventories	<i>412</i>
<i>plus</i> Other movements in non-financial assets	<i>307</i>
Total net acquisition of non-financial assets	7,657
Fiscal balance (Net lending/borrowing)(b)	-31,867

(a) Consistent with the ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.

Table B8: Australian Government total non-financial public sector balance sheet

	Estimates	
	2017-18	
	\$m	
Assets		
Financial assets		
Cash and deposits	6,798	
Advances paid	53,896	
Investments, loans and placements	187,037	
Other receivables	55,756	
Equity investments	68,787	
<i>Total financial assets</i>	<i>372,275</i>	
Non-financial assets		
Land and fixed assets	170,263	
Other non-financial assets	12,103	
<i>Total non-financial assets</i>	<i>182,366</i>	
Total assets	554,640	
Liabilities		
Interest bearing liabilities		
Deposits held	224	
Advances received	0	
Government securities	580,340	
Loans	17,543	
Other borrowing	9,524	
<i>Total interest bearing liabilities</i>	<i>607,631</i>	
Provisions and payables		
Superannuation liability	181,276	
Other employee liabilities	20,245	
Other payables	21,942	
Other provisions	34,387	
<i>Total provisions and payables</i>	<i>257,850</i>	
Total liabilities	865,481	
Net worth(a)	-310,841	
<i>Net financial worth(b)</i>	<i>-493,207</i>	
<i>Net debt(c)</i>	<i>359,900</i>	

(a) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(b) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(c) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table B9: Australian Government total non-financial public sector cash flow statement^(a)

	Estimates	
	2017-18	
	\$m	
Cash receipts from operating activities		
Taxes received		409,153
Receipts from sales of goods and services		21,907
Interest receipts		3,172
Dividends and income tax equivalents		4,009
Other receipts		9,327
Total operating receipts		447,568
Cash payments for operating activities		
Payments to employees		-33,230
Payments for goods and services		-108,413
Grants and subsidies paid		-162,138
Interest paid		-17,236
Personal benefit payments		-130,231
Other payments		-6,847
Total operating payments		-458,095
Net cash flows from operating activities		-10,528
Cash flows from investments in non-financial assets		
Sales of non-financial assets		1,697
Purchases of non-financial assets		-22,945
Net cash flows from investments in non-financial assets		-21,248
Net cash flows from investments in financial assets for policy purposes		-6,961
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments		8,197
Net cash flows from investments in financial assets for liquidity purposes		8,197
Net cash flows from financing activities		
Borrowing (net)		33,686
Other financing (net)		-3,691
Net cash flows from financing activities		29,996
Net increase/(decrease) in cash held		-544
Cash at the beginning of the year		7,342
Cash at the end of the year		6,798
Net cash from operating activities and investments in non-financial assets		-31,776
Distributions paid		0
GFS cash surplus(+)/deficit(-)(b)		-31,776

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) Due to the implementation of the 2015 ABS GFS Manual, from the 2017-18 Budget, finance leases are no longer deducted in the derivation of the GFS cash surplus/deficit.

Table B10: Australia Government public financial corporations sector operating statement

	Estimates	
	2017-18	\$m
Revenue		
Current grants and subsidies		149
Sales of goods and services		697
Interest income		1,872
Other		43
Total revenue		2,762
Expenses		
Gross operating expenses		
Wages and salaries(a)		163
Superannuation		62
Depreciation and amortisation		57
Supply of goods and services		472
Other operating expenses(a)		205
<i>Total gross operating expenses</i>		<i>960</i>
Interest expenses		1,124
Other property expenses		398
Current transfers		
Tax expenses		0
<i>Total current transfers</i>		<i>0</i>
Total expenses		2,482
Net operating balance		279
Other economic flows		-2,978
Comprehensive result - Total change in net worth excluding contribution from owners		-2,699
Net acquisition of non-financial assets		
Purchases of non-financial assets		1
<i>less</i> Sales of non-financial assets		<i>0</i>
<i>less</i> Depreciation		<i>57</i>
<i>plus</i> Change in inventories		<i>-19</i>
<i>plus</i> Other movements in non-financial assets		<i>0</i>
Total net acquisition of non-financial assets		-75
Fiscal balance (Net lending/borrowing)(b)		355

(a) Consistent with the ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.

Table B11: Australian Government public financial corporations sector balance sheet^(a)

	Estimates	
	2017-18	\$m
Assets		
Financial assets		
Cash and deposits		694
Investments, loans and placements		163,062
Other receivables		120
Equity investments		447
<i>Total financial assets</i>		<i>164,324</i>
Non-financial assets		
Land and other fixed assets(b)		844
Other non-financial assets(b)(c)		85
<i>Total non-financial assets</i>		<i>929</i>
Total assets		165,253
Liabilities		
Interest bearing liabilities		
Deposits held		132,220
Borrowing		7,876
<i>Total interest bearing liabilities</i>		<i>140,096</i>
Provisions and payables		
Superannuation liability		265
Other employee liabilities		1,495
Other payables		751
Other provisions(c)		1
<i>Total provisions and payables</i>		<i>2,512</i>
Total liabilities		142,608
Shares and other contributed capital		22,645
Net worth(d)		22,645
<i>Net financial worth(e)</i>		<i>21,716</i>
<i>Net debt(f)</i>		<i>-23,661</i>

(a) Assumes no valuation or currency movement.

(b) In the 2017-18 Budget, the estimate of intangible produced assets was reclassified from land and other fixed assets to other non-financial assets to provide consistency across sectors.

(c) Excludes the impact of commercial taxation adjustments.

(d) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(e) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(f) Net debt equals the sum of deposits held and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table B12: Australian Government public financial corporations sector cash flow statement^(a)

	Estimates
	2017-18 \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	716
Grants and subsidies received	149
GST input credit receipts	4
Interest receipts	1,873
Other receipts	43
Total operating receipts	2,785
Cash payments for operating activities	
Payments to employees(b)	-170
Payment for goods and services	-485
Interest paid	-1,105
GST payments to taxation authority	0
Other payments(b)	-270
Total operating payments	-2,031
Net cash flows from operating activities	754
Cash flows from investments in non-financial assets	
Sales of non-financial assets	0
Purchases of non-financial assets	-57
Net cash flows from investments in non-financial assets	-57
Net cash flows from investments in financial assets for policy purposes	-102
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	35,993
Net cash flows from investments in financial assets for liquidity purposes	35,993
Net cash flows from financing activities	
Borrowing (net)	-35,331
Deposits received (net)	0
Other financing (net)	44
Distributions paid (net)	-1,129
Net cash flows from financing activities	-36,416
Net increase/(decrease) in cash held	173
Cash at the beginning of the year	520
Cash at the end of the year	694
Net cash from operating activities and investments in non-financial assets	698
Distributions paid	-1,129
GFS cash surplus(+)/deficit(-)(c)	-432

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) Other employee related payments are reported under other payments consistent with the treatment in the general government sector.

(c) Due to the implementation of the 2015 ABS GFS Manual, from the 2017-18 Budget, finance leases are no longer deducted in the derivation of the GFS cash surplus/deficit.

NOTES TO THE GENERAL GOVERNMENT SECTOR FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the Mid-Year Economic and Fiscal Outlook (MYEFO) be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for MYEFO reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework;¹ and
- the Australian Accounting Standards (AAS), issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards (IFRS) as adopted in Australia and the public sector specific standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS, except for departures disclosed at Note 2. A more detailed description of the AAS and ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Attachment A. Detailed accounting policies, as well as a set of notes and other disclosures, as required by AAS, are disclosed in the annual Consolidated Financial Statements.

Fiscal reporting focuses on the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, user charging and external funding. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated.

1 From 1 July 2017, the 2015 ABS GFS Manual replaced the 2005 ABS GFS Manual. The 2015 ABS GFS Manual was updated to incorporate the changes included by the International Monetary Fund outlined in its IMF GFS Manual 2014.

The Government's key fiscal aggregates are based on ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and the derivation of the underlying cash balance and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including the net operating balance, net lending/borrowing (fiscal balance) and net worth. In addition to these ABS GFS aggregates, the Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

AASB 1049 and the UPF also provide a basis for reporting of the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors and the total non-financial public sector (NFPS).

Explanations of major variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the 2017-18 Budget are disclosed in Part 3, with decisions taken since the 2017-18 Budget disclosed in Appendix A.

Updates to fiscal risks and contingent liabilities since the 2017-18 Budget are disclosed in Appendix C.

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The major differences between AAS and the ABS GFS treatments of transactions are outlined in Table B13.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to ABS GFS measurement of key fiscal aggregates, where different, in notes to the financial statements. Differences from the AAS measurement of items outlined above and reconciliation have not been included as they would effectively create different measures of the same aggregate.

Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0).

Table B13: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment ²	Treatment adopted
Circulating coins — seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Valuation changes in assets and liabilities	Most changes in the valuation are treated as an expense.	Changes in valuation due to changes in market conditions or unilateral decisions are treated as an other economic flow.	ABS GFS
Concessional loans	Concessional elements are treated as an expense.	Concessional elements are treated as an other economic flow.	AAS
Investment in other public sector entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is permissible.	Unlisted entities valued based on their net assets in the balance sheet.	AAS
Provision for restoration, decommissioning and make-good	Capitalised when the asset is acquired.	Capitalised when make-good activity takes place.	AAS
Renewable Energy Certificates (RECs)	The issuance and registration of RECs is considered to be an administrative function and does not result in the recognition of assets or liabilities and, consequently, no revenues or expenses are recognised.	The issuance and registration of RECs is considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.	AAS
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS
Dividends paid by the Reserve Bank of Australia	Dividends are recognised in the year profit was earned.	Dividends are recognised when the Treasurer makes a determination.	AAS
Interest expense measurement	Interest expense will be recorded on a contractual (debtor) rate basis.	Interest expense will be recorded on a market (creditor) rate basis.	AAS
National Disability Insurance Scheme (NDIS) revenue	Funding contributions by the state and territory governments to NDIS are treated as sales of goods and services revenue. In-kind disability services provided by the States and Territory Governments are treated as other revenue.	Funding contributions by the state and territory governments to NDIS are treated as grants revenue. In-kind disability services provided by the States and Territory Governments are treated as sales of goods and services revenue.	AAS

2 From 1 July 2017, the 2015 ABS GFS Manual replaced the 2005 ABS GFS Manual. The 2015 ABS GFS Manual was updated to incorporate the changes included by the International Monetary Fund outlined in its IMF GFS Manual 2014.

Table B13: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS
Fiscal aggregate differences			
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Net financial worth of PNFC and PFC sectors	Calculated as financial assets less total liabilities.	Calculated as financial assets less total liabilities less shares and contributed capital.	AAS
Classification differences			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS
Spectrum sales	Recognise non-financial asset sales for fiscal balance when payment is made and the licences take effect, which may be after the auction of licences, as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sales for fiscal balance at time of auction as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.	AAS

Note 3: Taxation revenue by type

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Individuals and other withholding taxes				
Gross income tax withholding	190,600	200,900	216,400	231,000
Gross other individuals	47,800	49,700	53,800	58,000
less Refunds	29,200	30,900	32,500	33,500
Total individuals and other withholding taxation	209,200	219,700	237,700	255,500
Fringe benefits tax	4,080	4,290	4,580	4,830
Company tax	83,800	88,800	94,100	96,900
Superannuation fund taxes	10,570	10,260	11,220	12,320
Petroleum resource rent tax	1,030	1,110	1,110	1,110
Income taxation revenue	308,680	324,160	348,710	370,660
Goods and services tax	65,560	68,550	71,360	75,300
Wine equalisation tax	920	1,000	1,070	1,110
Luxury car tax	680	700	750	790
Excise and Custom duty				
Petrol	6,200	6,260	6,540	6,850
Diesel	10,880	11,240	11,790	12,440
Other fuel products	1,920	1,930	2,000	2,060
Tobacco	11,530	12,570	13,700	14,940
Beer	2,360	2,410	2,440	2,560
Spirits	2,070	2,150	2,220	2,310
Other alcoholic beverages(a)	950	980	1,030	1,040
Other customs duty				
Textiles, clothing and footwear	180	180	180	190
Passenger motor vehicles	500	500	500	550
Other imports	980	980	1,010	1,070
less Refunds and drawbacks	420	420	420	420
Total excise and customs duty	37,150	38,780	40,990	43,590
Major bank levy	1,600	1,700	1,800	1,900
Agricultural levies	533	536	547	557
Other taxes(b)	6,385	7,711	8,202	8,488
Mirror taxes	561	587	617	649
less Transfers to States in relation to mirror tax revenue	561	587	617	649
Mirror tax revenue	0	0	0	0
Indirect taxation revenue	112,828	118,977	124,719	131,735
Taxation revenue	421,508	443,137	473,429	502,395

Note 3: Taxation revenue by type (continued)

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<i>Memorandum:</i>				
<i>Total excise</i>	22,350	22,890	23,880	25,020
<i>Total customs duty</i>	14,800	15,890	17,110	18,570
<i>Capital gains tax(c)</i>	16,100	17,500	18,900	20,400

- (a) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
- (b) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation revenue to taxation revenue and financial institutions supervisory levies were reclassified from taxation revenue to non-taxation revenue. See also Note 3(a), Taxation revenue by source and Note 4, Sales of goods and services revenue.
- (c) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

Note 3(a): Taxation revenue by source

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Taxes on income, profits and capital gains				
Income and capital gains levied on individuals	213,280	223,990	242,280	260,330
Income and capital gains levied on enterprises	95,400	100,170	106,430	110,330
Total taxes on income, profits and capital gains	308,680	324,160	348,710	370,660
Taxes on employers' payroll and labour force	800	841	852	885
Taxes on the provision of goods and services				
Sales/goods and services tax	67,160	70,250	73,180	77,200
Excises and levies	22,883	23,426	24,427	25,577
Taxes on international trade	14,800	15,890	17,110	18,570
Total taxes on the provision of goods and services	104,843	109,566	114,717	121,347
Taxes on the use of goods and performance of activities(a)	7,185	8,570	9,150	9,503
Total taxation revenue	421,508	443,137	473,429	502,395

(a) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation revenue to taxation revenue and financial institutions supervisory levies were reclassified from taxation revenue to non-taxation revenue. See also Note 3, Taxation revenue by type and Note 4, Sales of goods and services revenue.

Note 4: Sales of goods and services revenue

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Sales of goods	1,478	1,683	1,755	1,688
Rendering of services	6,849	10,157	10,980	11,309
Operating lease rental	196	202	204	207
Fees from regulatory services(a)	1,968	1,938	1,899	1,920
Total sales of goods and services revenue	10,491	13,980	14,838	15,124

(a) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation revenue to taxation revenue and financial institutions supervisory levies were reclassified from taxation revenue to non-taxation revenue. See also Note 3, Taxation revenue by type and Note 3(a), Taxation revenue by source.

Note 5: Interest and dividend revenue

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Interest from other governments				
State and Territory debt	58	65	78	93
Housing agreements	103	98	93	88
Total interest from other governments	161	163	171	181
Interest from other sources				
Advances	208	265	294	348
Deposits(a)	705	681	681	681
Indexation of HELP receivable and other student loans	753	893	1,232	1,354
Other	1,754	2,460	3,054	3,440
Total interest from other sources	3,419	4,300	5,261	5,823
Total interest	3,580	4,463	5,432	6,004
Dividends				
Dividends from other public sector entities	596	1,054	1,316	1,539
Other dividends	2,515	2,881	3,009	3,206
Total dividends	3,112	3,935	4,325	4,745
Total interest and dividend revenue	6,692	8,397	9,757	10,749

(a) Due to the implementation of the new Commonwealth Government reporting system, 'bank deposits' and 'deposits' are amalgamated and reported as 'deposits' from the 2016-17 FBO.

Note 6: Other sources of non-taxation revenue

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Industry contributions	158	176	174	172
Royalties	923	813	802	794
Seigniorage	86	81	75	70
Other	8,845	9,003	8,736	8,916
Total other sources of non-taxation revenue	10,012	10,073	9,787	9,951

Note 7: Employee and superannuation expense

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Wages and salaries expenses	20,083	20,151	20,385	20,595
Other operating expenses				
Leave and other entitlements	2,286	2,212	2,175	2,196
Separations and redundancies	81	61	61	59
Workers compensation premiums and claims	1,157	1,086	1,101	1,139
Other	2,308	2,313	2,400	2,499
Total other operating expenses	5,832	5,673	5,737	5,892
Superannuation expenses				
Superannuation	7,748	4,817	4,877	4,909
Superannuation interest cost	9,240	10,761	11,133	11,502
Total superannuation expenses	16,988	15,578	16,009	16,411
Total employee and superannuation expense	42,903	41,402	42,131	42,898

Note 8: Depreciation and amortisation expense

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Depreciation				
Specialist military equipment	5,554	5,113	5,033	5,535
Buildings	1,361	1,356	1,335	1,321
Other infrastructure, plant and equipment	1,512	1,517	1,516	1,539
Heritage and cultural assets	85	84	85	85
Total depreciation	8,512	8,071	7,969	8,480
Total amortisation	995	993	970	957
Total depreciation and amortisation expense	9,507	9,063	8,938	9,437

Note 9: Supply of goods and services expense

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Supply of goods and services	31,497	30,731	30,162	30,927
Operating lease rental expenses	2,507	2,590	2,555	2,551
Personal benefits – indirect(a)(b)	62,846	75,656	83,111	87,388
Health care payments	4,922	4,784	4,704	4,654
Other	2,536	2,586	2,559	2,425
Total supply of goods and services expense	104,308	116,347	123,092	127,945

(a) Includes the Child Care Subsidy, which commences from 2018-19, with the majority of the payments to be made directly to child care providers. See also Note 12, Personal benefits expenses.

(b) Includes reclassification in the 2017-18 Budget of payments under the National Disability Insurance Scheme from grants expenses (Note 11) to indirect personal benefits expenses (Note 9), to reflect the nature of benefits provided to households.

Note 10: Interest expense

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Interest on debt				
Government securities(a)	16,929	17,777	18,248	18,147
Loans	1	1	1	1
Other	221	234	250	267
Total interest on debt	17,150	18,012	18,499	18,415
Other financing costs	877	1,292	1,667	1,106
Total interest expense	18,027	19,304	20,166	19,520

(a) Public debt interest estimates are calculated using the contract interest rates incurred on existing Commonwealth Government Securities (CGS) when issued and on technical assumptions, based on prevailing market interest rates across the yield curve, for yields on future CGS issuance.

Note 11: Current and capital grants expense

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Current grants expense				
State and Territory governments	110,176	117,772	119,473	124,237
Private sector	8,717	9,026	8,984	9,005
Overseas	3,687	3,955	4,578	3,777
Non-profit organisations	3,903	3,846	3,638	3,534
Multi-jurisdictional sector	10,764	10,757	10,923	11,158
Other(a)	2,894	2,598	2,070	2,832
Total current grants expense	140,142	147,954	149,667	154,543
Capital grants expense				
Mutually agreed write-downs	1,913	1,395	1,486	1,578
Other capital grants				
State and Territory governments	7,881	7,700	6,061	4,750
Local governments	684	355	379	379
Non-profit organisations	928	856	459	118
Private sector	134	102	0	0
Other	157	52	8	0
Total capital grants expense	11,697	10,460	8,393	6,824
Total grants expense	151,839	158,413	158,060	161,367

(a) Includes reclassification in the 2017-18 Budget of payments under the National Disability Insurance Scheme from grants expenses (Note 11) to indirect personal benefits expenses (Note 9), to reflect the nature of benefits provided to households.

Note 12: Personal benefits expense

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Social welfare - assistance to the aged	45,712	47,707	49,785	52,117
Assistance to veterans and dependants	5,146	4,984	4,824	4,694
Assistance to people with disabilities	24,922	25,653	27,068	27,976
Assistance to families with children(a)	31,601	27,721	27,794	27,334
Assistance to the unemployed	10,600	10,594	11,388	11,666
Student assistance	2,571	2,556	2,715	2,798
Other welfare programs	1,092	1,148	1,211	1,228
Financial and fiscal affairs	361	356	368	383
Vocational and industry training	30	31	32	32
Other	6,449	7,729	10,330	14,178
Total personal benefits expense	128,483	128,479	135,514	142,407

(a) The majority of payments under the Child Care Subsidy, which commences from 2018-19, are to be made directly to child care providers. See also Note 9, Supply of goods and services expense.

Note 13: Advances paid and other receivables

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Advances paid				
Loans to State and Territory governments	4,101	4,368	4,831	5,243
Student loans(a)(b)	44,397	49,270	54,033	58,797
Other(b)(c)	15,004	24,428	28,533	10,319
less Provision for doubtful debts	453	636	836	1,053
Total advances paid	63,049	77,431	86,561	73,306
Other receivables				
Goods and services receivable	1,272	1,279	1,295	1,297
Recoveries of benefit payments	5,958	6,804	7,446	8,197
Taxes receivable	25,281	27,260	28,970	30,194
Prepayments	3,676	3,876	4,069	4,214
Other	20,564	21,333	21,463	22,499
less Provision for doubtful debts	2,805	3,760	4,443	5,107
Total other receivables	53,945	56,791	58,800	61,294

- (a) Due to the implementation of the new Commonwealth Government reporting system, student related loans including Higher Education Loan Program and Student Financial Supplement Schemes are amalgamated and reported as 'student loans' from the 2016-17 FBO.
- (b) Trade Support Loans and Student Start-up Loans which were previously classified to 'other' are now classified to 'student loans'.
- (c) Due to the implementation of the 2015 ABS GFS Manual, Australia's subscriptions to the International Development Association and the Asian Development Fund were reclassified in the 2017-18 Budget from nominal value 'advances paid' to fair value 'equity investments' on the balance sheet.

Note 14: Investments, loans and placements

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Investments - deposits	54,934	50,345	48,508	47,234
IMF quota	11,711	11,707	12,004	12,370
Other	119,785	122,435	134,147	144,386
Total investments, loans and placements	186,430	184,487	194,659	203,991

Note 15: Non-financial assets

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Land and buildings				
Land	10,882	10,807	10,533	10,569
Buildings	26,280	27,417	28,833	30,567
Total land and buildings	37,162	38,225	39,367	41,136
Plant, equipment and infrastructure				
Specialist military equipment	58,605	60,689	64,115	68,198
Other	16,064	16,443	16,527	16,380
Total plant, equipment and infrastructure	74,670	77,132	80,642	84,577
Inventories				
Inventories held for sale	1,523	1,560	1,544	1,511
Inventories not held for sale	7,015	6,756	6,490	6,168
Total inventories	8,538	8,316	8,034	7,679
Intangibles				
Computer software	4,349	4,436	4,354	4,146
Other	4,033	4,731	4,983	5,218
Total intangibles	8,381	9,167	9,337	9,364
Total investment properties	113	113	113	113
Total biological assets	54	54	54	54
Total heritage and cultural assets	11,601	11,570	11,538	11,489
Total assets held for sale	86	86	86	86
Total other non-financial assets	61	62	60	60
Total non-financial assets	140,666	144,726	149,231	154,559

Note 16: Loans

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Promissory notes	9,601	9,576	9,552	9,554
Special drawing rights	5,494	5,492	5,631	5,803
Other	423	337	271	209
Total loans	15,518	15,405	15,455	15,566

Note 17: Employee and superannuation liabilities

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Total superannuation liability(a)	181,257	187,638	194,015	200,359
Other employee liabilities				
Leave and other entitlements	7,793	7,904	7,988	8,085
Accrued salaries and wages	259	264	307	308
Workers compensation claims	2,784	2,773	2,777	2,783
Military compensation(b)	7,371	7,682	8,001	8,326
Other(b)	394	394	402	405
Total other employee liabilities	18,600	19,017	19,475	19,907
Total employee and superannuation liabilities	199,857	206,655	213,490	220,266

- (a) For budget reporting purposes, a discount rate of 6 per cent used by actuaries in preparing Long-Term Cost Reports is used to value the superannuation liability. This reflects the average annual rate estimated to apply over the term of the liability and it reduces the volatility in reported liabilities that would occur from year to year if the long-term government bond rate were used. Consistent with Australian Accounting Standards, the superannuation liability for the 2016-17 FBO was calculated using the long-term government bond rate as at 30 June 2017 that best matches each individual scheme's liability duration. These rates were broadly between 3.0 and 3.5 per cent per annum.
- (b) Consistent with the presentation of Consolidated Financial Statements, 'military compensation' is separately disclosed from the 2017-18 MYEFO.

Note 18: Provisions and payables

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Suppliers payables				
Trade creditors	5,536	5,501	5,451	5,521
Operating lease rental payable	452	449	441	423
Personal benefits payables - indirect(a)(c)	604	728	888	954
Other creditors	1,423	1,411	1,407	1,411
Total suppliers payables	8,015	8,089	8,187	8,309
Total personal benefits payables - direct(a)(b)	2,993	3,091	3,460	3,265
Total subsidies payable(b)	554	555	560	546
Grants payables				
State and Territory governments	110	129	168	167
Non-profit organisations	185	186	187	188
Private sector	351	350	350	350
Overseas	1,846	1,626	2,421	2,036
Local governments	1	1	1	1
Other(b)(c)	858	852	841	836
Total grants payables(b)	3,350	3,144	3,967	3,577
Total other payables(b)	2,183	2,185	2,221	2,252
Provisions				
Provisions for tax refunds	2,380	2,374	2,369	2,372
Grants provisions(b)(c)	7,648	7,062	6,422	6,173
Personal benefits provisions - direct(a)(b)	6,767	6,320	6,081	5,893
Personal benefits provisions - indirect(a)(b)(c)	2,050	2,529	2,780	2,903
Other(b)	15,167	15,604	16,160	16,776
Total provisions(b)	34,012	33,889	33,812	34,116

- (a) Implementation of the new Commonwealth Government reporting system provides the ability to distinguish direct and indirect personal benefit liabilities (a GFS distinction). From the 2017-18 MYEFO, these liabilities are separately disclosed.
- (b) Consistent with the presentation of the Consolidated Financial Statements, provisions and payables are separately disclosed from the 2017-18 MYEFO.
- (c) Includes reclassification of payments in the 2017-18 Budget under the National Disability Insurance Scheme from grants to indirect personal benefits to reflect the nature of benefits provided to households.

Note 19: Reconciliation of cash

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Net Operating balance (revenues less expenses)	-18,235	-9,924	6,785	20,902
<i>less</i> Revenues not providing cash				
Other	1,290	1,498	1,668	2,267
Total revenues not providing cash	1,290	1,498	1,668	2,267
<i>plus</i> Expenses not requiring cash				
Increase/(decrease) in employee entitlements	8,623	6,799	6,835	6,769
Depreciation/amortisation expense	9,507	9,063	8,938	9,437
Mutually agreed write-downs	1,913	1,395	1,486	1,578
Other	235	779	1,377	1,209
Total expenses not requiring cash	20,278	18,036	18,636	18,993
<i>plus</i> Cash provided/(used) by working capital items				
Decrease/(increase) in inventories	-405	-197	-132	-56
Decrease/(increase) in receivables	-10,269	-10,408	-9,993	-9,576
Decrease/(increase) in other financial assets	-516	-557	-234	-759
Decrease/(increase) in other non-financial assets	-21	-20	-24	29
Increase/(decrease) in benefits, subsidies and grants payable	536	-276	-65	-462
Increase/(decrease) in suppliers' liabilities	890	32	-7	156
Increase/(decrease) in other provisions and payables	274	1,151	1,844	-987
Net cash provided/(used) by working capital	-9,511	-10,275	-8,611	-11,655
<i>equals</i> (Net cash from/(to) operating activities)	-8,757	-3,662	15,141	25,972
<i>plus</i> (Net cash from/(to) investing activities)	-22,651	-29,207	-37,039	-14,426
Net cash from operating activities and investment	-31,408	-32,869	-21,897	11,546
<i>plus</i> (Net cash from/(to) financing activities)	30,669	32,886	22,653	-11,557
<i>equals</i> Net increase/(decrease) in cash	-739	17	755	-11
Cash at the beginning of the year	5,140	4,400	4,417	5,172
Net increase/(decrease) in cash	-739	17	755	-11
Cash at the end of the year	4,400	4,417	5,172	5,161

Attachment A

FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The MYEFO primarily focuses on the financial performance and position of the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, user charging and external funding. AASB 1049 recognises the GGS as a reporting entity.

AASB 1049 Conceptual framework

AASB 1049 seeks to 'harmonise' ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of each government's GGS; and information that facilitates assessments of the macroeconomic impact. While AASB 1049 provides a basis for whole of government (including the PNFC and PFC sectors) reporting focuses on the GGS.

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, overriding AASB 10 *Consolidated Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2014*.¹

1 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods*, 2015 (cat. no. 5514.0).

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or 'other economic flows'). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.²

A change to the value or volume of an asset or liability that does not result from a transaction is an 'other economic flow'. This can include changes in values from market prices, most actuarial valuations and exchange rates, and changes in volumes from discoveries, depletion and destruction.

Consistent with the ABS GFS framework, and in general AAS, the financial statements record flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

Operating statement

The operating statement presents details of transactions in revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

Revenues arise from transactions that increase net worth and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets. This measures the net effect of purchases, sales and consumption (for example, depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

'Other economic flows' are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, expenses and 'other economic flows' sum to the total change in net worth during a period. The majority of 'other economic flows' for the Australian Government GGS arise from price movements in its assets and liabilities.

2 Not all transactions impact on net worth. For example, transactions in financial assets and liabilities do not impact on net worth as they represent the swapping of assets and liabilities on the balance sheet.

Net operating balance

The net operating balance is the excess of revenue from transactions over expenses from transactions. The net operating balance excludes expenditure on the acquisition of capital assets, but includes non-cash costs such as accruing superannuation entitlements and the consumption of capital (depreciation). By including all accruing costs, including depreciation, the net operating balance encompasses the full current cost of providing government services. This makes it a measure of the sustainability of the government's fiscal position over time and provides an indication of the sustainability of the existing level of government services.

The net operating balance is a flow measure in the operating statement.

Fiscal balance

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. Thus, the fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.³

The fiscal balance measures the Australian Government's investment saving balance. It measures in accrual terms the gap between government savings plus net capital transfers, and investment in non-financial assets. As such, it approximates the contribution of the Australian Government GGS to the balance on the current account in the balance of payments.

Balance sheet

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the UPF, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

Net worth

The net worth of the GGS, PNFC and PFC sectors is defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors, where net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

3 The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets, less liabilities, less shares and other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt. As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of government results in a purer measure of financial worth than net financial worth, as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed up by physical assets.

Net debt

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans and other borrowing) less the sum of selected financial assets⁴ (cash and deposits, advances paid, and investments, loans and placements). This includes financial assets (excluding equities) held by the Future Fund which are invested in these asset classes, including term deposits and investments in collective investment vehicles. Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

The 2015 ABS GFS Manual presents debt in a matrix format, with no single net debt aggregate identified. The Commonwealth Government continues to report net debt in accordance with the UPF as described above.

⁴ Financial assets are defined as cash, an equity instrument of another entity, a contractual right to receive cash or financial asset, and a contract that will or may be settled in the entity's own equity instruments.

Cash flow statement

The cash flow statement identifies how cash is generated and applied in a single accounting period. The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are specifically identified because cash management is considered an integral function of accrual budgeting.

Underlying cash balance

The underlying cash balance plus net Future Fund earnings is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance.

For the GGS, the underlying cash balance is calculated as shown below:

Net cash flows from operating activities
<i>plus</i>
Net cash flows from investments in non-financial assets
<i>equals</i>
ABS GFS cash surplus/deficit ⁵
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements ⁶
<i>less</i>
Net Future Fund earnings
<i>equals</i>
Underlying cash balance

5 In accordance with the 2015 ABS GFS Manual, finance leases are not deducted in the derivation of the cash surplus/deficit. This has removed the distinction between the calculation of the cash surplus/deficit under AASB 1049 and the ABS GFS standards that existed under the 2005 ABS GFS Manual.

6 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease – acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases do not generate cash flows at the time of acquisition or disposal equivalent to the value of the asset. As such, net acquisitions of assets under finance leases are not shown in the body of the cash flow statement but are reported as a supplementary item for the calculation of the underlying cash balance.

Under the *Future Fund Act 2006*, earnings are required to be reinvested to meet the Government's future public sector superannuation liabilities. The Government excludes net Future Fund cash earnings from the calculation of the underlying cash balance between 2005-06 and 2019-20. From 2020-21 onwards, net Future Fund cash earnings are included in the calculation of the underlying cash balance because the Future Fund becomes available to meet the Government's superannuation liabilities from that year.

In contrast, net Future Fund earnings are included in the net operating balance and fiscal balance for all years because superannuation expenses relating to future cash payments are recorded in the net operating balance and fiscal balance.

Net Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table B3 of this statement and related tables in Part 3 and Appendix D.

Headline cash balance

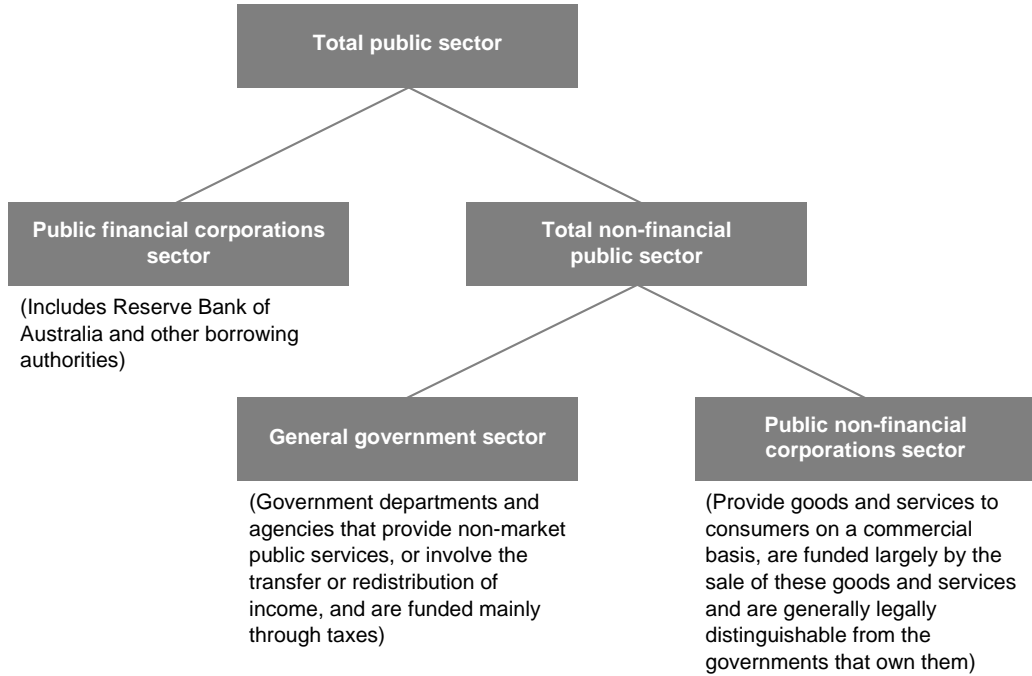
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and net Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and advances paid. Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Advances paid include net loans to the States, and net loans to students.

Sectoral classifications

To assist in analysing the public sector, data are presented by institutional sector as shown in Figure B1. ABS GFS defines the general government sector (GGS) and the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors. AASB 1049 has also adopted this sectoral reporting.

Figure B1: Institutional structure of the public sector



All entities are classified as GGS entities except for the following list of portfolio entities that are classified as PFC or PNFC (Table B14).

A table which provides a full list of public sector principal entities is available on the Department of Finance website at: http://www.finance.gov.au/sites/default/files/Bodies_List_3_October_2017.pdf.

Table B14: Entities outside of the general government sector

Public financial corporations

Employment Portfolio

- Coal Mining Industry (Long Service Leave Funding) Corporation

Foreign Affairs and Trade Portfolio

- Export Finance and Insurance Corporation

Industry, Innovation and Science Portfolio

- CSIRO General Partner Pty Ltd
- CSIRO General Partner 2 Pty Ltd

Treasury Portfolio

- Australian Reinsurance Pool Corporation
- Reserve Bank of Australia

Public non-financial corporations

Communications and the Arts Portfolio

- Australian Postal Corporation
- NBN Co Limited

Finance Portfolio

- ASC Pty Ltd
- Australian Naval Infrastructure Pty Ltd

Industry, Innovation and Science Portfolio

- ANSTO Nuclear Medicine Pty Ltd

Infrastructure and Regional Development Portfolio

- Airservices Australia
- Australian Rail Track Corporation Limited
- Moorebank Intermodal Company Limited
- WSA Co Ltd

Prime Minister and Cabinet Portfolio

- Voyages Indigenous Tourism Australia Pty Ltd

Social Services Portfolio

- Australian Hearing Services

Attachment B

AUSTRALIAN LOAN COUNCIL ALLOCATION

Under the Loan Council arrangements, every year the Commonwealth and each State government nominate a Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector ABS GFS cash surplus/deficit (made up from the balances of the general government and public non-financial corporations sectors and total non-financial public sectors);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items, which involve transactions that are not formally borrowings but nevertheless have many of the characteristics of borrowings.

LCA nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and infrastructure requirements, as well as the macroeconomic implications of the aggregate figure.

As set out in Table B15, the Commonwealth's revised estimate for the 2017-18 LCA is a \$49.8 billion deficit, which is an improvement of \$11.0 billion from the estimated deficit of \$60.8 billion at the 2017-18 Budget. The revised LCA estimate falls outside the tolerance limit set at Budget, largely due to the improvement in the underlying cash balance.

Table B15: 2017-18 Commonwealth Loan Council Allocation

	2017-18 Budget estimate \$m	2017-18 MYEFO estimate \$m
	26,191	20,531
	11,627	11,245
	37,818	31,776
<i>equals</i>	37,818	31,776
<i>minus</i>		
	-22,221	-19,042
<i>plus</i>	757	-1,066
	60,796	49,752
	2017-18 tolerance limit(d)	na
	8,848	na

(a) May not directly equate to the sum of the GGS and the PNFC sector due to intersectoral transfers which are netted out.

(b) Net cash flows from investments in financial assets for policy purposes are displayed with the same sign as they are reported in cash flow statements. Such transactions involve the transfer or exchange of a financial asset and are not included within the cash surplus/deficit. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.

(c) For the Commonwealth's LCA outcome, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than \$5 million), the net funding of superannuation; the net financing requirement of the Australian National University; and NFPS acquisitions under finance leases and similar arrangements.

(d) A tolerance limit equal to two per cent of NFPS cash receipts from operating activities, as at budget, applies to the movement between the Budget and MYEFO estimates. Tolerance limits recognise that LCAs may change through the year as a result of policy and parameter changes.

APPENDIX C: STATEMENT OF RISKS

OVERVIEW

Full details of fiscal risks and contingent liabilities are provided in Budget Paper No. 1, *Budget Strategy and Outlook 2017-18*. The following statement updates fiscal risks and contingent liabilities and assets that have materially changed since the 2017-18 Budget.

The forward estimates of revenue and expenses in the *Mid-Year Economic and Fiscal Outlook 2017-18* (MYEFO) incorporate assumptions and judgments based on the best information available at the time of publication, together with a range of economic assumptions and other forecasts and projections.

To the extent that unanticipated changes in economic circumstances occur, their impact will flow through to government expense and revenue forecasts.

Major taxes such as company and individuals' income taxes fluctuate significantly with economic activity. Capital gains tax is particularly volatile and is affected by both the level of gains in asset markets and the timing of when those gains are realised.

In addition, revenue forecasting relies heavily on the observed historical relationships between the economy, tax bases and tax revenues. Such relationships may shift over time as the economy changes, presenting a further risk to the estimates. Revenue forecasts also incorporate costings for new policies that typically have a margin of uncertainty.

The estimates and projections of revenue are subject to a number of general risks that can affect taxation collections. These general pressures include failure of the tax system to keep pace with changes in the business environment, tax avoidance, court decisions and Australian Taxation Office rulings, and the outcome of compliance programs. These pressures may result in a shift in the composition of taxation collected from the various tax bases and/or a change in the size of the tax base.

DETAILS OF FISCAL RISKS AND CONTINGENT LIABILITIES

New or revised fiscal risks, contingent assets and contingent liabilities with a possible impact on the forward estimates greater than \$20 million in any one year, or \$50 million over the forward estimates period, that have arisen or changed since the 2017-18 Budget are described below and summarised in Table C1.

Information on both contingent assets and contingent liabilities is also provided in the annual financial statements of departments, entities and non-budget entities.

Table C1: Summary of material changes to the Statement of Risks since the 2017-18 Budget^(a)

Fiscal risks	
Education and Training	
Recovery of inappropriately claimed VET FEE-HELP funds from providers	Modified
Environment and Energy	
Snowy Hydro Limited — Government shareholding	New
Finance	
Same-Sex Marriage Plebiscite	Removed
Home Affairs	
Regional Processing Arrangements	Modified
Infrastructure and Regional Development	
Inland Rail — Delivery	Modified
Significant but remote contingencies	
Communications and the Arts	
NBN Co Limited — Equity Agreement	Modified
Optus Financial Guarantee	Modified
Telstra Financial Guarantee	Modified
Defence	
Remote contingencies	Modified
Infrastructure and Regional Development	
WSA Co Limited – Board Members' Indemnities	New
WSA Co Limited – Termination of the Equity Subscription Agreement	New
Treasury	
Financial Claims Scheme	Modified
Guarantee of State and Territory borrowing	Modified
Guarantees under the <i>Commonwealth Bank Sale Act 1995</i>	Modified
Reserve Bank of Australia — Guarantee	Modified
Contingent liabilities — unquantifiable	
Agriculture and Water Resources	
Emergency pest and disease response arrangements	Modified
Communications and the Arts	
NBN Co Limited — Board Members' Insolvency Indemnity	Modified
Defence	
Non-remote contingent liabilities	Modified
Employment	
jobactive – Employment Fund	New
Finance	
Australian Government domestic property	Modified
Health	
Tobacco plain packaging litigation	Removed
Home Affairs	
Garrison, welfare and health services at regional processing countries — liability limit	Modified
Disaster Recovery	Modified
Infrastructure and Regional Development	
Service Delivery Arrangement Indemnities — External Territories	Modified
Aviation rescue and fire fighting potential per- and poly-fluoroalkyl substances contamination	Modified

Table C1: Summary of material changes to the Statement of Risks since the 2017-18 Budget^(a) (continued)

Contingent assets — unquantifiable	
Defence	
Non-remote contingent assets	Modified
Home Affairs	
Civil penalty proceedings in the Federal Court against the Commonwealth Bank of Australia	New
Industry, Innovation and Science	
Wireless Local Area Network	Removed
Contingent liabilities — quantifiable	
Defence	
Claims against the Department of Defence	Modified
Environment and Energy	
Renewable Energy Target — <i>Renewable Energy (Electricity) Act 2000</i> — refunds of large-scale renewable energy shortfall charges	Removed
Foreign Affairs and Trade	
Export Finance and Insurance Corporation	Modified
Prime Minister and Cabinet	
Leases for public housing in remote Northern Territory	New
Treasury	
Australian Taxation Office — tax disputes	Modified
International financial institutions — uncalled capital subscriptions	Modified
International Monetary Fund	Modified
Contingent assets — quantifiable	
Defence	
Claims by the Department of Defence	Modified

(a) Risks appearing in Budget Paper No. 1, *Budget Strategy and Outlook 2017-18*, Statement 9, but not listed in the table above are substantially unchanged.

FISCAL RISKS

Fiscal risks comprise general developments or specific events that may affect the fiscal outlook. Some developments or events raise the possibility of a fiscal impact. In other cases, the likelihood of a fiscal impact may be reasonably certain, but will not be included in the forward estimates because the timing or magnitude is not known.

Education and Training

Recovery of inappropriately claimed VET FEE-HELP funds from providers

The Government is undertaking compliance action, including court action, to recover VET FEE-HELP payments from VET providers where loans were inappropriately issued to students by providers. A number of VET FEE-HELP providers have entered administration or liquidation. There is a potential financial risk to the Commonwealth in the event that compliance action results in student loan debts being remitted but the Commonwealth is unable to recover the payments from providers. There is also a financial risk to the Commonwealth that it will be unable to recover the cost of remitting student debts from tuition assurance operators following provider closures.

Environment and Energy

Snowy Hydro Limited – Government Shareholding

The Australian Government is open to acquiring a larger share or outright ownership of Snowy Hydro Limited. If an agreement is reached with the NSW and Victorian Governments, the purchase and transfer of the NSW and Victorian Governments' shares in Snowy Hydro Limited to the Commonwealth will have financial implications for the fiscal position, for example by increasing assets and liabilities on the Australian Government's balance sheet, and depending on the nature of the agreement, through changed dividend distributions.

Home Affairs

Regional Processing Arrangements

The Australian Government funds services to transferees in regional processing countries to support host governments' management, removal and resettlement of these people. Any significant changes in the number of transferees, the arrangements that underpin the provision of those services, or relevant litigation, may incur a cost or generate cost reductions which are unquantifiable at this time.

Infrastructure and Regional Development

Inland Rail — Delivery

The Australian Government has committed to deliver the Inland Rail project through the Australian Rail Track Corporation (ARTC) to provide a direct, high-performance freight rail corridor between Melbourne and Brisbane, as well as a new freight corridor between Brisbane and Perth (via Parkes).

The ARTC will deliver Inland Rail using up to a \$9 billion equity investment from the Commonwealth. A Public Private Partnership will be established to design, build, finance and maintain the complex Toowoomba to Kagaru (Brisbane) section of the project, including major tunnelling works.

Project costs will not be finalised until procurements, alignment and reference designs are completed. Project risks include securing jurisdictional support, construction delays, cost pressures, and revenues realised. These pressures are being mitigated through close management of the delivery program and progressing pre-construction activities.

SIGNIFICANT BUT REMOTE CONTINGENCIES

Communications and the Arts

NBN Co Limited — Equity Agreement

The Australian Government has entered into an Equity Funding Agreement with NBN Co Limited (NBN Co). The Agreement formalises the Australian Government's

intention to provide equity to fund the roll-out of the National Broadband Network, with such funding being conditional on the annual appropriation processes. In addition, it commits the Australian Government, in the event of a termination of the National Broadband Network roll-out, to provide sufficient funds to NBN Co to meet its costs arising from that termination. All equity under this agreement has been provided. Although the NBN Co Equity Funding Agreement will end in 2019, the Commonwealth would retain obligations to meet NBN Co's costs arising from a termination of the roll-out. As at 30 September 2017, NBN Co's termination liabilities were estimated at \$15.9 billion.

Optus Financial Guarantee

The Australian Government has provided a guarantee in respect of the NBN Co financial obligations to Optus Networks Pty Ltd, Optus Internet Pty Limited, Optus Vision Media Pty Limited and SingTel Optus Pty Ltd (collectively, Optus) under the Optus HFC Subscriber Agreement. The Agreement was amended on 19 September 2015. The Agreement extends for the period of the National Broadband Network roll-out in Optus Hybrid Fibre Coaxial areas. The Australian Government is only liable in the event NBN Co does not pay an amount when due under the Optus Agreement. As at 30 September 2017, NBN Co had generated liabilities covered by the Optus Agreement, which are estimated at an amount lower than \$125 million. There is a low risk that a claim would be made under the Guarantee. The Guarantee will terminate in 2021.

Telstra Financial Guarantee

The Australian Government has provided to Telstra Corporation Limited (Telstra) a Guarantee in respect of NBN Co financial obligations under the Definitive Agreements. The Agreements were amended on 14 December 2014. The Guarantee was not amended at that time and it continues in force in accordance with its terms in respect of the amended Definitive Agreements. The liabilities under the Definitive Agreements between Telstra and NBN Co arise progressively during the roll-out of the National Broadband Network as Telstra's infrastructure is accessed and Telstra's customers are disconnected from its copper and Hybrid Fibre Coaxial cable networks. The Australian Government is only liable in the event NBN Co does not pay an amount when due under the Definitive Agreements. As at 30 September 2017, NBN Co had generated liabilities covered by the Guarantee estimated at \$7.0 billion. The Guarantee will terminate when NBN Co achieves specified credit ratings for a period of two continuous years and either:

- the company is capitalised by the Commonwealth to the agreed amount; or
- the Communications Minister declares, under the *National Broadband Network Companies Act 2011*, that, in his or her opinion, the National Broadband Network should be treated as built and fully operational.

Defence

Remote contingencies

As at 31 October 2017, the Department of Defence carried 1,479 instances of quantifiable remote contingent liabilities valued at \$5.1 billion and 27 instances of unquantifiable remote contingent liabilities.

These significant remote contingent liabilities are restricted in nature and details are not given due to reasons of commercial in confidence and/or national security.

Infrastructure and Regional Development

WSA Co Limited – Board Members’ Indemnities

The Australian Government has provided an indemnity for each of the Directors of WSA Co Limited (WSA Co) to protect them against certain claims relating to their employment as Directors. Unless the indemnity agreements are varied or brought to an end, they cease to apply from the date the Commonwealth has fully satisfied its obligations to subscribe for equity in WSA Co pursuant to the WSA Co Limited Equity Subscription Agreement.

WSA Co Limited – Termination of the Equity Subscription Agreement

The Australian Government is required to cover all costs and liabilities that may be incurred by WSA Co in the event that the Commonwealth terminates the Equity Subscription Agreement between the Commonwealth and WSA Co.

Treasury

Financial Claims Scheme

The Financial Claims Scheme provides depositors of authorised deposit-taking institutions (ADIs) and claimants of general insurers with timely access to their funds in the event of a financial institution failure.

Under the *Banking Act 1959* the scheme provides a mechanism for making payments to depositors under the Government’s guarantee of deposits in ADIs. Payments are capped at \$250,000 per account holder per ADI. As at 30 June 2017, deposits eligible for coverage under the Financial Claims Scheme were estimated to be \$860 billion, compared to an estimated \$850 billion as at 31 December 2016, reflecting overall deposit growth in the financial system.

Under the *Insurance Act 1973* the scheme provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer. It is not possible to estimate the amounts of any eventual payments that may be required in relation to general insurance claims.

In the very unlikely event of an ADI or general insurer failure, any payments made under the Financial Claims Scheme would be recovered through the liquidation of the failed institution. If there was a shortfall in the amount recovered through the liquidation of the failed institution, a levy could be applied to the relevant industry to recover the difference between the amount expended and the amount recovered in the liquidation.

The Australian Prudential Regulation Authority (APRA) is responsible for administration of the Financial Claims Scheme. Under the Financial Claims Scheme, any payments to account-holders with eligible protected accounts or eligible claimants would be made from APRA's Financial Claims Scheme Special Account. Under the legislation, upon activation, up to \$20 billion per institution would be available to meet Financial Claims Scheme payments and up to \$100 million for administration costs per institution.

Guarantee of State and Territory borrowing

The Australian Government announced on 25 March 2009 that a voluntary, temporary guarantee would be put in place over State and Territory borrowing. The Guarantee of State and Territory borrowing commenced on 24 July 2009 and closed on 31 December 2010. New South Wales and Queensland were the only States who chose to participate in the Guarantee.

Securities covered by the Guarantee will continue to be guaranteed until these securities either mature or are bought back and extinguished by the issuer.

The expected liability under the Guarantee is remote and unquantifiable. Australian Government expenditure would arise under the Guarantee only in the unlikely event that a State failed to meet its obligations with respect to a commitment that was subject to the Guarantee and the Guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant State at a future date. The impact on the Government's budget would depend upon the extent of the default and the State's ability to meet the Government's claim.

As at 30 September 2017, the face value of State and Territory borrowings covered by the Guarantee was \$3.8 billion, down from \$6.5 billion at 31 March 2017.

Guarantees under the Commonwealth Bank Sale Act 1995

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various superannuation and other liabilities: \$129.5 million is attributable to liabilities of the Commonwealth Bank of Australia, as at 30 September 2017; and \$4.5 billion is attributable to liabilities of the Commonwealth Bank Officers' Superannuation Corporation, as at 30 September 2017.

Reserve Bank of Australia — Guarantee

The Australian Government guarantees the liabilities of the Reserve Bank of Australia, measured as the Bank's total liabilities excluding capital, reserves, and Australian Government deposits. The major component of the Bank's liabilities is Australian banknotes on issue. Banknotes on issue amount to \$74.6 billion as at 18 October 2017, and the total Guarantee is \$111.9 billion (\$113.5 billion at the 2017-18 Budget).

CONTINGENT LIABILITIES — UNQUANTIFIABLE

Agriculture and Water Resources

Emergency pest and disease response arrangements

National emergency response arrangements for animal, plant and environmental pest and disease incursions are largely funded through cost sharing agreements between Australian governments and, where relevant, agricultural industry bodies. Under the terms of the emergency response agreements, the Australian Government is typically liable for 50 per cent of the total government funding for a nationally agreed response to a disease or pest incursion. Limited funding is provided in the forward estimates for the Australian Government's contribution under the emergency response agreements, which is paid to the relevant State or Territory government. This funding is unlikely to be sufficient to meet the costs of a large-scale pest or disease incursion or additional and multiple responses (noting there are currently 13 national cost-shared emergency responses and for 10 years from 2017-18, half this funding is allocated to an eradication program for red imported fire ants in Queensland).

The Australian Government may provide financial assistance to an industry party by funding its share of an emergency response. These contributions are recovered from the industry over a period of up to 10 years, usually through an emergency response levy. The Australian Government may also contribute bilaterally in situations where an incursion is not covered by a cost-sharing agreement or where the affected industry body/bodies are not party to an emergency response agreement, depending on the circumstances of the incursion.

Communications and the Arts

NBN Co Limited — Board Members' Insolvency Indemnity

The Australian Government has provided Directors of NBN Co with an indemnity against liability as a result of the Government failing to meet its funding obligations to NBN Co. The liabilities covered by this indemnity would be no greater than those covered by the NBN Co Equity Funding Agreement, with the exception of any legal expenses incurred by individual Directors arising from this indemnity.

Defence

Non-remote contingent liabilities

The Department of Defence has 40 instances of unquantifiable non-remote contingent liabilities. There is potential for claims to arise from legacy contamination at various Defence locations.

Employment

jobactive – Employment Fund

The Department of Employment's forward estimates for jobactive includes anticipated expenditure for the Employment Fund. This flexible pool of funds is available to jobactive providers to assist job seekers to find and keep a job. The amount credited to the Employment Fund is commensurate with each job seeker's level of disadvantage. Experience suggests that jobactive providers will not necessarily spend all the credits during the life of the jobactive contracts. The forward estimates do not include the value of residual credits.

Finance

Australian Government domestic property

The Australian Government's domestic property portfolio managed by the Department of Finance has approximately 100 properties. This number has reduced from approximately 110 reported at the 2017-18 Budget due to the ongoing implementation of the measure *Smaller Government – Surplus Commonwealth Properties – divestment*. A small number of properties have had potential remediation issues identified, which are currently the subject of further investigation. Except for the properties at Lucas Heights, New South Wales and Cox Peninsula, Northern Territory, none of the remaining properties with potential remediation issues has had a provision recognised, as neither the conditions for legal nor constructive obligations have been met, nor is a reliable estimate of the obligation currently possible.

Home Affairs

Garrison, welfare and health services at regional processing countries — liability limit

The Department of Home Affairs entered into a contract with Canstruct International Pty Ltd (Canstruct), which commenced on 1 November 2017, for the provision of garrison and welfare services on Nauru in relation to regional processing arrangements. The contract includes a provision that limits Canstruct's liability to the Department of Home Affairs to a maximum of \$20 million for any single occurrence and \$50 million in aggregate for the term of the contract (12 months). The limitation of liability does not apply to personal injury, breach of third-party IP rights, damage to third-party property or malicious acts or omissions attributable to Canstruct.

The Department of Home Affairs is also in the process of negotiating contracts for the provision of garrison, welfare and health services in Papua New Guinea in relation to regional processing arrangements, for which the potential liability for the Australian Government in the context of these services is currently unquantifiable.

Disaster Recovery

The Australian Government provides funding to States and Territories through the Natural Disaster Relief and Recovery Arrangements (NDRRA) to assist with natural disaster relief and recovery costs. A State or Territory may claim NDRRA funding if a natural disaster occurs and State or Territory relief and recovery expenditure for that event meets the requirements set out in the NDRRA Determination. For major disasters, the Australian Government may approve payments to individuals under the *Social Security Act 1991*. These include the Disaster Recovery Payment and Disaster Recovery Allowance. As disasters and their impacts are unpredictable, the cost relating to these payments from future disasters is unquantifiable and therefore not included in the forward estimates.

Further, while current forward estimates for the NDRRA are based on the best information available at the time of preparation, preliminary estimates of the cost of a disaster and the timing of expenditure are subject to change and the total cost of relief and recovery from these events may not be completely realised for some years.

Infrastructure and Regional Development

Service Delivery Arrangement Indemnities — External Territories

A range of services are delivered to the Indian Ocean Territories (Christmas Island and the Cocos (Keeling) Islands) by the Western Australian (WA) Government under Service Delivery Arrangements (SDAs) agreed with the Australian Government. There are 45 SDAs in place with WA Government agencies for services to the Indian Ocean Territories.

The Australian Government has provided certain indemnities for the WA Government, their respective officers, agents, contractors and employees against civil claims relating to their employment and conduct as officers.

From 1 July 2016, the New South Wales (NSW) Government has provided a range of services to the Norfolk Island community through a Heads of Agreement. The Australian Government provides certain indemnities for the State of NSW and NSW authorities and officials in respect of the delivery of services to Norfolk Island.

The likelihood of an event occurring that may result in a liability for the Australian Government has been assessed as remote and the risks are currently mitigated through the training and professional qualifications of the staff of these agencies.

Aviation rescue and fire fighting potential per- and poly-fluoroalkyl substances contamination

Airservices Australia (Airservices) has identified a number of sites around the country that potentially have been contaminated with per- and poly-fluoroalkyl substances (PFAS) previously contained in firefighting foams. The firefighting foams containing PFAS were widely used internationally and were used on sites where aviation rescue and firefighting services were provided between approximately 1980 to 2010. The identified contaminants do not naturally break down in the environment. Airservices continues to implement its PFAS management program that included testing and assessment of the fire training grounds in 2008-09, with additional site assessments conducted in the years following. Costs associated with potential long term management options such as containment and remediation cannot be quantified at this time, but could be considerable given the current lack of practicable management options and the fact there are potentially 19 of the 21 federally leased airports and other regional airports involved.

For federally-leased airports, under the airport head leases, the Airport Lessee Companies are responsible for the environmental management of their airport sites. The airport leases contain an indemnity in favour of the Commonwealth specifically relating to damages, costs or injury arising out of any damage or injury to the environment on-airport, both before and after the grant time (with some exceptions applying to the latter). However, which entity is liable for costs/damages/injury arising from PFAS contamination on federally-leased airports has not yet been tested or established.

Currently, there are two class actions against the Commonwealth before the Federal Court, seeking damages over the use of historical PFAS-containing firefighting foam by the Department of Defence at Williamtown and Oakey. The outcomes of these class actions may have implications for the Department of Defence, the Department of Infrastructure and Regional Development and Airservices.

CONTINGENT ASSETS — UNQUANTIFIABLE

Defence

Non-remote contingent assets

The Department of Defence has eight instances of unquantifiable non-remote contingent assets.

Home Affairs

Civil penalty proceedings in the Federal Court against the Commonwealth Bank of Australia

On 3 August 2017, AUSTRAC initiated civil penalty proceedings in the Federal Court against the Commonwealth Bank of Australia (CBA) for serious and systemic non-compliance with the *Anti-Money Laundering and Counter Terrorism Financing Act*

2006. AUSTRAC's statement of claim has been made public by the Court. The outcome of this matter is unknown, including the quantum of any penalty that may be imposed by the Court.

CONTINGENT LIABILITIES — QUANTIFIABLE

Defence

Claims against the Department of Defence

The Department of Defence (Defence) has 14 instances of non-remote, quantifiable contingent liabilities in respect of claims on Defence valued at \$53.2 million. The estimated figure is determined by conducting an objective analysis of the probable amount payable for all matters managed by Defence through the Attorney-General's Legal Services Multi-Use List and those being handled in-house by Defence Legal Division. However, the exact amount payable under those claims is uncertain. Defence is defending the claims or is trying to resolve them by recourse to alternative dispute resolution measures.

Foreign Affairs and Trade

Export Finance and Insurance Corporation

The Australian Government guarantees the due payment of money that is, or may at any time become, payable by the Export Finance and Insurance Corporation (EFIC) to anybody other than the Government. The Government also has in place a \$200 million callable capital facility available to EFIC on request to cover liabilities, losses and claims. As at 31 October 2017, the Government's total contingent liability was \$3.2 billion. The \$3.2 billion contingent liability comprises EFIC's liabilities to third parties (\$2.5 billion) and EFIC's overseas investment insurance, contracts of insurance and guarantees (\$0.7 billion). Of the total contingent liability, \$2.7 billion relates to EFIC's Commercial Account and \$0.5 billion relates to the National Interest Account.

Prime Minister and Cabinet

Leases for public housing in remote Northern Territory

From 2008, the Commonwealth has entered into leases for public housing lots in 51 remote Northern Territory communities for a period of 40-99 years. Under these leases, the Commonwealth is expected to enter into subleases with a third party housing provider to deliver property and tenancy management on its behalf, or to deliver these responsibilities itself. The Northern Territory Government currently has subleases for all communities where Commonwealth leases are in place. The first of these subleases expire from June 2018. If no new subleases are entered into, the Commonwealth will become responsible for delivering landlord duties under the leases. Over the forward estimates period, Northern Territory Government subleases expire in 43 communities, which encompass 1,836 housing lots.

Treasury

Australian Taxation Office — tax disputes

At any point in time the Australian Taxation Office is involved in a range of dispute resolution processes, including litigation, relating to tax disputes.

Details of the outcome of dispute resolution processes are uncertain until a court ruling is made and/or an agreement is reached with the taxpayer. As a result, in most cases it is not possible to estimate with any reliability the likely financial impact of current disputes. The estimated aggregate value of tax in dispute as at 30 September 2017, for which a provision has not been made, is \$5.3 billion.

Outcomes of dispute resolution processes are included in the Commissioner of Taxation's Annual Report each year. This may include disputes resolved through objections, settlements and court and tribunal decisions. It may also include amounts owed by taxpayers that are subject to dispute but not finalised.

International financial institutions — uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription in the International Bank for Reconstruction and Development (IBRD) since 1947. Australia's uncalled capital subscription to the IBRD totals US\$3.6 billion (estimated value A\$4.7 billion as at 31 October 2017).

The Australian Government has also held an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals EUR237.5 million (estimated value A\$359.9 million as at 31 October 2017).

The Australian Government has further held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals US\$7.0 billion (estimated value A\$9.2 billion as at 31 October 2017).

The Australian Government has further held an uncalled capital subscription in the Multilateral Investment Guarantee Agency of US\$26.5 million (estimated value A\$34.5 million as at 31 October 2017).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government has subscribed to shares in the AIIB, which includes an uncalled capital subscription. Australia's uncalled capital subscription to the AIIB totals US\$3.0 billion (estimated value A\$3.8 billion as at 31 October 2017).

None of these international financial institutions have ever drawn on Australia's uncalled capital subscriptions.

International Monetary Fund

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability in the global economy. The value of Australia's NAB credit arrangement now stands at Special Drawing Rights (SDR, the IMF's unit of account) SDR2.2 billion (estimated value A\$4.1 billion at 31 October 2017). On 4 November 2016, the IMF Executive Board agreed to renew the NAB for an additional five year period to 16 November 2022.

In addition, Australia has made available a SDR4.61 billion (approximately A\$8.4 billion at 31 October 2017) contingent bilateral loan to the IMF. This contingent loan is on terms consistent with separate bilateral loan and note purchase agreements between the IMF and other contributing countries. It will be drawn upon by the IMF only if needed to supplement the IMF's quota and NAB resources and any loans would be repaid in full with interest. The Treasurer agreed to renew Australia's loan agreement with the IMF on 19 December 2016. The renewed agreement extends Australia's existing funding commitment to December 2019, with the possibility of an additional one-year extension with Australia's consent.

CONTINGENT ASSETS — QUANTIFIABLE

Defence

Claims by the Department of Defence

The Department of Defence has 11 instances of non-remote, quantifiable contingent assets in respect of claims by the Department valued at \$23.2 million. Defence is expecting to succeed in its claims. The estimated figure is determined by conducting an objective analysis of the probable amounts owing to Defence.

GOVERNMENT LOANS

Loans are recorded as financial assets and accordingly the amounts advanced and repaid do not normally affect the budget aggregates of fiscal balance and underlying cash balance. Loans that are concessional (lower than market interest rate) or are agreed to be written off may result in an impact on the fiscal balance in some circumstances. The Government makes loans for policy purposes. All loans contain some element of credit risk that they will not be repaid in full, although in many cases this risk is small. Table C2 summarises Government loans estimated to exceed \$200 million at 30 June 2018.

Table C2: Summary of material changes to Australian Government loans exceeding \$200 million since the 2017-18 Budget

Entity	Loan amount ^(a) (\$m)	Borrower	Interest rate	Term	Status
Department of Education and Training					
Higher Education Loan Program	43,293	Eligible tertiary education students	Consumer Price Index (CPI)	8.9 years*	Modified
Department of Communications and Arts					
NBN Co Loan	8,843	NBN Co Limited	3.96 per cent	30 June 2021	New
Clean Energy Finance Corporation					
Clean Energy Finance Corporation	1,992	Approved entities undertaking clean energy technology projects	4.6 per cent weighted average	5-15 years	Modified
Australian Office of Financial Management					
Commonwealth-State financing arrangements — Housing and Specific Purpose Capital	1,793	State and Northern Territory governments	3.63-6.0 per cent	Up to 30 June 2042	Modified
Department of Infrastructure and Regional Development					
WestConnex Stage 2 Concessional Loan	1,125	WCX M5 Finco Pty Ltd	3.4 per cent	November 2015 to July 2034	Modified
Concessional loan for asbestos removal in the ACT — Mr Fluffy loose fill asbestos remediation	936	Australian Capital Territory Government	Commonwealth Government 10-year bond rate	Up to 30 June 2024	Modified
Department of Agriculture and Water Resources					
Drought related and Farm Finance Concessional Loans — Agriculture	888	State Governments (that, through their delivery agencies, on-lend to eligible farm businesses)	Various	Various	Modified
Indigenous Business Australia					
Indigenous Home Ownership, Business Development and Assistance	736	Eligible Indigenous persons	4.10 per cent*	4.0-28.1 years*	Modified
Department of the Treasury					
International Monetary Fund New Arrangements to Borrow	474	International Monetary Fund	0.628 per cent	10 years	Modified

Table C2: Summary of material changes to Australian Government loans exceeding \$200 million since the 2017-18 Budget (continued)

Entity	Loan amount ^(a) (\$m)	Borrower	Interest rate	Term	Status
Department of Education and Training					
Trade Support Loans Program	410	Eligible Australian Apprentices	Consumer Price Index (CPI)	— [#]	Modified
Department of Social Services					
Student Financial Supplement Scheme	310	Eligible recipients of Youth Allowance (student), Austudy and ABSTUDY	Consumer Price Index (CPI)	Various	Modified
Indigenous Land Corporation					
Voyages Indigenous Tourism Australia Pty Ltd	308	Voyages Indigenous Tourism Australia Pty Ltd	90 Day bank bill swap reference rate + 5 per cent	9 years, 11 months	Modified
Department of Health					
Zero Real Interest Loans	268	Residential aged care providers	All Groups Consumer Price Index (CPI)	Up to 22 years	Modified
Export Finance and Insurance Corporation					
Papua New Guinea Liquefied Natural Gas	264	Entities associated with the Papua New Guinea Liquefied Natural Gas project	Commercial-In-Confidence	Until 2026	Modified
Department of Industry, Innovation and Science					
Northern Australia Infrastructure Facility Loans	201	Northern Australia jurisdictions for on-lending to project proponents	5 per cent [^]	30 years [^]	New

* Average

[#] To be determined after sufficient numbers of compulsory repayments commence.

[^] Estimated

(a) Loan amount is the estimated loan program amounts outstanding as at 30 June 2018 in \$ million.

Higher Education Loan Program

The Higher Education Loan Program (HELP) is an income contingent loan program that assists eligible tertiary education students with the cost of their fees. As at 30 June 2018, the fair value of debt outstanding is estimated to be \$43.3 billion. The fair value takes into account the concessionality of HELP loans and makes an allowance for debt not expected to be repaid.

Debts are indexed annually by the Consumer Price Index. The repayment term depends on individual circumstances including the amount borrowed and each debtor's income. There were 2,659,057 HELP debtors as at 30 June 2017. The repayment term of a HELP debt can only be determined for people who have fully repaid their debt. As at the end of June 2017, the average time taken to repay HELP debts was 8.9 years.

HELP comprises a number of programs, including the VET Student Loans program, which replaced VET FEE-HELP from 1 January 2017.

NBN Co Loan

The Australian Government has provided a loan to NBN Co on commercial terms of up to \$19.5 billion for the period from 1 July 2017 to 30 June 2021, with drawings available on a monthly basis. The loan has a fixed interest rate of 3.96 per cent, with interest calculated daily and payable monthly over the life of the facility. The full principal amount of the loan is to be repaid by NBN Co on 30 June 2021.

A Government loan on commercial terms represents the most cost effective way to raise necessary debt and secure funding to complete the rollout of this important national infrastructure project. A government loan will assist in ensuring NBN Co can focus on the remaining rollout as it significantly scales up toward completion in 2020.

Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) has developed a portfolio of loans and investments across the spectrum of clean energy technologies, as required by the *Clean Energy Finance Corporation Act 2012*. This portfolio has an acceptable but not excessive level of risk relative to the sector, as required under the Clean Energy Finance Corporation Investment Mandate Direction 2016 (No.2).

The CEFC's loan portfolio consists of predominantly senior ranking, secured loans, and secured project finance facilities, typically secured against energy generating assets such as wind or solar farms or biogas facilities or energy efficiency assets. The CEFC has predominantly made loans as a co-financier either jointly or in consortiums with private sector financial institutions. Interest rates vary with a current average expected return of approximately 4.6 per cent. Loans have various maturity dates, typically in the range of 5-15 years. As at 30 June 2018 loans contracted and outstanding are expected to total \$2.0 billion.

Commonwealth-State financing arrangements — Housing and Specific Purpose Capital

From 1945 to 1989, the Australian Government made concessional advances to the State and Northern Territory Governments under Commonwealth-State financing arrangements for housing and for specific purpose capital. The advances are concessional fixed rate loans to be repaid over 53 years, with the last loans maturing in 2042. Annual payments, comprising both interest and principal repayment, are made by the States and the Northern Territory. As at 30 June 2018, the estimated amortised value of the advances is \$1.79 billion.

The Australian Office of Financial Management manages the receipt of interest and principal repayments from the State and Northern Territory Governments.

WestConnex Stage 2 Concessional Loan

The WestConnex Concessional Loan is a \$2 billion loan facility provided to WCX M5 Finco Pty Ltd, a company wholly owned by the Sydney Motorway Corporation, to accelerate Stage 2 of the WestConnex project. The concessional loan assisted in ensuring finance for the New M5 thereby accelerating delivery of Stage 2 and allowing Stage 1 and Stage 2 of the project to be built concurrently. Stage 2 comprises of the King Georges Road Interchange Upgrade that is now complete and the New M5 that is now under construction.

Concessional loan for asbestos removal in the ACT — Mr Fluffy loose fill asbestos remediation

On 27 January 2015, the Australian Government provided the ACT Government with a \$1.0 billion concessional loan to deliver a program to buy-back and demolish houses in the ACT affected by Mr Fluffy loose fill asbestos.

The ACT Government will make annual repayments to the Australian Government from 2017-18 to 2023-24.

Drought related and Farm Finance Concessional Loans – Agriculture

As at 30 June 2018, the fair value of farm business, drought and dairy farm related loans is estimated to total \$888.1 million. These include:

Drought Concessional Loans Scheme: This scheme provided loans to drought affected farm businesses for debt restructuring, operating expenses and drought recovery and preparedness activities. The scheme commenced in June 2014 as a loans scheme available for two years and operated in Queensland, Victoria, New South Wales, South Australia, Western Australia, Tasmania and the Northern Territory. The Government extended the application period until 31 October 2016 to cover the period until the new 10-year Drought Concessional Loans Scheme was able to commence on 1 November 2016. The Government also extended the Western Australian application period for the Drought Concessional Loans Scheme until 30 June 2017.

As at 1 August 2017, the interest rate is 3.01 per cent, reviewed on a six-monthly basis and revised in accordance with material changes in the five-year Commonwealth bond rate. Loans have a maximum term of five years, with an extenuating circumstances clause in some jurisdictions, which allows a maximum two-year extension to the loan at commercial rates.

Drought Recovery and Dairy Recovery Concessional Loans Scheme(s): The drought recovery component of this scheme provided loans to farm businesses affected by unprecedented drought or, where applicable, Queensland farm businesses directly impacted by the combined effects of drought and the mid-2011 disruption to live cattle exports to Indonesia. The loans funded planting and restocking activities and associated expenses, when seasonal conditions allow. The loans were available from January 2015 and in 2014-15 operated in Queensland and New South Wales. In 2015-16, drought recovery concessional loans were available in Queensland, New South Wales, South Australia and Tasmania.

The dairy recovery component of this scheme provided concessional loans to dairy farm businesses affected by the 2016 reduction in farm gate milk prices by Murray Goulburn, Fonterra and National Dairy Products. Loans were available for debt restructuring, providing new debt for operating expenses or productivity enhancement activities, or a combination of these purposes. Dairy recovery concessional loans became available in Victoria, New South Wales, South Australia and Tasmania from June 2016. Applications closed on 31 October 2016. A dairy recovery concessional loan product remains available under the Farm Business Concessional Loans Scheme until 30 June 2018.

As at 1 August 2017, the interest rate is 2.69 per cent, reviewed on a six-monthly basis and revised in accordance with changes in the 10-year Commonwealth bond rate. Loans have a maximum term of 10 years with interest-only payments required for the first five years. Principal and interest repayments will be made in the remaining five years of the loan term.

Farm Business Concessional Loans Scheme: This scheme provides three types of concessional loans – drought assistance, dairy recovery and business improvement. This scheme is designed to cover a farmer's short-term needs when income is tight and to supplement, rather than replace, commercial finance.

Drought assistance concessional loans are available in Queensland, New South Wales, Victoria, South Australia, Tasmania and the Northern Territory. Loans are available for debt restructuring, operating expenses, drought preparedness activities or drought recovery activities or a combination of these purposes.

Business improvement concessional loans are available in Queensland, New South Wales, Victoria, South Australia, Tasmania and the Northern Territory. Loans are available for eligible Farm Household Allowance (FHA) recipients who are recovering from financial hardship and who have exhausted, or will exhaust, by 30 June 2018, their FHA 1,095-day income support entitlement. These loans are for debt restructuring only.

Dairy recovery concessional loans are available in New South Wales, Victoria, South Australia and Tasmania to eligible suppliers of Murray Goulburn, Fonterra and National Dairy Products. Loans are available for debt restructuring, providing new debt for operating expenses, productivity enhancement activities or a combination of these purposes.

As at 1 August 2017, the interest rate is 3.09 per cent, reviewed on a six-monthly basis and revised in accordance with changes in the 10-year Commonwealth bond rate. Loans have a maximum term of 10 years.

Farm Finance Concessional Loans Scheme: This scheme provided concessional loans to eligible farm businesses experiencing financial difficulties that were considered commercially viable in the long term, and were for productivity enhancements and debt restructuring. Applications for Farm Finance Concessional Loans closed on 30 June 2015.

As at 1 August 2017, the interest rate is 3.51 per cent, reviewed on a six-monthly basis and revised in accordance with material changes in the five-year Commonwealth bond rate. Loans have a maximum term of five years, with an extenuating circumstances clause in some jurisdictions, which allows a maximum two-year extension to the loan, on commercial terms.

Indigenous Home Ownership, Business Development and Assistance

Indigenous Business Australia delivers flexible loans with concessional interest rates to improve Indigenous home ownership across Australia, including in remote Indigenous communities. Indigenous Business Australia also provides concessional interest rate business loans and business support to increase Indigenous ownership of small to medium sized enterprises, and support their sustainability and growth. As at 30 June 2018, the fair value of outstanding loans for Indigenous Home Ownership and Business Development and Assistance is estimated to total \$736 million.

International Monetary Fund New Arrangements to Borrow

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. On 4 November 2016, the IMF Executive Board agreed to renew the NAB for an additional five year period to 16 November 2022. The NAB is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The funds are drawn upon by the IMF as needed to supplement the IMF's usual quota

resources and will be repaid in full with interest. It is expected that the fair value of loans outstanding to Australia will be approximately A\$474 million as at 30 June 2018.

Trade Support Loans Program

The Trade Support Loans Program is an income contingent, concessional loan program that assists eligible Australian Apprentices by providing financial support of up to \$20,420 to assist with the costs of living, learning and undertaking an apprenticeship, helping apprentices to focus on completing a trade qualification.

Eligible Australian Apprentices can access up to \$8,168 in the first year, \$6,126 in the second, \$4,084 in the third and \$2,042 in the fourth year of their apprenticeships. The lifetime limit of \$20,000 was indexed on 1 July 2017 and will continue to be indexed annually on 1 July to maintain its real value.

As an incentive to finish their training, apprentices who successfully complete their apprenticeships are eligible for a 20 per cent discount on their loan. The loans become repayable at the same thresholds as the Higher Education Loan Program, which is \$55,874 in 2017-18. This is a demand driven program.

Student Financial Supplement Scheme

The Student Financial Supplement Scheme (SFSS) was a program under which student income support recipients could trade one dollar of entitlement for two dollars provided as an income contingent loan. The program closed for new recipients on 1 January 2004. The outstanding debt relates to debtors who received loans prior to 2004. Debtors are required to start repaying their SFSS loan once they earn more than \$55,874 for 2017-18. As at 30 June 2018, the fair value of loans outstanding is estimated to total \$310 million.

Indigenous Land Corporation-Voyages Indigenous Tourism Australia Pty Ltd

The Indigenous Land Corporation (ILC) purchased Ayers Rock Resort (ARR) for \$292 million in May 2011 and immediately on-sold it to its wholly-owned subsidiary, Voyages Indigenous Tourism Australia Pty Ltd (Voyages), creating an intercompany loan that is partly funded by borrowings. The interest rate is set at the 90 day bank bill swap reference rate plus 5 per cent, and is reset six-monthly. As at 30 June 2018, the outstanding loan is estimated to total \$308 million.

Zero Real Interest Loans

The Zero Real Interest Loans program provided loans to assist aged care providers to build or extend residential aged care services in areas of high need. Loans provided under the program attract an interest rate equivalent to the All Groups Consumer Price Index (updated quarterly). Four funding rounds were completed, with the final round of offers finalised in 2013. No further loans will be allocated under the program. It is estimated that by 30 June 2018, the total amount owing to the Commonwealth will be \$268 million.

Papua New Guinea Liquefied Natural Gas

The loan in support of the Papua New Guinea Liquefied Natural Gas (PNG LNG) project involves the development, construction, operation and maintenance of a LNG liquefaction plant, gas production and processing facilities, onshore and offshore pipelines, associated ancillary facilities and infrastructure. As at 30 June 2018, the fair value of the loan amount outstanding is estimated to total \$264 million.

Northern Australia Infrastructure Facility Loans

The Northern Australia Infrastructure Facility (NAIF) may approve loans to 30 June 2021 that aggregate to \$5 billion (with loan tenors of up to the longest term of Commonwealth borrowings) under the *Northern Australia Infrastructure Facility Act 2016*. The NAIF enables economic growth in northern Australia by facilitating investment in infrastructure through the provision of concessional financing, delivered through State and Territory governments. This may include developments in airports, communications, energy, tourism, ports, rail and water. NAIF investments may support growth in sectors across the north, such as food and agribusiness, international education, medical research, tourism, energy and resources. Under its Investment Mandate, the NAIF can only lend up to 50 per cent of the total debt for a proposed project.

APPENDIX D: HISTORICAL AUSTRALIAN GOVERNMENT DATA

This appendix reports historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

DATA SOURCES

Data are sourced from Australian Government *Final Budget Outcomes*, the Australian Bureau of Statistics (ABS), the Australian Office of Financial Management (AOFM) and Australian Government *Consolidated Financial Statements*.

- Accrual data from 1996-97 onwards and cash data, net debt data, net financial worth data and net worth data from 1999-2000 onwards are sourced from Australian Government *Final Budget Outcomes*. Back-casting adjustments for accounting classification changes and other revisions have been made from 1998-99 onwards where applicable.
- Cash data prior to 1999-2000 are sourced from ABS data, which have been calculated using methodology consistent with that used for later years in ABS cat. no. 5512.0 *Government Finance Statistics*.
- Net debt data prior to 1999-2000 are from ABS cat. no. 5512.0 *Government Finance Statistics 2003-04* in 1998-99, ABS cat. no. 5501.0 *Government Financial Estimates 1999-2000* and ABS cat. no. 5513.0 *Public Sector Financial Assets and Liabilities 1998* in 1987-88 to 1997-98, and Treasury estimates (see Treasury's *Economic Roundup*, Spring 1996, pages 97-103) prior to 1987-88.

COMPARABILITY OF DATA ACROSS YEARS

The data set contains a number of structural breaks owing to accounting classification differences and changes to the structure of the budget which cannot be eliminated through back-casting because of data limitations. These breaks can affect the comparability of data across years, especially when the analysis is taken over a large number of years. Specific factors causing structural breaks include:

- from 2005-06 onwards, underlying Government Finance Statistics (GFS) data are provided by agencies in accordance with Australian Accounting Standards (AAS) which includes International Financial Reporting Standards (IFRS) as adopted in Australia. Prior to 2005-06, underlying GFS data are based on data provided by agencies applying AAS prior to the adoption of IFRS;

- most recent accounting classification changes that require revisions to the historical series have been back-cast (where applicable) to 1998-99, ensuring that data are consistent across the accrual period from 1998-99 onwards. However, because of data limitations, these changes have not been back-cast to earlier years;
- prior to 1999-2000, Australian Government general government sector debt instruments are valued at historic cost, whereas from 1999-2000 onwards they are valued at market prices (consistent with accrual GFS standards). This affects net debt and net interest payments;
- cash data up to and including 1997-98 are calculated under a cash accounting framework, while cash data from 1998-99 onwards are derived from an accrual accounting framework.¹ Although the major methodological differences associated with the move to the accrual framework have been eliminated through back-casting, comparisons across the break may still be affected by changes to some data sources and collection methodologies;
- adjustments in the coverage of agencies included in the accounts of the different sectors. These include the reclassification of Central Banking Authorities from the general government to the public financial corporations sector in 1998-99, and subsequent back-casting to account for this change;
- changes in arrangements for transfer payments, where tax concessions or rebates have been replaced by payments through the social security system. This has the effect of increasing both cash receipts and payments, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction (tax expenditures replacing payments) reduce both cash payments and receipts; and
- classification differences in the data relating to the period prior to 1976-77 (which means that earlier data may not be entirely consistent with data for 1976-77 onwards).

REVISIONS TO PREVIOUSLY PUBLISHED DATA

Under the accrual GFS framework and generally under AAS, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods, and can be reliably assigned to the relevant period(s).

There have been no material classification changes that have resulted in back-casting in this update.

¹ Prior to the 2008-09 Budget, cash data calculated under the cash accounting framework were used up to and including 1998-99. In the 2008-09 Budget, cash data prior to 1998-99 have been replaced by ABS data derived from the accrual framework.

Table D1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance^(a)

	Receipts(b)		Payments(c)			Net Future Fund earnings	Underlying cash balance(d)	
	\$m	Per cent of GDP	\$m	Per cent real growth(f)	Per cent of GDP	\$m	\$m	Per cent of GDP
1970-71	8,290	20.6	7,389	na	18.3	-	901	2.2
1971-72	9,135	20.5	8,249	4.1	18.5	-	886	2.0
1972-73	9,735	19.6	9,388	7.7	18.9	-	348	0.7
1973-74	12,228	20.3	11,078	4.2	18.4	-	1,150	1.9
1974-75	15,643	22.0	15,463	19.9	21.7	-	181	0.3
1975-76	18,727	22.5	20,225	15.7	24.3	-	-1,499	-1.8
1976-77	21,890	22.8	23,157	0.6	24.1	-	-1,266	-1.3
1977-78	24,019	22.9	26,057	2.7	24.8	-	-2,037	-1.9
1978-79	26,129	22.0	28,272	0.3	23.8	-	-2,142	-1.8
1979-80	30,321	22.6	31,642	1.5	23.5	-	-1,322	-1.0
1980-81	35,993	23.7	36,176	4.6	23.8	-	-184	-0.1
1981-82	41,499	23.6	41,151	2.9	23.4	-	348	0.2
1982-83	45,463	24.0	48,810	6.3	25.8	-	-3,348	-1.8
1983-84	49,981	23.4	56,990	9.4	26.7	-	-7,008	-3.3
1984-85	58,817	25.0	64,853	9.1	27.6	-	-6,037	-2.6
1985-86	66,206	25.4	71,328	1.5	27.4	-	-5,122	-2.0
1986-87	74,724	26.1	77,158	-1.1	27.0	-	-2,434	-0.9
1987-88	83,491	25.8	82,039	-0.9	25.3	-	1,452	0.4
1988-89	90,748	24.7	85,326	-3.1	23.2	-	5,421	1.5
1989-90	98,625	24.4	92,684	0.6	22.9	-	5,942	1.5
1990-91	100,227	24.2	100,665	3.1	24.3	-	-438	-0.1
1991-92	95,840	22.7	108,472	5.7	25.7	-	-12,631	-3.0
1992-93	97,633	22.0	115,751	5.6	26.1	-	-18,118	-4.1
1993-94	103,824	22.3	122,009	3.5	26.2	-	-18,185	-3.9
1994-95	113,458	22.9	127,619	1.4	25.8	-	-14,160	-2.9
1995-96	124,429	23.6	135,538	1.9	25.7	-	-11,109	-2.1
1996-97	133,592	24.1	139,689	1.7	25.2	-	-6,099	-1.1
1997-98	140,736	23.9	140,587	0.6	23.9	-	149	0.0
1998-99	152,063	24.5	148,175	4.1	23.9	-	3,889	0.6
1999-00	166,199	25.1	153,192	1.0	23.2	-	13,007	2.0
2000-01	182,996	26.0	177,123	9.1	25.1	-	5,872	0.8
2001-02	187,588	24.9	188,655	3.5	25.0	-	-1,067	-0.1
2002-03	204,613	25.6	197,243	1.4	24.6	-	7,370	0.9
2003-04	217,775	25.3	209,785	3.9	24.4	-	7,990	0.9
2004-05	235,984	25.6	222,407	3.5	24.1	-	13,577	1.5
2005-06	255,943	25.7	240,136	4.6	24.1	51	15,757	1.6
2006-07	272,637	25.1	253,321	2.5	23.3	2,127	17,190	1.6
2007-08	294,917	25.1	271,843	3.8	23.1	3,319	19,754	1.7
2008-09	292,600	23.3	316,046	12.7	25.1	3,566	-27,013	-2.1
2009-10	284,662	21.9	336,900	4.2	25.9	2,256	-54,494	-4.2

Table D1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance^(a) (continued)

	Receipts(b)		Payments(c)			Net Future Fund earnings	Underlying cash balance(d)	
	\$m	Per cent of GDP	\$m	Per cent real growth(f)	Per cent of GDP	\$m	\$m	Per cent of GDP
2010-11	302,024	21.4	346,102	-0.4	24.5	3,385	-47,463	-3.4
2011-12	329,874	22.0	371,032	4.8	24.8	2,203	-43,360	-2.9
2012-13	351,052	22.9	367,204	-3.2	23.9	2,682	-18,834	-1.2
2013-14	360,322	22.6	406,430	7.8	25.5	2,348	-48,456	-3.0
2014-15	378,301	23.3	412,079	-0.3	25.4	4,089	-37,867	-2.3
2015-16	386,924	23.3	423,328	1.3	25.5	3,202	-39,606	-2.4
2016-17	409,868	23.3	439,375	2.0	25.0	3,644	-33,151	-1.9
2017-18 (e)	437,075	24.0	457,606	2.3	25.2	3,076	-23,608	-1.3
2018-19 (e)	463,091	24.5	480,080	2.7	25.4	3,503	-20,493	-1.1
2019-20 (p)	496,246	25.1	495,023	0.9	25.1	3,861	-2,638	-0.1
2020-21 (p)	525,609	25.4	515,446	1.6	24.9	4,115	10,163	0.5

(a) Data have been revised in the 2017-18 MYEFO to improve accuracy and comparability through time.

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

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

(d) Between 2005-06 and 2019-20, the underlying cash balance is equal to receipts less payments, less net Future Fund earnings. For the years 1970-71 to 2004-05 and from 2020-21 onwards, the underlying cash balance is equal to receipts less payments.

(e) Estimates.

(f) Real spending growth is calculated using the Consumer Price Index as the deflator.

(p) Projections.

Table D2: Australian Government general government sector net cash flows from investments in financial assets for policy purposes and headline cash balance^(a)

	Receipts		Payments		Net cash flows from investments in financial assets for policy purposes(b)		Headline cash balance(c)	
					Per cent of GDP		Per cent of GDP	
	\$m	\$m	\$m	\$m			\$m	
1970-71	8,290	7,389	-851	-2.1	50	0.1		
1971-72	9,135	8,249	-987	-2.2	-101	-0.2		
1972-73	9,735	9,388	-977	-2.0	-629	-1.3		
1973-74	12,228	11,078	-1,275	-2.1	-125	-0.2		
1974-75	15,643	15,463	-2,648	-3.7	-2,467	-3.5		
1975-76	18,727	20,225	-2,040	-2.5	-3,539	-4.3		
1976-77	21,890	23,157	-1,530	-1.6	-2,796	-2.9		
1977-78	24,019	26,057	-1,324	-1.3	-3,361	-3.2		
1978-79	26,129	28,272	-1,074	-0.9	-3,216	-2.7		
1979-80	30,321	31,642	-702	-0.5	-2,024	-1.5		
1980-81	35,993	36,176	-962	-0.6	-1,146	-0.8		
1981-82	41,499	41,151	-1,008	-0.6	-660	-0.4		
1982-83	45,463	48,810	-1,363	-0.7	-4,711	-2.5		
1983-84	49,981	56,990	-1,136	-0.5	-8,144	-3.8		
1984-85	58,817	64,853	-922	-0.4	-6,959	-3.0		
1985-86	66,206	71,328	-810	-0.3	-5,932	-2.3		
1986-87	74,724	77,158	-545	-0.2	-2,979	-1.0		
1987-88	83,491	82,039	657	0.2	2,109	0.7		
1988-89	90,748	85,326	168	0.0	5,589	1.5		
1989-90	98,625	92,684	1,217	0.3	7,159	1.8		
1990-91	100,227	100,665	1,563	0.4	1,125	0.3		
1991-92	95,840	108,472	2,156	0.5	-10,475	-2.5		
1992-93	97,633	115,751	2,471	0.6	-15,647	-3.5		
1993-94	103,824	122,009	3,447	0.7	-14,738	-3.2		
1994-95	113,458	127,619	1,546	0.3	-12,614	-2.6		
1995-96	124,429	135,538	5,188	1.0	-5,921	-1.1		
1996-97	133,592	139,689	7,241	1.3	1,142	0.2		
1997-98	140,736	140,587	15,154	2.6	15,303	2.6		
1998-99	152,063	148,175	6,948	1.1	10,837	1.7		
1999-00	166,199	153,192	9,500	1.4	22,507	3.4		
2000-01	182,996	177,123	5,673	0.8	11,545	1.6		
2001-02	187,588	188,655	3,422	0.5	2,355	0.3		
2002-03	204,613	197,243	-229	0.0	7,141	0.9		
2003-04	217,775	209,785	-452	-0.1	7,538	0.9		
2004-05	235,984	222,407	-1,139	-0.1	12,438	1.3		
2005-06	255,943	240,136	-1,647	-0.2	14,160	1.4		
2006-07	272,637	253,321	7,403	0.7	26,720	2.5		
2007-08	294,917	271,843	5,108	0.4	28,181	2.4		
2008-09	292,600	316,046	-7,889	-0.6	-31,336	-2.5		
2009-10	284,662	336,900	-4,278	-0.3	-56,516	-4.4		

Table D2: Australian Government general government sector net cash flows from investments in financial assets for policy purposes and headline cash balance^(a) (continued)

			Net cash flows from investments in financial assets for policy purposes(b)		Headline cash balance(c)	
	Receipts	Payments	\$m	Per cent of GDP	\$m	Per cent of GDP
	\$m	\$m				
2010-11	302,024	346,102	-7,028	-0.5	-51,106	-3.6
2011-12	329,874	371,032	-5,866	-0.4	-47,023	-3.1
2012-13	351,052	367,204	-4,802	-0.3	-20,954	-1.4
2013-14	360,322	406,430	-6,371	-0.4	-52,479	-3.3
2014-15	378,301	412,079	-5,158	-0.3	-38,936	-2.4
2015-16	386,924	423,328	-12,684	-0.8	-49,088	-3.0
2016-17	409,868	439,375	-13,501	-0.8	-43,008	-2.4
2017-18 (e)	437,075	457,606	-19,042	-1.0	-39,573	-2.2
2018-19 (e)	463,091	480,080	-19,245	-1.0	-36,235	-1.9
2019-20 (p)	496,246	495,023	-14,430	-0.7	-13,206	-0.7
2020-21 (p)	525,609	515,446	7,248	0.4	17,412	0.8

(a) Data have been revised in the 2017-18 MYEFO to improve accuracy and comparability through time.

(b) Prior to 1999-2000, net cash flows from investments in financial assets for policy purposes were referred to as 'net advances'. A negative number reflects a cash outflow, while a positive number reflects a cash inflow.

(c) Headline cash balance is equal to receipts less payments, plus net cash flows from investments in financial assets for policy purposes. Receipts and payments are identical to Table D1.

(e) Estimates.

(p) Projections.

Table D3: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts^(a)

	Taxation receipts		Non-taxation receipts		Total receipts(b)	
		Per cent		Per cent		Per cent
	\$m	of GDP	\$m	of GDP	\$m	of GDP
1970-71	7,193	17.8	1,097	2.7	8,290	20.6
1971-72	7,895	17.7	1,240	2.8	9,135	20.5
1972-73	8,411	16.9	1,324	2.7	9,735	19.6
1973-74	10,832	18.0	1,396	2.3	12,228	20.3
1974-75	14,141	19.9	1,502	2.1	15,643	22.0
1975-76	16,920	20.3	1,807	2.2	18,727	22.5
1976-77	19,714	20.5	2,176	2.3	21,890	22.8
1977-78	21,428	20.4	2,591	2.5	24,019	22.9
1978-79	23,409	19.7	2,720	2.3	26,129	22.0
1979-80	27,473	20.4	2,848	2.1	30,321	22.6
1980-81	32,641	21.5	3,352	2.2	35,993	23.7
1981-82	37,880	21.6	3,619	2.1	41,499	23.6
1982-83	41,025	21.7	4,438	2.3	45,463	24.0
1983-84	44,849	21.0	5,132	2.4	49,981	23.4
1984-85	52,970	22.5	5,847	2.5	58,817	25.0
1985-86	58,841	22.6	7,365	2.8	66,206	25.4
1986-87	66,467	23.3	8,257	2.9	74,724	26.1
1987-88	75,076	23.2	8,415	2.6	83,491	25.8
1988-89	83,452	22.7	7,296	2.0	90,748	24.7
1989-90	90,773	22.5	7,852	1.9	98,625	24.4
1990-91	92,739	22.4	7,488	1.8	100,227	24.2
1991-92	87,364	20.7	8,476	2.0	95,840	22.7
1992-93	88,760	20.0	8,873	2.0	97,633	22.0
1993-94	93,362	20.0	10,462	2.2	103,824	22.3
1994-95	104,921	21.2	8,537	1.7	113,458	22.9
1995-96	115,700	21.9	8,729	1.7	124,429	23.6
1996-97	124,559	22.4	9,033	1.6	133,592	24.1
1997-98	130,984	22.3	9,752	1.7	140,736	23.9
1998-99	138,420	22.3	13,643	2.2	152,063	24.5
1999-00	151,313	22.9	14,887	2.3	166,199	25.1
2000-01	170,354	24.2	12,641	1.8	182,996	26.0
2001-02	175,371	23.3	12,218	1.6	187,588	24.9
2002-03	192,391	24.0	12,222	1.5	204,613	25.6
2003-04	206,734	24.0	11,041	1.3	217,775	25.3
2004-05	223,986	24.3	11,999	1.3	235,984	25.6
2005-06	241,987	24.3	13,956	1.4	255,943	25.7
2006-07	258,252	23.8	14,385	1.3	272,637	25.1
2007-08	279,317	23.8	15,600	1.3	294,917	25.1
2008-09	273,674	21.7	18,926	1.5	292,600	23.3
2009-10	262,167	20.2	22,495	1.7	284,662	21.9

Table D3: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts^(a) (continued)

	Taxation receipts		Non-taxation receipts		Total receipts(b)	
		Per cent		Per cent		Per cent
	\$m	of GDP	\$m	of GDP	\$m	of GDP
2010-11	282,106	19.9	19,918	1.4	302,024	21.4
2011-12	311,269	20.8	18,606	1.2	329,874	22.0
2012-13	327,835	21.4	23,218	1.5	351,052	22.9
2013-14	340,283	21.3	20,038	1.3	360,322	22.6
2014-15	353,883	21.8	24,418	1.5	378,301	23.3
2015-16	362,387	21.8	24,537	1.5	386,924	23.3
2016-17	379,271	21.6	30,597	1.7	409,868	23.3
2017-18 (e)	409,350	22.5	27,725	1.5	437,075	24.0
2018-19 (e)	432,324	22.9	30,766	1.6	463,091	24.5
2019-20 (p)	462,669	23.4	33,577	1.7	496,246	25.1
2020-21 (p)	491,505	23.8	34,105	1.7	525,609	25.4

(a) Data have been revised in the 2017-18 MYEFO to improve accuracy and comparability through time.

(b) Receipts are equal to receipts from operating activities and sales of non-financial assets. Receipts are identical to Table D1.

(e) Estimates.

(p) Projections.

Table D4: Australian Government general government sector net debt and net interest payments^(a)

	Net debt(b)		Net interest payments(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	344	0.9	-189	-0.5
1971-72	-496	-1.1	-245	-0.6
1972-73	-790	-1.6	-252	-0.5
1973-74	-1,851	-3.1	-286	-0.5
1974-75	-1,901	-2.7	-242	-0.3
1975-76	-341	-0.4	-330	-0.4
1976-77	898	0.9	-62	-0.1
1977-78	2,896	2.8	4	0.0
1978-79	4,983	4.2	254	0.2
1979-80	6,244	4.6	440	0.3
1980-81	6,356	4.2	620	0.4
1981-82	5,919	3.4	680	0.4
1982-83	9,151	4.8	896	0.5
1983-84	16,015	7.5	1,621	0.8
1984-85	21,896	9.3	2,813	1.2
1985-86	26,889	10.3	3,952	1.5
1986-87	29,136	10.2	4,762	1.7
1987-88	27,344	8.4	4,503	1.4
1988-89	21,981	6.0	4,475	1.2
1989-90	16,123	4.0	4,549	1.1
1990-91	16,915	4.1	3,636	0.9
1991-92	31,041	7.3	3,810	0.9
1992-93	55,218	12.5	3,986	0.9
1993-94	70,223	15.1	5,628	1.2
1994-95	83,492	16.9	7,292	1.5
1995-96	95,831	18.2	8,861	1.7
1996-97	96,281	17.3	9,489	1.7
1997-98	82,935	14.1	8,279	1.4
1998-99	72,065	11.6	8,649	1.4
1999-00	57,661	8.7	7,514	1.1
2000-01	46,802	6.6	6,195	0.9
2001-02	42,263	5.6	5,352	0.7
2002-03	33,403	4.2	3,758	0.5
2003-04	26,995	3.1	3,040	0.4
2004-05	15,604	1.7	2,502	0.3
2005-06	331	0.0	2,303	0.2
2006-07	-24,288	-2.2	228	0.0
2007-08	-39,958	-3.4	-1,015	-0.1
2008-09	-11,285	-0.9	-1,196	-0.1
2009-10	47,874	3.7	2,386	0.2

Table D4: Australian Government general government sector net debt and net interest payments^(a) (continued)

	Net debt(b)		Net interest payments(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
2010-11	90,660	6.4	4,608	0.3
2011-12	153,443	10.3	6,609	0.4
2012-13	159,594	10.4	8,285	0.5
2013-14	209,559	13.1	10,843	0.7
2014-15	245,817	15.2	10,868	0.7
2015-16	303,467	18.3	12,041	0.7
2016-17	322,320	18.4	12,365	0.7
2017-18 (e)	343,778	18.9	13,375	0.7
2018-19 (e)	363,177	19.2	13,212	0.7
2019-20 (p)	365,150	18.5	12,897	0.7
2020-21 (p)	355,277	17.2	14,495	0.7

(a) Data have been revised in the 2017-18 MYEFO to improve accuracy and comparability through time.

(b) Net debt is equal to the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

(c) Net interest payments are equal to the difference between interest paid and interest receipts.

(e) Estimates.

(p) Projections.

Table D5: Australian Government general government sector face value of Commonwealth Government Securities (CGS) on issue and interest paid^(a)

	Face value of CGS on issue(b)					
	Total CGS on issue(c)		Subject to Treasurer's Direction(d)		Interest paid(f)	
	End of year \$m	Per cent of GDP	End of year \$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	10,887	27.0	-	-	580	1.4
1971-72	11,490	25.8	-	-	614	1.4
1972-73	12,217	24.6	-	-	675	1.4
1973-74	12,809	21.2	-	-	712	1.2
1974-75	14,785	20.8	-	-	893	1.3
1975-76	17,940	21.5	-	-	1,001	1.2
1976-77	20,845	21.7	-	-	1,485	1.5
1977-78	23,957	22.8	-	-	1,740	1.7
1978-79	28,120	23.7	-	-	2,080	1.8
1979-80	29,321	21.8	-	-	2,356	1.8
1980-81	30,189	19.8	-	-	2,723	1.8
1981-82	31,060	17.7	-	-	3,058	1.7
1982-83	37,071	19.6	-	-	3,580	1.9
1983-84	45,437	21.3	-	-	4,558	2.1
1984-85	54,420	23.2	-	-	5,952	2.5
1985-86	63,089	24.2	-	-	7,394	2.8
1986-87	67,172	23.5	-	-	8,339	2.9
1987-88	62,794	19.4	-	-	8,139	2.5
1988-89	56,854	15.5	-	-	8,222	2.2
1989-90	48,399	12.0	-	-	8,064	2.0
1990-91	48,723	11.8	-	-	6,994	1.7
1991-92	58,826	13.9	-	-	6,819	1.6
1992-93	76,509	17.3	-	-	6,487	1.5
1993-94	90,889	19.5	-	-	7,709	1.7
1994-95	105,466	21.3	-	-	9,144	1.8
1995-96	110,166	20.9	-	-	10,325	2.0
1996-97	111,067	20.0	-	-	10,653	1.9
1997-98	93,664	15.9	-	-	9,453	1.6
1998-99	85,331	13.8	-	-	9,299	1.5
1999-00	75,536	11.4	-	-	8,509	1.3
2000-01	66,403	9.4	-	-	7,335	1.0
2001-02	63,004	8.4	-	-	6,270	0.8
2002-03	57,435	7.2	-	-	4,740	0.6
2003-04	54,750	6.4	-	-	4,096	0.5
2004-05	55,151	6.0	-	-	3,902	0.4
2005-06	54,070	5.4	-	-	4,628	0.5
2006-07	53,264	4.9	-	-	3,959	0.4
2007-08	55,442	4.7	-	-	3,754	0.3
2008-09	101,147	8.0	95,103	7.6	3,970	0.3
2009-10	147,133	11.3	141,806	10.9	6,411	0.5

Table D5: Australian Government general government sector face value of Commonwealth Government Securities (CGS) on issue and interest paid^(a) (continued)

	Face value of CGS on issue(b)					
	Total CGS on issue(c)		Subject to Treasurer's Direction(d)		Interest paid(f)	
	End of year \$m	Per cent of GDP	End of year \$m	Per cent of GDP	\$m	Per cent of GDP
2010-11	191,292	13.5	186,704	13.2	9,551	0.7
2011-12	233,976	15.6	229,389	15.3	10,875	0.7
2012-13	257,378	16.8	252,791	16.5	11,846	0.8
2013-14	319,481	20.0	316,952	19.9	13,972	0.9
2014-15	368,738	22.7	366,202	22.6	13,924	0.9
2015-16	420,420	25.3	417,936	25.2	14,977	0.9
2016-17	500,979	28.5	498,510	28.4	15,290	0.9
2017-18 (e)	534,000	29.4	531,000	29.2	16,623	0.9
2018-19 (e)	567,000	30.0	565,000	29.9	17,263	0.9
2019-20 (p)	591,000	29.9	588,000	29.8	17,790	0.9
2020-21 (p)	583,000	28.2	583,000	28.2	19,837	1.0

(a) Data have been revised in the 2017-18 MYEFO to improve accuracy and comparability through time.

(b) From 2017-18 onwards, data for CGS on issue are projections and are rounded to the nearest \$1 billion.

(c) Total CGS on issue includes CGS held on behalf of the States and the Northern Territory, but excludes Commonwealth holdings of CGS.

(d) The face value of CGS subject to the Treasurer's Direction excludes the stock and securities outlined in subsection 51JA(2A) of the *Commonwealth Inscribed Stock Act 1911*. These are the same stock and securities that were excluded from the previous legislative debt limit. Data on CGS on issue subject to the Treasurer's Direction are not available prior to 2008-09 because the limit was first introduced in July 2008.

(e) Estimates.

(f) Interest paid consists of all cash interest payments of the general government sector, including those relating to CGS on issue.

(p) Projections.

Table D6: Australian Government general government sector revenue, expenses, net operating balance, net operating balance, net capital investment and fiscal balance^(a)

	Revenue		Expenses		Net operating balance(b)		Net capital investment		Fiscal balance(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1996-97	141,688	25.5	145,821	26.3	-4,133	-0.7	90	0.0	-4,223	-0.8
1997-98	146,820	25.0	148,652	25.3	-1,832	-0.3	147	0.0	-1,979	-0.3
1998-99	152,106	24.5	146,772	23.7	5,334	0.9	1,433	0.2	3,901	0.6
1999-00	167,304	25.3	155,558	23.5	11,746	1.8	-69	0.0	11,815	1.8
2000-01	186,106	26.4	180,090	25.6	6,016	0.9	8	0.0	6,007	0.9
2001-02	190,432	25.3	192,984	25.6	-2,553	-0.3	382	0.1	-2,935	-0.4
2002-03	206,778	25.8	201,113	25.1	5,665	0.7	287	0.0	5,377	0.7
2003-04	222,042	25.8	215,235	25.0	6,808	0.8	660	0.1	6,148	0.7
2004-05	242,354	26.3	229,092	24.9	13,261	1.4	1,034	0.1	12,228	1.3
2005-06	260,569	26.2	241,665	24.3	18,904	1.9	2,498	0.3	16,406	1.6
2006-07	277,895	25.6	258,761	23.8	19,134	1.8	2,333	0.2	16,801	1.5
2007-08	303,402	25.8	279,862	23.8	23,540	2.0	2,593	0.2	20,948	1.8
2008-09	298,508	23.7	324,387	25.8	-25,879	-2.1	4,064	0.3	-29,943	-2.4
2009-10	292,387	22.5	339,829	26.2	-47,442	-3.7	6,433	0.5	-53,875	-4.1
2010-11	309,204	21.9	356,084	25.2	-46,880	-3.3	5,297	0.4	-52,176	-3.7
2011-12	337,324	22.5	377,220	25.2	-39,896	-2.7	4,850	0.3	-44,746	-3.0
2012-13	359,496	23.4	382,397	24.9	-22,901	-1.5	987	0.1	-23,888	-1.6
2013-14	374,151	23.4	414,500	26.0	-40,349	-2.5	3,850	0.2	-44,198	-2.8
2014-15	379,455	23.4	417,514	25.8	-38,059	-2.3	2,706	0.2	-40,764	-2.5
2015-16	395,055	23.8	428,691	25.8	-33,636	-2.0	3,829	0.2	-37,464	-2.3
2016-17	415,723	23.7	447,807	25.5	-32,084	-1.8	2,876	0.2	-34,960	-2.0
2017-18 (e)	448,702	24.7	466,937	25.7	-18,235	-1.0	193	0.0	-18,428	-1.0
2018-19 (e)	475,588	25.2	485,512	25.7	-9,924	-0.5	4,823	0.3	-14,747	-0.8
2019-20 (p)	507,811	25.7	501,026	25.4	6,785	0.3	5,261	0.3	1,524	0.1
2020-21 (p)	538,220	26.0	517,318	25.0	20,902	1.0	6,094	0.3	14,808	0.7

(a) Data have been revised in the 2017-18 MYEFO to improve accuracy and comparability through time.

(b) Net operating balance is equal to revenue less expenses.

(c) Fiscal balance is equal to revenue less expenses less net capital investment.

(e) Estimates.

(p) Projections.

Table D7: Australian Government general government sector net worth and net financial worth^(a)

	Net worth(b)		Net financial worth(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1999-00	-10,424	-1.6	-70,414	-10.7
2000-01	-10,287	-1.5	-75,544	-10.7
2001-02	-15,330	-2.0	-81,707	-10.8
2002-03	-18,856	-2.4	-86,456	-10.8
2003-04	-4,740	-0.6	-75,976	-8.8
2004-05	11,066	1.2	-62,372	-6.8
2005-06	14,293	1.4	-63,442	-6.4
2006-07	42,677	3.9	-39,370	-3.6
2007-08	67,122	5.7	-18,428	-1.6
2008-09	15,452	1.2	-75,465	-6.0
2009-10	-50,383	-3.9	-148,930	-11.5
2010-11	-100,504	-7.1	-203,904	-14.4
2011-12	-252,046	-16.8	-360,672	-24.1
2012-13	-207,769	-13.5	-317,843	-20.7
2013-14	-261,596	-16.4	-375,882	-23.6
2014-15	-308,390	-19.0	-427,169	-26.3
2015-16	-423,674	-25.5	-548,028	-33.0
2016-17	-390,897	-22.3	-529,225	-30.1
2017-18 (e)	-310,660	-17.1	-451,326	-24.8
2018-19 (e)	-323,304	-17.1	-468,030	-24.8
2019-20 (p)	-319,316	-16.2	-468,547	-23.7
2020-21 (p)	-301,141	-14.6	-455,700	-22.1

(a) Data have been revised in the 2017-18 MYEFO to improve accuracy and comparability through time.

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

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

(e) Estimates.

(p) Projections.

Table D8: Australian Government general government sector accrual taxation revenue, non-taxation revenue and total revenue^(a)

	Taxation revenue		Non-taxation revenue		Total revenue	
	\$m	Per cent	\$m	Per cent	\$m	Per cent
		of GDP		of GDP		of GDP
1999-00	153,409	23.2	13,895	2.1	167,304	25.3
2000-01	175,876	25.0	10,229	1.5	186,106	26.4
2001-02	178,410	23.7	12,022	1.6	190,432	25.3
2002-03	195,319	24.4	11,458	1.4	206,778	25.8
2003-04	210,541	24.5	11,501	1.3	222,042	25.8
2004-05	230,490	25.0	11,863	1.3	242,354	26.3
2005-06	245,846	24.7	14,723	1.5	260,569	26.2
2006-07	262,876	24.2	15,019	1.4	277,895	25.6
2007-08	286,869	24.4	16,534	1.4	303,402	25.8
2008-09	279,303	22.2	19,206	1.5	298,508	23.7
2009-10	268,841	20.7	23,546	1.8	292,387	22.5
2010-11	289,566	20.5	19,639	1.4	309,204	21.9
2011-12	317,413	21.2	19,911	1.3	337,324	22.5
2012-13	338,106	22.0	21,390	1.4	359,496	23.4
2013-14	353,239	22.1	20,912	1.3	374,151	23.4
2014-15	356,321	22.0	23,134	1.4	379,455	23.4
2015-16	369,410	22.3	25,645	1.5	395,055	23.8
2016-17	388,641	22.1	27,082	1.5	415,723	23.7
2017-18 (e)	421,508	23.2	27,194	1.5	448,702	24.7
2018-19 (e)	443,137	23.5	32,451	1.7	475,588	25.2
2019-20 (p)	473,429	24.0	34,382	1.7	507,811	25.7
2020-21 (p)	502,395	24.3	35,825	1.7	538,220	26.0

(a) Data have been revised in the 2017-18 MYEFO to improve accuracy and comparability through time.

(e) Estimates.

(p) Projections.

Table D9: Australian Government cash receipts, payments and surplus by institutional sector (\$m)^(a)

	General government						Non-financial public sector					
	Public non-financial corporations			Underlying cash			Public non-financial corporations			Underlying cash		
	Receipts(b)	Payments(c)	balance(d)	Receipts(b)	Payments(f)	Cash surplus	Receipts(b)	Payments(f)	Cash surplus	Receipts(b)	Payments(f)	Cash surplus
1988-89	90,748	85,326	5,421	4,177	6,035	257	93,923	90,312	5,678	93,923	90,312	5,678
1989-90	98,625	92,684	5,942	3,926	11,322	-5,261	101,495	102,883	681	101,495	102,883	681
1990-91	100,227	100,665	-438	4,804	9,351	-2,139	103,837	108,808	-2,577	103,837	108,808	-2,577
1991-92	95,840	108,472	-12,631	3,899	7,713	101	97,937	114,369	-12,530	97,937	114,369	-12,530
1992-93	97,633	115,751	-18,118	4,385	7,819	-196	100,512	122,042	-18,314	100,512	122,042	-18,314
1993-94	103,824	122,009	-18,185	5,178	6,476	1,482	106,747	126,214	-16,703	106,747	126,214	-16,703
1994-95	113,458	127,619	-14,160	5,262	7,318	1,956	116,751	132,965	-12,204	116,751	132,965	-12,204
1995-96	124,429	135,538	-11,109	4,927	8,190	-527	126,593	140,963	-11,636	126,593	140,963	-11,636
1996-97	133,592	139,689	-6,099	4,782	7,373	473	135,259	143,948	-5,626	135,259	143,948	-5,626
1997-98	140,736	140,587	149	6,238	7,923	1,119	144,517	145,985	1,268	144,517	145,985	1,268
1998-99	152,063	148,175	3,889	na	na	-353	na	na	3,536	na	na	3,536
1999-00	166,199	153,192	13,007	na	na	-2,594	na	na	10,413	na	na	10,413
2000-01	182,996	177,123	5,872	na	na	391	na	na	6,323	na	na	6,323
2001-02	187,588	188,655	-1,067	na	na	1,210	na	na	65	na	na	65
2002-03	204,613	197,243	7,370	27,386	26,105	1,280	na	na	8,651	na	na	8,651
2003-04	217,775	209,785	7,990	27,718	26,142	1,575	238,236	228,664	9,569	238,236	228,664	9,569
2004-05	235,984	222,407	13,577	29,621	28,071	1,550	257,946	242,805	15,141	257,946	242,805	15,141
2005-06	255,943	240,136	15,757	30,875	31,874	-999	278,254	263,421	14,833	278,254	263,421	14,833
2006-07	272,637	253,321	17,190	16,882	18,641	-1,759	285,336	267,719	17,625	285,336	267,719	17,625
2007-08	294,917	271,843	19,754	7,758	8,231	-472	300,503	277,754	22,800	300,503	277,754	22,800
2008-09	292,600	316,046	-27,013	7,987	8,960	-973	297,421	321,275	-23,786	297,421	321,275	-23,786
2009-10	284,662	336,900	-54,494	8,419	9,341	-922	290,681	343,816	-52,879	290,681	343,816	-52,879

Table D9: Australian Government cash receipts, payments and surplus by institutional sector (\$m)^(a) (continued)

	General government				Public non-financial corporations				Non-financial public sector				
	Receipts(b)	Payments(c)	Underlying cash balance(d)	Cash surplus	Receipts(b)	Payments(f)	Cash surplus	Receipts(b)	Payments(f)	Cash surplus	Receipts(b)	Payments(f)	Cash surplus
2010-11	302,024	346,102	-47,463	-1,175	8,558	9,733	-1,175	308,258	353,452	-44,911	308,258	353,452	-44,911
2011-12	329,874	371,032	-43,360	-2,002	8,845	10,847	-2,002	336,122	379,266	-42,763	336,122	379,266	-42,763
2012-13	351,052	367,204	-18,834	-3,294	9,766	13,061	-3,294	358,088	377,221	-19,133	358,088	377,221	-19,133
2013-14	360,322	406,430	-48,456	-3,204	11,042	14,246	-3,204	368,521	417,248	-48,726	368,521	417,248	-48,726
2014-15	378,301	412,079	-37,867	-3,880	11,256	15,136	-3,880	386,643	424,229	-37,586	386,643	424,229	-37,586
2015-16	386,924	423,328	-39,606	-6,147	11,606	17,753	-6,147	395,842	438,228	-42,386	395,842	438,228	-42,386
2016-17	409,868	439,375	-33,151	-7,138	12,406	19,543	-7,138	419,433	456,020	-36,587	419,433	456,020	-36,587
2017-18 (e)	437,075	457,606	-23,608	-11,245	13,696	24,940	-11,245	449,265	481,040	-31,776	449,265	481,040	-31,776
2018-19 (e)	463,091	480,080	-20,493	na	na	na	na	na	na	na	na	na	na
2019-20 (p)	496,246	495,023	-2,638	na	na	na	na	na	na	na	na	na	na
2020-21 (p)	525,609	515,446	10,163	na	na	na	na	na	na	na	na	na	na

(a) Data have been revised in the 2017-18 MYEFO to improve accuracy and comparability through time.

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

(c) Payments in the general government sector are equal to payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(d) Between 2005-06 and 2019-20, the underlying cash balance is equal to receipts less payments, less net Future Fund earnings. For the years 1970-71 to 2004-05 and from 2020-21 onwards, the underlying cash balance is equal to receipts less payments.

(e) Estimates.

(f) Payments in the public non-financial corporations and non-financial public sectors are equal to payments for operating activities, purchases of non-financial assets and distributions paid.

(p) Projections.

na Data not available.

Table D10: Australian Government accrual revenue, expenses and fiscal balance by institutional sector (\$m)^(a)

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
1996-97	141,688	145,821	-4,223	27,431	26,015	-331	na	na	-4,554
1997-98	146,820	148,652	-1,979	29,618	26,999	2,360	na	na	387
1998-99	152,106	146,772	3,901	27,687	26,088	-816	175,891	168,958	3,085
1999-00	167,304	155,558	11,815	25,485	23,542	1,062	188,841	175,152	11,721
2000-01	186,106	180,090	6,007	25,869	24,762	-826	207,367	200,246	5,181
2001-02	190,432	192,984	-2,935	26,638	25,341	793	212,462	213,718	-2,142
2002-03	206,778	201,113	5,377	24,339	22,916	1,975	225,989	218,944	7,311
2003-04	222,042	215,235	6,148	25,449	23,444	2,143	241,746	232,934	8,291
2004-05	242,354	229,092	12,228	26,965	25,191	1,473	263,434	248,398	13,700
2005-06	260,569	241,665	16,406	28,143	29,531	-2,442	281,927	264,410	13,964
2006-07	277,895	258,761	16,801	15,443	16,360	-1,763	289,551	271,335	15,038
2007-08	303,402	279,862	20,948	6,854	6,686	-584	308,888	285,179	20,364
2008-09	298,508	324,387	-29,943	6,998	7,576	-1,495	303,309	329,766	-31,438
2009-10	292,387	339,829	-53,875	7,288	7,297	-1,079	298,033	345,483	-54,954
2010-11	309,204	356,084	-52,176	7,563	7,787	-1,446	315,001	362,106	-53,622
2011-12	337,324	377,220	-44,746	8,046	8,238	-2,158	343,722	383,810	-46,904
2012-13	359,496	382,397	-23,888	8,863	9,415	-4,189	366,642	390,094	-28,077
2013-14	374,151	414,500	-44,198	9,537	11,127	-6,070	381,971	423,910	-50,269
2014-15	379,455	417,514	-40,764	9,987	11,850	-4,856	387,719	427,641	-45,620

Table D10: Australian Government accrual revenue, expenses and fiscal balance by institutional sector (\$m)^(a) (continued)

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
2015-16	395,055	428,691	-37,464	10,044	12,809	-7,486	403,868	440,270	-44,950
2016-17	415,723	447,807	-34,960	10,894	15,035	-9,918	425,114	461,338	-44,879
2017-18 (e)	448,702	466,937	-18,428	11,718	17,694	-13,439	459,087	483,297	-31,867
2018-19 (e)	475,588	485,512	-14,747	na	na	na	na	na	na
2019-20 (p)	507,811	501,026	1,524	na	na	na	na	na	na
2020-21 (p)	538,220	517,318	14,808	na	na	na	na	na	na

(a) Data have been revised in the 2017-18 MYEFO to improve accuracy and comparability through time.

(b) Fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.

(e) Estimates.

(p) Projections.

na Data not available.

Table D11: Australian Government general government sector receipts, payments, underlying cash balance, net debt and net interest payments presented on a real per capita basis^(a)

	Taxation receipts	Non-taxation receipts	Total receipts	Payments	Underlying cash balance	Net debt	Net interest payments
1970-71	5,494	838	6,331	5,643	688	263	-144
1971-72	5,524	868	6,391	5,771	620	-347	-171
1972-73	5,484	863	6,348	6,122	227	-515	-164
1973-74	6,138	791	6,930	6,278	652	-1,049	-162
1974-75	6,797	722	7,519	7,433	87	-914	-116
1975-76	7,125	761	7,886	8,516	-631	-144	-139
1976-77	7,212	796	8,008	8,471	-463	329	-23
1977-78	7,073	855	7,928	8,601	-672	956	1
1978-79	7,066	821	7,887	8,534	-647	1,504	77
1979-80	7,430	770	8,200	8,557	-358	1,689	119
1980-81	7,954	817	8,771	8,815	-45	1,549	151
1981-82	8,208	784	8,992	8,916	75	1,283	147
1982-83	7,861	850	8,712	9,353	-642	1,754	172
1983-84	7,956	910	8,866	10,110	-1,243	2,841	288
1984-85	8,889	981	9,870	10,883	-1,013	3,674	472
1985-86	8,978	1,124	10,102	10,883	-782	4,103	603
1986-87	9,131	1,134	10,265	10,600	-334	4,003	654
1987-88	9,453	1,060	10,512	10,329	183	3,443	567
1988-89	9,628	842	10,470	9,844	625	2,536	516
1989-90	9,555	827	10,382	9,756	625	1,697	479
1990-91	9,153	739	9,893	9,936	-43	1,670	359
1991-92	8,368	812	9,180	10,390	-1,210	2,973	365
1992-93	8,341	834	9,175	10,877	-1,703	5,189	375
1993-94	8,532	956	9,488	11,150	-1,662	6,417	514
1994-95	9,191	748	9,938	11,179	-1,240	7,314	639
1995-96	9,608	725	10,333	11,255	-922	7,958	736
1996-97	10,096	732	10,828	11,322	-494	7,804	769
1997-98	10,511	783	11,294	11,282	12	6,655	664
1998-99	10,852	1,070	11,922	11,617	305	5,650	678
1999-00	11,455	1,127	12,582	11,597	985	4,365	569
2000-01	12,010	891	12,901	12,487	414	3,299	437
2001-02	11,882	828	12,710	12,782	-72	2,863	363
2002-03	12,500	794	13,294	12,815	479	2,170	244
2003-04	12,983	693	13,677	13,175	502	1,695	191
2004-05	13,566	727	14,293	13,470	822	945	152
2005-06	14,012	808	14,820	13,904	912	19	133
2006-07	14,269	795	15,064	13,997	950	-1,342	13
2007-08	14,630	817	15,447	14,239	1,035	-2,093	-53
2008-09	13,618	942	14,559	15,726	-1,344	-562	-60
2009-10	12,552	1,077	13,629	16,131	-2,609	2,292	114

Table D11: Australian Government general government sector receipts, payments, underlying cash balance, net debt and net interest payments presented on a real per capita basis^(a) (continued)

	Taxation receipts	Non-taxation receipts	Total receipts	Payments	Underlying cash balance	Net debt	Net interest payments
2010-11	12,919	912	13,831	15,849	-2,174	4,152	211
2011-12	13,687	818	14,505	16,314	-1,907	6,747	291
2012-13	13,849	981	14,829	15,512	-796	6,742	350
2013-14	13,781	812	14,593	16,460	-1,962	8,487	439
2014-15	13,886	958	14,844	16,169	-1,486	9,646	426
2015-16	13,817	936	14,753	16,141	-1,510	11,571	459
2016-17	14,003	1,130	15,133	16,222	-1,224	11,900	457
2017-18 (e)	14,624	990	15,615	16,348	-843	12,282	478
2018-19 (e)	14,891	1,060	15,951	16,536	-706	12,509	455
2019-20 (p)	15,351	1,114	16,465	16,425	-88	12,116	428
2020-21 (p)	15,666	1,087	16,753	16,429	324	11,324	462

(a) The real levels are derived using the Consumer Price Index (CPI). The current reference period for the CPI is 2011-12, which means the real levels per capita are reported in 2011-12 dollars. The ABS periodically updates the reference period for the CPI. The next update, which will be for the 2015-16 reference year, is planned for the December quarter 2017 to be released in January 2018.

(e) Estimates.

(p) Projections.