

SECTION 5 — BUDGET MEASURES

BUDGET MEASURES

A Budget measure is defined by this document as being a decision by Cabinet or Ministers that has been finalised since the 1997-98 Budget and has resulted in a cost or saving to underlying outlays in the years 1998-99 to 2001-02. This Section also provides information on certain non-tax revenue measures, and certain tax measures directly associated with an underlying outlays measure.

Budget measures, including revenue measures, are explained in full in *Budget Paper No. 2*. That Paper also includes an explanation of any measures since the 1997-98 Budget which will impact on the budget in 1997-98 but not in later years.

A summary of Budget Measures appears at Table 3.4 on pages 20 and 21.

Programme 1 - Treasury**Budget Measure**

1.2 International Economy

Support for International Monetary Fund programmes through the provision of a loan to Korea

1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
505,000	-	-	-

Explanation

The measure comprises a loan of \$505 million during 1998-99 to the Korean Government to help support the economic adjustment programmes agreed with the IMF.

Recently, a number of countries in the Asian region have experienced financial difficulties. Due to the situation in that region, the IMF has been called upon to provide a larger than average amount of financial assistance. The increased burden on IMF resources has meant that member countries, including Australia, have been called upon to provide additional financial assistance. Australia has offered to provide up to \$US1 billion in support of IMF-sponsored programmes in Korea.

Financial assistance to Korea will:

- enhance foreign and international trade relations between Australia and Korea;
- foster regional stability and protect Australia's growth prospects as Korea will be able to continue to buy Australian exports; and
- be by way of a government to government loan which will be repayable by Korea no later than the conclusion of the support programme.

Budget Measure

1.4 Taxation

Ex gratia payment to approved charitable organisations or trust funds in memory of Diana, the Princess of Wales

1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
300	-	-	-

Explanation

This measure is in accord with the Government's announcement that it would pass on to charity the sales tax receipts from the sale of the Elton John tribute CD produced in memory of Diana, Princess of Wales. A decision on the specific recipient charity or charities is being finalised and ex gratia payments will be made early in 1998-99.

The amount detailed above is a pre-budget measure and has since been subject to a revision of estimates. The figure for 1998-99 is now \$793,000. The variation is shown on page 41.

Funding for development of a proposed tax reform programme

1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
4,200	-	-	-

Explanation

The proposal involves continued funding within the Treasury to assist the Taxation Task Force to develop options for fundamental reform of the Australian taxation system.

Budget Measure

1.5 Fiscal

Extension of real per capita guarantee on Financial Assistance Grants to the States

1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
-	-	191,000	195,700

Explanation

In the context of the 1998 Premiers' Conference, the Commonwealth undertook to maintain Financial Assistance Grants (FAGs) to the States in real per capita terms in 1998-99 and to extend the real per capita guarantee for FAGs to 2000-01. The effect of extending the guarantee will increase the base level of FAGs in 2001-02 and beyond. The per capita component of the guarantee is conditional on the States complying with their obligations under the Agreement to Implement the National Competition Policy and Related Reforms.

Budget Measure

1.8 Financial & Currency

Abolition of Non-Callable Deposits

1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
-	-	200,000	200,000

Explanation

Banks are currently required, under the *Banking Act 1959*, to hold one per cent of their liabilities with the Reserve Bank of Australia as non-callable deposits (NCDs). The interest paid to the banks on these funds is currently 5 percentage points below the prevailing market rate.

As announced by the Treasurer on 2 September 1997, the Australian Prudential Regulation Authority (APRA) will take over the Reserve Bank's prudential regulation role. Because APRA will be funded by industry fees and charges, and consequent on and subject to the transfer to the Commonwealth of regulatory responsibility for building societies and credit unions, the existing requirement that banks hold NCDs at the Reserve Bank will be abolished. This will eliminate a competitive disadvantage of licensed banks compared with their unlicensed competitors and ensure that all Authorised Deposit-Taking Institutions (DTIs) face the same regulatory arrangements.

The measure is expected to take effect by 1 July 1999 and impact on Reserve Bank earnings in 1999-00 with a fall in Reserve Bank dividends to the Commonwealth from 2000-01 of \$200 million per annum.

Budget Measure

1.10 Corporate Direction & Support

Fitout of the refurbished Treasury building

1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
-	980	1,994	2,028

Explanation

This measure incorporates the integrated tenant fitout works of the refurbishment of the Treasury Building. It is part of the overall capital works program of the Commonwealth developed by the Domestic Property Group and accords with the Commonwealth Property Principles of January 1997.

The Commonwealth Property Committee proposed that the Treasury building be refurbished to ensure the building's economic viability into the future and the building's compliance with Government accommodation standards. This will ensure that the Treasury is able to meet its legal obligations under Occupational Health and Safety legislation.

The fitout will be evaluated against its efficiency benchmarked against current expenditure on internal office construction, layout changes and energy usage.

Programme 4 — Taxation Administration**Budget Measure***Supervision and funding arrangements for self-managed superannuation funds*

	1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
OUTLAYS	2,000	2,032	2,071	2,108
REVENUE	-	18,938	19,194	19,454

Explanation

As part of its response to the recommendations of the Financial System Inquiry, the Government announced an in-principle decision to transfer the regulation of self-managed superannuation funds from the Insurance and Superannuation Commission (ISC) to the Australian Taxation Office (ATO). Additional funding has been allocated to the ATO to administer these funds and to improve their compliance with retirement income objectives by implementing an enhanced audit programme. In addition, the Superannuation Supervisory Levy will be restructured to more accurately reflect cost recovery principles.

4 Taxation Administration (continued)

High Wealth Individuals Taskforce

	1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
OUTLAYS	9,519	9,519	-	-
REVENUE	100,000	100,000	-	-

Explanation

Additional funding has been allocated to the ATO to extend the activities of the High Wealth Individuals Task Force. The Task Force was established in 1996-97 to investigate the tax minimisation practices of some high wealth individuals. The extension of funding over 1998-99 and 1999-00 will enable the ATO to continue to develop strategies and take action to address undesirable tax minimisation practices and to improve high wealth individuals' compliance with the tax laws.

Additional revenue of \$100 million is expected in both 1998-99 and 1999-00 as a result of this measure.

Funding for development of systems for implementing tax reform

1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
20,000	-	-	-

Explanation

In August 1997, the Prime Minister announced the Government's plan for reform and modernisation of the Australian tax system. The process for reform includes the formation of a Taxation Task Force to advise the Government on options for reform. Additional resources have been allocated to the ATO (as well as to the Australian Customs Service) to commence development of new systems required to implement different collections introduced as a result of tax reform. Arrangements are to be put in place during 1999-00.

4 Taxation Administration (continued)

Reform of the Child Support Scheme — Policy and administration

1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
-4,312	-12,525	-14,337	-16,214

Explanation

These initiatives:

- Require parents to move to private support once regular payments have been established. Payees will not be financially disadvantaged because an effective 'safety net' will be in place;
- Involve registration information to be transmitted electronically from Centrelink to the Child Support Agency (CSA); and
- Expand grounds where the CSA will be able to depart from a formula assessment.

Information Technology asset replacement

1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
27,700	-	-	-

Explanation

The purpose of this budget measure is to provide funding for the replacement of the ATO Information Technology (IT) equipment including computer hardware, software and communications equipment.

The resources will enable the ATO to maintain the IT infrastructure that has been put in place through the Modernisation Project which provided resources for the ATO from 1989-90 to 1997-98. This will ensure that the ATO will be able to maintain the taxpayer service standards as outlined in the Taxpayers' Charter.

Programme 6 — Australian Competition & Consumer Commission**Budget Measure**

Government response to Fair trading inquiry report — Funding to improve small business access to justice and awareness of fair trading issues

1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
1,363	1,436	1,410	-

Explanation

Arising from the Government's Fair Trading Response in September 1997 'New Deal, Fair Deal', the ACCC will give special weight to small business interests and in particular take small business 'test' cases. A priority for enforcement is the franchising sector. Areas of concern are misleading and deceptive conduct and possible unconscionable conduct by franchisors.

This budget measure relates to the ACCC's goals of:

- timely and efficient response to notification of potential breaches of the Trade Practices Act;
- efficient management of investigation and resolution of potential breaches of the Act;
- education programmes developed to reach small businesses: and
- evaluation of actions and programmes to assess their effect on competition, fair trading, consumers and the market place generally.

The effectiveness and efficiency of the budget measure will be assessed by the reduction in the number of complaints in small business issues coming to the ACCC.

Programme 7 — Insurance & Superannuation Commission**Budget Measure***Establishment of the Australian Prudential Regulation Authority (APRA)*

	1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
OUTLAYS	26,144	27,566	23,904	24,310
REVENUE	-3,825	-39,009	-29,345	-29,745

Explanation

APRA is to be established as the single agency to conduct prudential regulation of the Australian financial system. APRA will be responsible for the prudential regulation of authorised Deposit-Taking Institutions (DTIs), life and general insurance companies, certain friendly societies and superannuation funds. The establishment of APRA is a response to the blurring of traditional boundaries between financial institutions. By combining the prudential regulation functions of the Reserve Bank of Australia, Insurance and Superannuation Commission, Australian Financial Institutions Commission and various State Supervisory Authorities, it is intended to provide a more efficient, flexible and competitively neutral regulatory framework for financial institutions which has the ability to respond to rapid change taking place in the financial system.

All of the costs incurred by APRA will ultimately be recovered through levies on those industries supervised by APRA. This will ensure that the cost of regulation is borne by those who benefit from this regulation.

The expenditure in this item covers both the cost of establishing APRA and the cost of supervising authorised DTIs and friendly societies. The bulk of the establishment costs will be incurred in 1998-99, with the balance in the following year. The cost of prudentially supervising banks will be incurred by APRA from 1998-99, while the cost of supervising building societies, credit unions and friendly societies is expected, at this stage, to start in the following year.

The revenue to be received in 1998-99 represents the first instalment repayment by the superannuation and insurance industries of their share of APRA's establishment costs. The amounts received in the following years are greater reflecting the commencement of levy payments by authorised DTIs and friendly societies to cover both their supervision costs and repayment of their share of the establishment costs.

Other costs and revenue associated with APRA are contained in Budget Paper No. 4 — Commonwealth Public Account.

Programme 8 — Business Affairs**Budget Measure**

8.1 Australian Securities Commission

Establishment of the Australian Securities and Investments Commission (ASIC)

	1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
OUTLAYS	15,402	11,584	11,804	12,017
REVENUE	-8,303	-13,985	-14,205	-14,315

Explanation

Implementing the recommendations of the Financial Systems Inquiry will be a major influence on performance strategies for 1998-99. From 1 July 1998 the ASC will be renamed the Australian Securities and Investments Commission and its charter will be expanded to include consumer protection of financial products and services. As a result of the transfer of functions from the ISC and ACCC to the ASC, amounts of \$3.700 million and \$0.150 million respectively have also been transferred.

The new body will take on the existing consumer protection elements from the ACCC, the ISC and the RBA and provide consumer protection and market integrity regulation across the financial system. This will include development and administration of a single licensing system for dealers and advisers, monitoring industry codes of practice, administration of disclosure requirements for financial products, monitoring and enforcement of consumer protection provisions and market integrity rules. A primary focus of these changes is the vesting of similar regulatory functions for the financial industry sectors into a single agency. This is designed to assist the harmonisation of regulation in this sector and facilitate competitive forces.

The additional outlays associated with this initiative include funding for establishment costs, consumer protection functions and information technology expenses. Consistent with cost-recovery principles the outlays will be recovered through fees, charges and levies on industry participants.

8.1 Australian Securities Commission (continued)

Corporate Law Reform — Managed Investments

	1998-99 (\$'000)	1999-00 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)
OUTLAYS	3,945	2,912	259	-
REVENUE	-3,000	-3,000	-1,116	-

Explanation

The Managed Investment Bill (MIB) seeks to improve regulation of managed investment schemes, implementing many of the recommendations made by the Australian Law Reform Commission (ALRC) and the Companies and Securities Advisory Committee (CASAC). By replacing the existing dual-responsibility structure for prescribed interests with a structure that ensures there is a single scheme operator for each scheme, the Bill seeks to deliver clear accountability to scheme members, facilitate market efficiencies, provide cost savings and allow consistency with arrangements for the superannuation funds.

Funding for this programme effectively ceases in 2000-01 when a Parliamentary committee will review the effectiveness of the legislation, including the need for continued funding to support additional workload on the ASC.

The increased outlays are to fund transitional costs incurred by the regulator under the new regulatory framework and include additional staff, training and information technology support costs. The increased outlays will be recouped over three years through fees and charges on industry participants.