

Fiscal Outlook

- The 2005-06 Budget provides for an underlying cash surplus of \$8.9 billion. This will be the Government's eighth surplus.
- A strong budget position is being maintained while delivering further personal income tax cuts and introducing significant reforms to the welfare system, aimed at improving workforce participation.

Economic Outlook

- Prospects for the Australian economy remain strong.
- Economic growth is forecast to be 3 per cent in 2005-06.
- The unemployment rate is forecast to remain around its generational lows.

Tax cuts

- All taxpayers will benefit from a further \$21.7 billion in tax cuts over the next four years.
- The 17 per cent tax rate will be reduced to 15 per cent from 1 July 2005.
- The tax threshold for the 42 per cent and 47 per cent rates will be raised on 1 July 2005 and again on 1 July 2006.
- This means that taxpayers will not reach the highest marginal tax rate until they earn around 3 times average weekly earnings.
- The Government will abolish the superannuation surcharge on contributions and termination payments made or received from 1 July 2005 to encourage private savings.

Welfare to work

- The Government is committed to increasing workforce participation.
- From 1 July 2006 a wider range of income support recipients will be obliged to seek work.
- Newstart Allowance will be enhanced from 1 July 2006 to improve the rewards from part-time work.
- More than \$2 billion will be invested over four years to ensure that those seeking work have the necessary support services and training.
- Incentives to find work will be strengthened by a change to the compliance framework, incorporating payment suspensions.

Reduced business taxes

- The 3 per cent tariff applying to business inputs where no substitutable goods are manufactured in Australia will be removed from Budget Night. This will cost \$1.3 billion over five years.
- A broader range of expenses incurred by business will become tax deductible.

Ensuring a sustainable health system

- Record spending on health and aged care by the Government – \$45 billion in 2005-06, up from \$20 billion when the Government came to office.
- \$196 million over five years for the Strengthening Cancer Care initiative, including funding for additional research, screening and prevention initiatives.
- \$321 million package to make dementia a national health priority. This includes 2,000 dedicated places to provide high level care for people with dementia in their own home.
- Medicare Safety Net and the PBS made more sustainable.

More support for families and carers

- Since the last Budget, the Government has increased the maximum rate of Family Tax Benefit Part B, costing \$2 billion over five years.
- The level of income allowed before Family Tax Benefit Part A is withdrawn will be increased to \$37,500 a year from 1 July 2006.
- A bonus payment for carers will be paid in June 2005. \$1,000 for recipients of Carer Payment and \$600 for recipients of Carer Allowance.

Providing for Australia's security

- \$239 million over four years to further enhance the investigation and language skills of intelligence agency personnel.
- \$522 million over four years to improve protective security, including in missions overseas.
- \$580 million for additional quarantine screening.

Enhancing our international engagement

- \$1 billion aid package to Indonesia to assist with tsunami reconstruction and development efforts.
- \$841 million over four years helping the Solomon Islands restore law, order and sound public finances.