



Budget  
2005-06

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# Budget at a glance

The 2005-06 Budget continues the Government's commitment to strong, sustainable growth and improving the opportunity for Australians to contribute actively to the economy and society.

It maintains strong economic management and provides further tax cuts, measures to encourage workforce participation and boost skills, and further support for Australian business.

## Laying the foundations for sustained prosperity

### Tax cuts

The Government will provide personal tax cuts worth \$21.7 billion over four years, increasing incentives to work and save, assisting low income earners and keeping Australia internationally competitive.

These tax cuts build on the \$14.7 billion in personal tax cuts in the 2004-05 Budget.

The Government will provide a further \$2.5 billion over four years to boost superannuation savings by abolishing the superannuation surcharge, with effect from 1 July 2005.

### Encouraging welfare to work

The Government is committed to increasing workforce participation. The welfare system will be reformed so that welfare recipients who are able to work part-time will be obliged to do so. The payment structure will be changed to provide better incentives to work.

And funding of more than \$2 billion in new and expanded services is provided to help those with new work obligations find and keep a job.

### Boosting skills

The Government is delivering extra reforms in vocational education and training. Together with more skilled migration and increased investment in Australian schools, these initiatives will deliver a further boost to the national skills pool.

### Assisting Australian business

The Government is assisting business to sustain high rates of productivity. This budget includes an additional \$1.8 billion of tax cuts to Australian business over the next four years, including the removal of the 3 per cent tariff on business inputs and provision of tax relief for black hole expenditures.

### Budget aggregates

	Actual	Estimates		Projections		
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Underlying cash balance (\$b)(a)</b>	<b>8.0</b>	<b>9.2</b>	<b>8.9</b>	<b>7.9</b>	<b>8.5</b>	<b>9.3</b>
Per cent of GDP	1.0	1.1	1.0	0.8	0.8	0.9
<b>Fiscal balance (\$b)</b>	<b>4.8</b>	<b>7.0</b>	<b>7.4</b>	<b>7.5</b>	<b>8.0</b>	<b>9.0</b>
Per cent of GDP	0.6	0.8	0.8	0.8	0.8	0.9

(a) Excludes expected Future Fund earnings from 2005-06 onwards.

### Major economic parameters

	Forecasts		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
Real GDP	2	3	3 1/2	3 1/2	3 1/4
Employment (a)	2 3/4	1 3/4	1 1/2	1 1/2	1 1/4
Wages (b)	3 3/4	4	3 3/4	3 3/4	4
CPI	2 1/2	2 3/4	2 1/2	2 1/2	2 1/2

(a) Labour Force Survey.

(b) Wage Price Index.

# Shaping a sustainable future

The ageing of our population presents challenges that cannot be avoided.

Our continued prosperity, now and into the future, lies in maintaining strong productivity growth and increasing labour force participation. We also must invest wisely to help address future pressures on the budget.

## We need to plan for the future

Australia is an increasingly prosperous nation. We have had 13 years of continued economic expansion, with strong productivity improvements.

Australians today have higher incomes and brighter employment prospects. We have better standards of health, and have greater flexibility to manage our work, study and leisure time.

Responsible economic management has delivered a strong economy and strong budget outcomes. The Government has reduced its debt to among the lowest levels in the OECD.

While our prospects are also good, we cannot afford to rest on our past

success. As the Intergenerational Report identified in 2002, and the Productivity Commission's report on the *Economic Implications of an Ageing Australia* recently confirmed, Australia today faces a range of economic challenges.

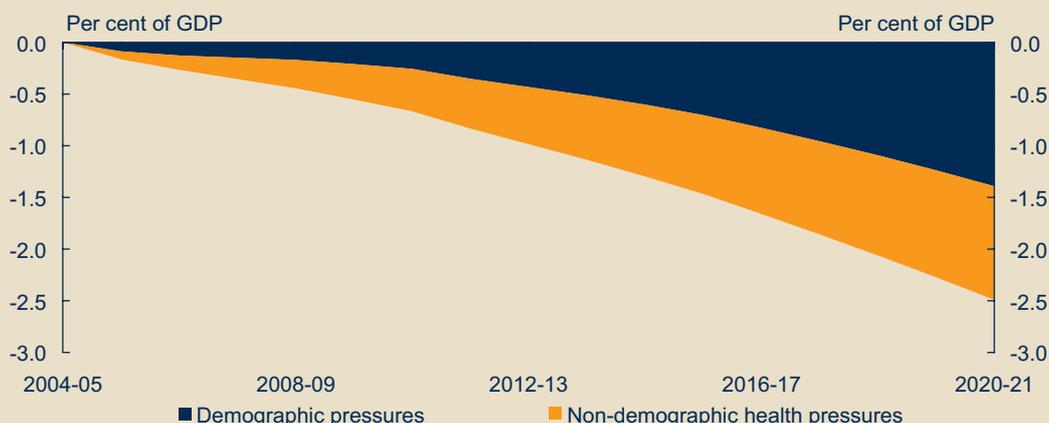
Foremost among these is Australia's ageing population.

The number of people in Australia aged over 65 will more than double over the next 40 years. This will lead to higher pension, aged care and health payments.

This demographic shift will also produce a marked slowing in the growth of average incomes.

We can reduce the effect that ageing will have on our living standards by maintaining high rates of productivity growth, further increasing rates of workforce participation, and investing wisely to address future pressures on the budget.

The reality is that we cannot halt the ageing of the population. So we need to take steps now to prevent an unsustainable burden falling on future generations, while striving to enhance the wellbeing of today's generation. Improving productivity and participation can achieve both goals.



Medium-term fiscal pressures

# Taking responsible decisions today

Our ageing population is not just tomorrow's issue — it is beginning to affect us now.

The fact that our economy and budget are strong means we should continue to tackle these issues now.

Taking steps today will reduce the need for drastic changes in the future.

## Challenges and opportunities driving changes for the future

### Challenges

This year's budget, for the first time, incorporates projections that employment and economic growth will be lower this decade as a result of the ageing population. The need to address the ageing issue is becoming more urgent.

### Opportunity

We are in a good position to address challenges because our economy is in good shape. The budget remains in a very strong position, with a forecast surplus of \$8.9 billion in 2005-06, building on the Government's good management over the past nine years. All the developed economies are going to have to come to grips with an

ageing population. But Australia is better placed to deal with the challenge because we are ahead of other OECD countries in our fiscal performance.

### Addressing the medium-term fiscal challenge

It would be easy to put decisions off until another day. The Government does not consider this an option.

This year's budget tackles head-on the need to ensure greater labour force participation and productivity in the economy. This will provide benefits now and into the future.

Tax cuts for all Australians will increase the rewards from work and saving, and heighten incentives to work.

Welfare to work initiatives will encourage people on income support payments who have the capacity to work part-time to do so. This will help boost our labour force, a key to sustained economic growth.

The Government will bank surpluses in the Future Fund to provide for current liabilities which will fall due in the future.

Making necessary adjustments to health spending now will help ensure our health system remains sustainable.

By taking these decisions today, the Government will help sustain Australia's prosperity over the decades ahead.



Australia's strong fiscal position

# Sustained economic growth

Australia's economy is in good shape. Sustained increases in income, combined with low unemployment and moderate inflation, continue to improve our wellbeing.

This budget forecasts for 2005-06 the Government's eighth budget surplus — an underlying cash surplus of \$8.9 billion.

## Sustained economic growth — the key to our prosperity

### Good growth prospects

Australia's economic performance has been outstanding since the recession of the early 1990s, with moderate inflation. We now have historically low unemployment.

Prospects remain good, with economic growth forecast to be 3 per cent in 2005-06.

Business investment is expected to remain strong, increasing the productive capacity of the economy. Housing investment and consumer spending are expected to ease to more moderate growth rates.

World economic activity is also supporting the Australian economy. Currently, export prices are at record highs, supporting Australian incomes. Exports are set to expand in 2005-06. Mining exports, in particular, will grow strongly, as recent investment to increase production and transport capacity comes on stream.

Inflation is expected to remain moderate, with the unemployment rate staying around its current 28-year low.

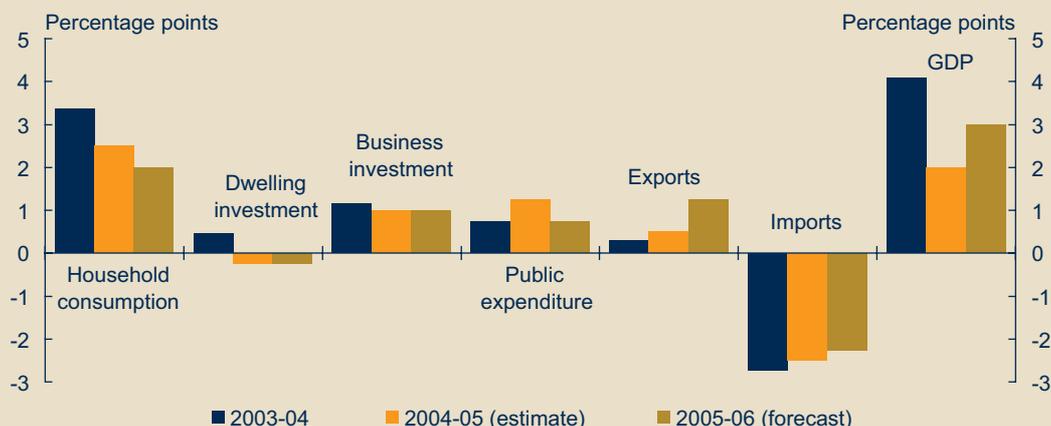
### Continued surpluses

The Government expects to deliver its eighth budget surplus in 2005-06, with substantial surpluses projected for the next three years.

By maintaining budget surpluses, the Government is doing its part to reduce pressure on the current account and interest rates.

Australia's strong position contrasts with the fact that most OECD countries are expected to record budget deficits in 2005-06.

The Government's sound economic management continues to promote sustained economic growth, ongoing increases in household incomes, modest inflation and low unemployment. This will continue to improve Australians' wellbeing, now and into the future.



Moderating household consumption, strong business investment and growing exports ensure sustained growth

# Export prices are rising

Australia's terms of trade are at their most favourable in 30 years. This is improving our living standards by boosting company profits and household incomes.

## Strong mining export prices are boosting Australian incomes

In late 2004, Australia's terms of trade — the ratio of export prices to import prices — reached its highest level since 1974. This is improving living standards by increasing the income of Australians.

World, and especially Chinese, demand for iron ore and coal has risen sharply in the last few years. The result has been dramatic price increases for Australia's producers.

High resource prices are good for Australia, boosting the incomes of mining companies, their shareholders (including superannuation funds) and workers.

Higher mining company profits also lead to stronger tax receipts, which can be used to benefit all Australians.

But history tells us that high iron ore and coal prices will not continue indefinitely. Around the world, miners are reacting to higher prices by investing in new mines, railways and shipping facilities.

As additional global supply comes on line, commodity prices are likely to ease. This will moderate the recent boost to Australia's mining company profits and tax payments.

The Government has taken this into account in this budget and planned responsibly. The budget invests in our future, while maintaining strong surpluses over the next four years.



Australia's terms of trade are at 30-year highs

# Unemployment rate at a 28-year low

Australia's unemployment rate is the lowest in a generation. Strong growth has created an abundance of job opportunities, raising workforce participation to record highs.

The challenge ahead will be to continue to improve our participation levels.

## More jobs for Australians

Australia's unemployment rate has fallen to 5.1 per cent, the lowest level since November 1976. The unemployment rate has been below 6 per cent for almost two years, a sustained low outcome not seen for a generation.

More Australians are in work now than ever before. Since the Government was elected in March 1996, over 1.6 million jobs have been created.

High employment helps Australian families through increased income, higher standards of living and improved social engagement.

Australia's participation rate, the percentage of working age population working or looking for work, is at a record high. The low unemployment rate and more job opportunities are encouraging people to join the labour force. A rise in the participation rate is a positive development as it increases the number of workers available to contribute to economic growth.

There is no evidence of widespread wage pressure, despite the low unemployment rate. The flexibility created by past labour market reforms means that the current low

unemployment rate is more sustainable. These reforms have also increased real wages without triggering inflation.

The prospects for ongoing low unemployment are good. The unemployment rate is forecast to remain around its current low level in 2005-06.

But we need to do more to improve participation levels. This budget delivers a range of reforms, including 'welfare to work' initiatives, to further increase workforce participation and improve productivity.



Australia's unemployment rate has declined to a 28-year low

# Low Australian Government debt

This budget uses strong surpluses to further reduce the Australian Government's net debt.

Australian Government net debt has been reduced from around \$96 billion (19.1 per cent of GDP) in 1995-96, to an estimated \$6 billion (0.7 per cent of GDP) in 2005-06.

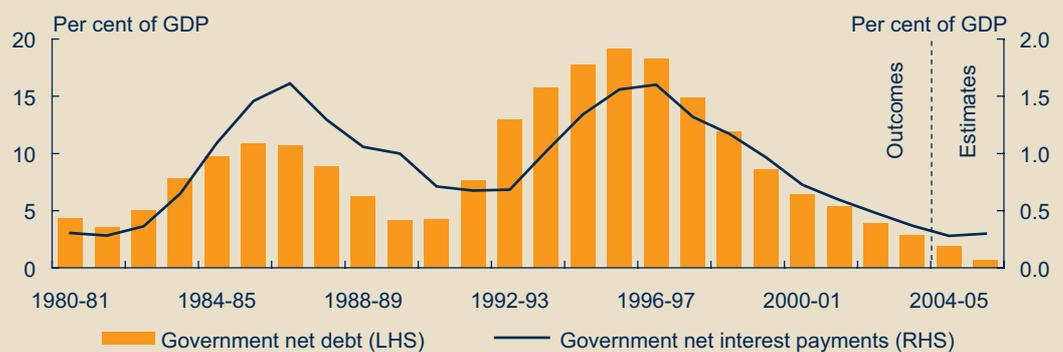
## Good management reduces the Government's debt burden

The Government remains committed to maintaining low levels of net debt into the future. Australia has a much lower level of government net debt than most other industrialised countries, including high-performing economies such as Canada and New Zealand. Our net debt to GDP ratio is among the lowest in the

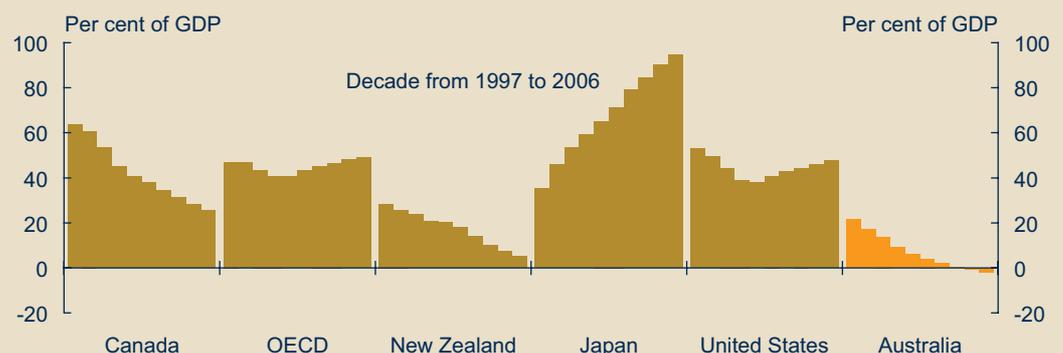
OECD. While net debt in many OECD countries is rising as a percentage of GDP, Australia's net debt continues to fall. This places Australia in a much better position than most countries in terms of its ability to respond to economic shocks and emerging medium-term pressures.

Having paid off the debt run up by the previous government, we now can look to invest for the future. This is possible because lower debt means lower net interest payments, generating substantial savings that can be directed to other purposes.

Sound fiscal management means a reduced government debt burden



Australia is a world leader in reducing total general government net debt



# Improving incentives through tax cuts

All Australian taxpayers will share in new personal income tax cuts worth \$21.7 billion.

This builds on the \$14.7 billion in personal income tax cuts provided in the last budget.

## Delivering tax reform

This budget continues the Government's commitment to structural tax reform, increasing incentives, assisting low income earners and keeping Australia competitive.

From 1 July 2005:

- the 17 per cent marginal tax rate will fall to 15 per cent
- the 42 per cent threshold will be raised to \$63,001

- the 47 per cent threshold will be raised to \$95,001.

From 1 July 2006:

- the 42 per cent threshold will be raised to \$70,001
- the 47 per cent threshold will be raised to \$125,001.

Senior Australians who are eligible for the Senior Australians Tax Offset (SATO)

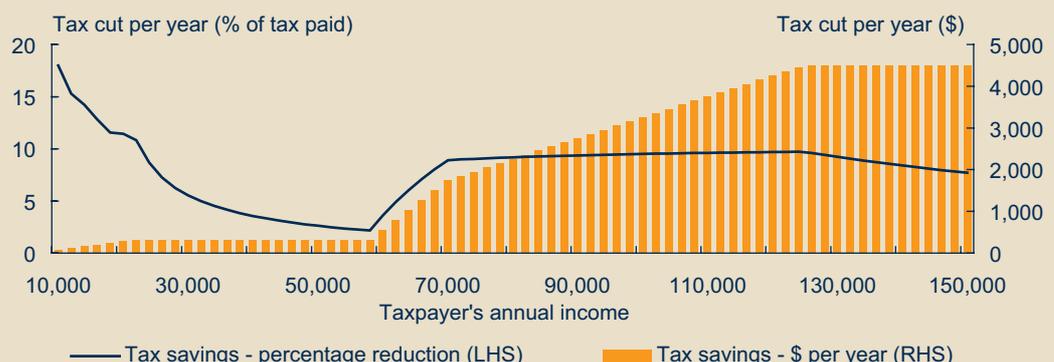
will now pay no tax on their annual income up to \$21,968 for singles and for couples up to \$36,494.

The Medicare levy threshold for senior Australians will be increased to ensure that they do not pay the Medicare levy until they begin to incur an income tax liability.

## New tax scale

Current tax thresholds	Tax rate	New tax thresholds from 1 July 2005	Tax rate	New tax thresholds from 1 July 2006	Tax rate
Income range (\$)	%	Income range (\$)	%	Income range (\$)	%
0 - 6,000	0	0 - 6,000	0	0 - 6,000	0
6,001 - 21,600	17	6,001 - 21,600	15	6,001 - 21,600	15
21,601 - 58,000	30	21,601 - <b>63,000</b>	30	21,601 - <b>70,000</b>	30
58,001 - 70,000	42	<b>63,001 - 95,000</b>	42	<b>70,001 - 125,000</b>	42
70,001 +	47	<b>95,001 +</b>	47	<b>125,001 +</b>	47

Tax savings from 1 July 2006, compared with tax payable now



More than 80 per cent of taxpayers face a top marginal tax rate of 30 per cent or less

# Rewarding effort, skill and saving

The tax cuts will assist low income earners, encourage participation and increase the international competitiveness of Australia's personal income tax system.

The superannuation surcharge will be abolished for superannuation contributions made from 1 July 2005.

## Increasing participation, competitiveness and saving

The personal income tax cuts demonstrate the Government's commitment to rewarding participation.

The reduction of the lowest marginal tax rate to 15 per cent will assist low income earners and provide an additional incentive to enter the workforce.

Over 80 per cent of taxpayers face a top marginal tax rate of 30 per cent or less.

Our strong economy, lifestyle advantages and changes to the top two thresholds in this budget will increase incentives to work in Australia.

Taxpayers will not reach the highest marginal tax rate until they earn around three times average weekly earnings.

The top marginal rate will apply only to 3 per cent of taxpayers from 2006-07.

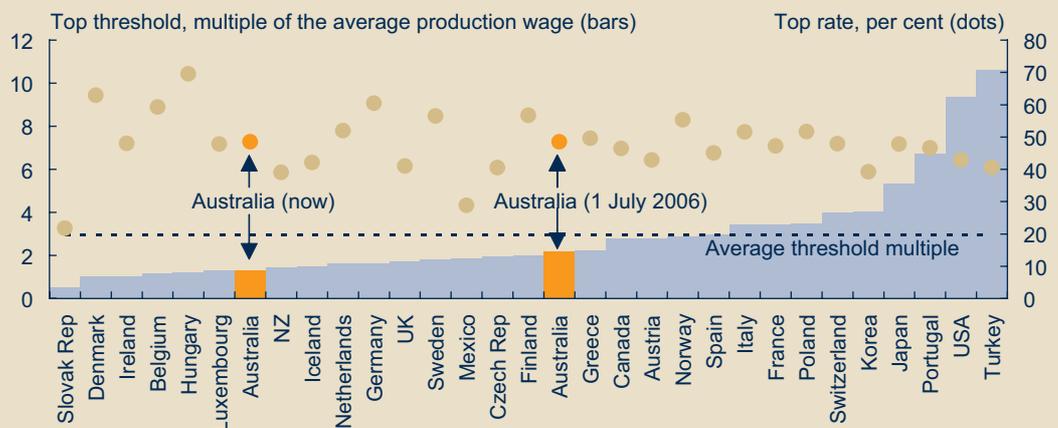
Abolishing the superannuation surcharge will encourage people to make additional savings to improve their standard of living in retirement.

The Government assists low to middle income employees make additional voluntary superannuation contributions.

In the 2004-05 Budget, the Government increased the generosity of the superannuation co-contribution.

Our top income threshold will rise to more than twice the average production wage (the international way of comparing earnings)

\*Average production wage is the full-time wage of a worker in the manufacturing sector  
Based on OECD data



Increasing Australia's international competitiveness

# More support for families and carers

The Government is continuing its strong commitment to Australian families through tax cuts and an increase in the income threshold for Family Tax Benefit Part A.

These build on the range of increases in family assistance since the Government came to office in 1996.

Substantial bonus payments to carers will be made in recognition of the important role they play in the community.

## Increasing assistance to families and recognising the role of carers

The Government has demonstrated an unparalleled commitment to supporting Australian families.

All families benefited from *The New Tax System* changes in 2000, which increased family assistance payments, lowered family assistance withdrawal rates and cut personal income taxes.

The 2004-05 Budget built on these changes through the introduction of the \$19 billion More Help for Families package.

And since the last budget the Government has:

- increased the maximum rate of Family Tax Benefit Part B (\$2 billion over five years from 2004-05)

- introduced a 30 per cent Child Care Tax Rebate (around \$1 billion over five years from 2004-05).

This budget continues this commitment.

In addition to the tax cuts, the level of family income allowed before Family Tax Benefit Part A starts to be withdrawn will increase to \$37,500 a year from 1 July 2006.

This will assist over 400,000 families, providing increased assistance of up to \$12.55 a week.

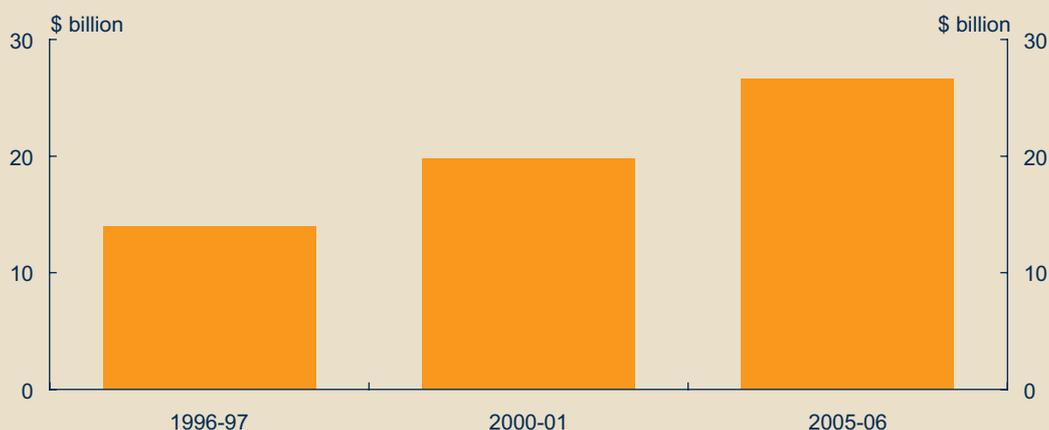
Details of the impact on real disposable incomes through the Government's ongoing commitment to families since 1996 are at Appendices A and B.

### Carer bonus

The Government will provide \$317 million for a carer bonus to be paid to eligible carers in June 2005 in recognition of their role of caring for a person with a disability.

- Recipients of Carer Payment will receive a \$1,000 bonus payment.
- Recipients of Carer Allowance will receive a \$600 bonus payment for each eligible care receiver.

The bonus will be tax free and not treated as income when calculating social security payments.



Increases in assistance to families since 1996-97

# A more sustainable welfare system

The Government will undertake a major reform of the welfare system, bringing it into line with current labour market conditions and community attitudes.

A \$3.6 billion package will improve incentives to work and increase labour force participation.

## A comprehensive \$3.6 billion package to move people from welfare to work

Australia's welfare system is out of date. The majority of the 2.6 million Australians of working age on income support are not required to look for work and, notwithstanding very low levels of unemployment, too many Australians are dependent on welfare payments.

A welfare system that focuses only on participation for those who can work full-time is no longer sustainable. Increased workforce participation will be required if we are to continue to improve our living standards as the population ages.

From 1 July 2006 a wider range of income support recipients will be obliged to seek work.

### Parents

Single and partnered parents receiving Parenting Payment prior to 1 July 2006 will be able to remain on Parenting Payment under the current entitlement — that is, until their youngest child turns 16.

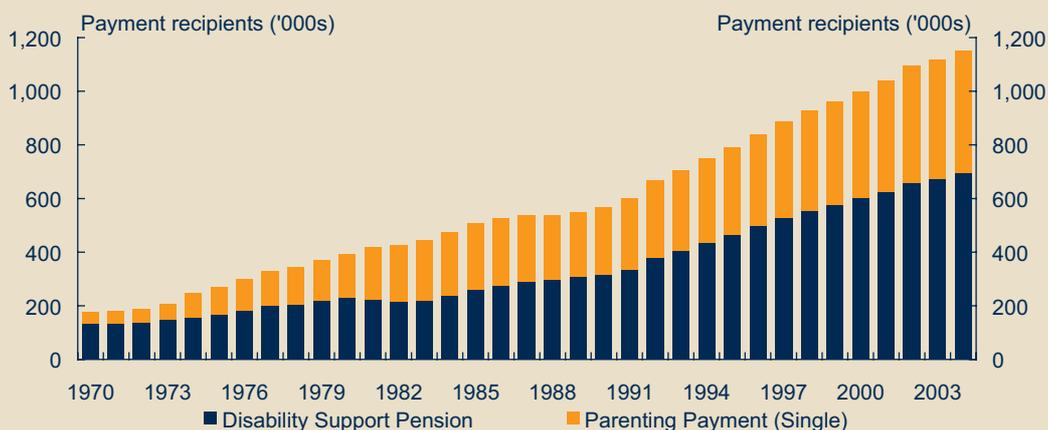
Whilst remaining on Parenting Payment until this time, this group of parents will have a year to seek work voluntarily from the later of 1 July 2006 or when their youngest child turns six. After that they will become subject to an obligation, based on their capacity, to seek part-time work of at least 15 hours per week.

Single and partnered parents applying for Parenting Payment on or after

1 July 2006 will receive Parenting Payment while their youngest child is less than six years old. When their youngest child turns six, these parents will receive enhanced Newstart and be subject to an obligation to seek part-time work of at least 15 hours per week.

### Mature aged

New arrangements also apply to the mature aged. Newstart recipients aged between 50 and 64 will be obliged to seek full-time work in the same way as younger recipients. However, those over 55 will not be required to participate in work-for-the-dole, and can meet their obligations through volunteering.



Increasing numbers of income support recipients are not sustainable

# Rewarding people who work to their capacity

Changes to the Newstart income test will improve the returns from part-time work for recipients.

## New arrangements for people with disabilities and an enhanced Newstart

### People with disabilities

People in receipt of the Disability Support Pension (DSP) prior to 1 July 2006 will remain on DSP with no part-time work obligation. They will be subject to the normal review process for DSP which will apply the existing eligibility criteria (which is broadly whether that person is capable of 30 hours work per week at award wages). People seeking to go on DSP on or after 1 July 2006 will have new eligibility criteria. They will receive DSP if they are assessed as being incapable of 15 hours work a week at award wages. If they are assessed as being capable of 15-29 hours work per week they will receive enhanced Newstart and

be subject to an obligation to seek part-time work of at least 15 hours per week.

People applying for DSP between 11 May 2005 and 30 June 2006 will be assessed for eligibility for DSP under the existing test — that is whether they are able to work 30 hours per week at award wages. However, their ongoing eligibility will be reassessed in normal periodic reviews against the new, 15-29 hour per week at award wages test after 1 July 2006. If they are assessed as being capable of 15 hours work per week at award wages they will have an obligation to undertake part-time work and will receive enhanced Newstart.

From 1 July 2006, Mobility Allowance will be increased to \$100 per fortnight for people with disabilities who have a part-time obligation. DSP recipients who are working 15 hours per week may also be eligible.

### An enhanced Newstart

From 1 July 2006, the Government will invest \$943 million to enhance Newstart. The maximum withdrawal rate will be reduced from 70 cents to 60 cents in the dollar. Further, people will be able to earn up to \$250 per fortnight before this rate commences, compared to \$142 for Newstart now. The new income test will also benefit recipients of some other allowances.

Income support recipient		Obligation	Payment
<b>Parent, youngest child aged under 6</b>	Existing recipient (on 30 June 2006)	None	Parenting Payment (single or partnered)
	New applicant (from 1 July 2006) <sup>(a)</sup>	None	Parenting Payment (single or partnered)
<b>Parent, youngest child aged 6 or over</b>	Existing recipient (on 30 June 2006)	Part-time <sup>(b)</sup>	Parenting Payment (single or partnered)
	New applicant (from 1 July 2006)	Part-time	Enhanced Newstart Allowance
<b>Person with disabilities, capable of working 15-29 hours per week</b>	Existing recipient (on 10 May 2005)	None	Disability Support Pension
	New applicant (11 May 2005 to 30 June 2006)	None <sup>(c)</sup>	Disability Support Pension <sup>(c)</sup>
	New applicant (from 1 July 2006)	Part-time	Enhanced Newstart Allowance

(a) When the youngest child turns 6, a part-time obligation is applied and enhanced Newstart Allowance is payable.

(b) Existing recipients of Parenting Payment have a 12 month grace period before new obligations commence. This means their obligations commence from the later of 1 July 2007 or their youngest child's seventh birthday.

(c) These applicants will be reassessed after 1 July 2006. If the reassessment indicates they can work 15-29 hours per week they will be placed on enhanced Newstart and have a part-time work obligation.

# Helping people into work

The Government will provide funding of more than \$2 billion in new and expanded services to help those with new work obligations find and keep a job.

Parents, those with disabilities and the mature aged will benefit from new services designed to suit their individual needs and circumstances.

## Extra assistance to get more people into work

It is important that those who have a new obligation to seek work are provided with assistance to help them find a job.

The Government is investing more than \$2 billion in new and expanded services over four years, focusing on parents and people with disabilities.

Accurately assessing the work capacity of people with disabilities is essential to determining who should have an obligation to seek work.

A new comprehensive work capacity assessment will replace the various existing assessments for people with disabilities, and will be used to refer job seekers to the services they need.

The Job Network will play a central role in getting people into work. Funding for Job Network will increase by \$681 million, reflecting extra places for job seekers and the introduction of new services.

Parents and mature aged job seekers will benefit from a new Employment Preparation service, which will allow Job Network providers to purchase skills training and assessments aimed at equipping these clients for a job that suits their individual circumstances.

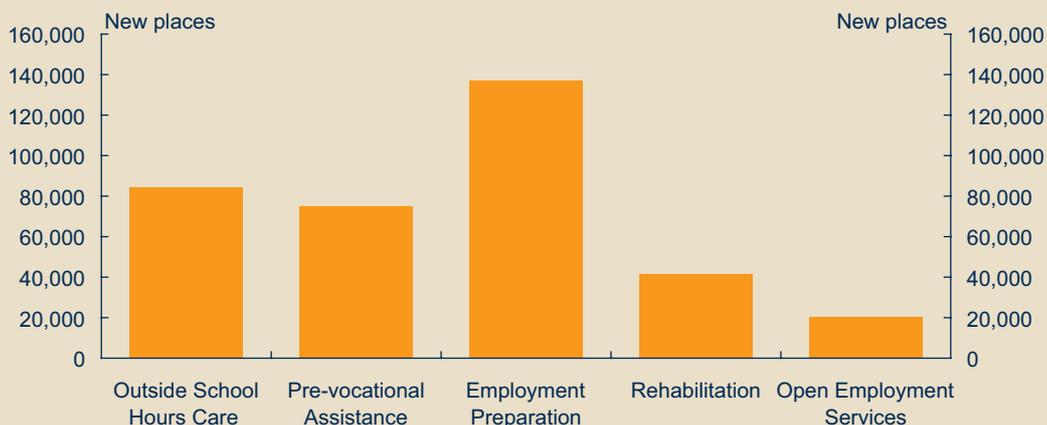
People with disabilities will benefit from a new Pre-Vocational Participation Account to provide pain management

and work conditioning and allow them to become job-ready quickly.

A new Wage Assist programme will allow Job Network providers to provide wage subsidies to employers who hire people who have been unemployed for a very long time.

\$266 million will be provided for child care, including an extra 84,300 Outside School Hours Child Care places to assist working parents.

Other existing services will also be expanded, including more places for the Disability Open Employment Service, the Language, Literacy and Numeracy Programme and the Career Planning Programme.



More than \$2 billion in new and expanded services

# Bolstering skills — vocational education and training

The Government is delivering extra reforms in vocational education and training. These reforms will ensure industry can access the skilled workforce it needs to grow, create jobs and increase national living standards, now and into the future.

## Vocational education and training to meet our long-term skills needs

A highly skilled workforce is vital to improving productivity and sustaining strong economic growth. And with unemployment down to 5.1 per cent, it is essential that we invest to increase skill levels so that employers can obtain the skilled labour they need.

This budget provides further initiatives to increase our skills base, building on the substantial investment to date in the vocational education and training (VET) system.

The Government will deliver up to 4,500 pre-vocational places for people interested in a trades career (\$20 million) and a further 7,000

School-Based New Apprenticeships (\$26 million).

These measures build on related election commitments to:

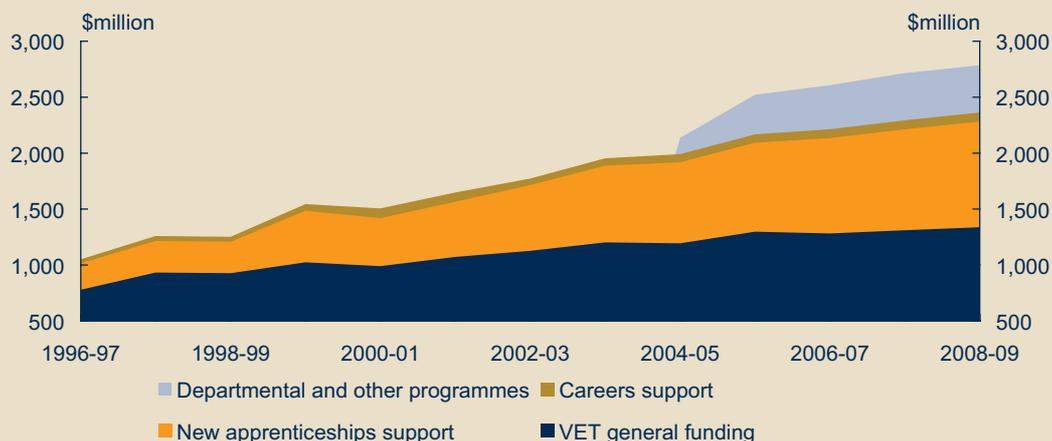
- establish 24 Australian Technical Colleges for 7,200 students in Years 11 and 12 (\$351 million)
- extend Youth Allowance (and Austudy and Abstudy for over 25s) to apprentices (\$537 million)
- provide scholarships for apprentices in skill shortage areas (\$106 million)
- provide toolkits for apprentices in skill shortage areas (\$120 million).

The Government has also committed \$5 billion through the Commonwealth-State Training Funding Agreement, over 2005 to 2008.

Reforms to be pursued in the Agreement include making the system more industry-led, improving its responsiveness to industry needs, and increasing user choice so employers and apprentices can choose the training organisation that best suits their needs.

Reforms will also see an increase in the number of places in areas of skill shortage, and for mature workers.

Since 1996-97, the Government has more than doubled investment in VET from \$1.1 billion to \$2.5 billion in 2005-06.



Australian Government spending on vocational education and training

# Bolstering skills — migration and schools

The Government will complement its vocational education and training initiatives with more skilled migration and increased investment in Australian schools. Together, these initiatives will deliver a further major boost to the national skills pool.

## Complementing VET through skilled migration and investments in our schools

### Skilled migration

To help target more immediate skills needs, the Government will:

- increase skilled migration places by 20,000 in 2005-06 to a record 97,500, up from 24,100 in 1995-96
- introduce a new visa to allow overseas nationals to undertake full-fee apprenticeships
- make it easier for business to attract skilled workers to fill short-term vacancies through changes to the taxation of foreign source income for temporary residents (\$105 million over 2007-08 and 2008-09).

### Schools

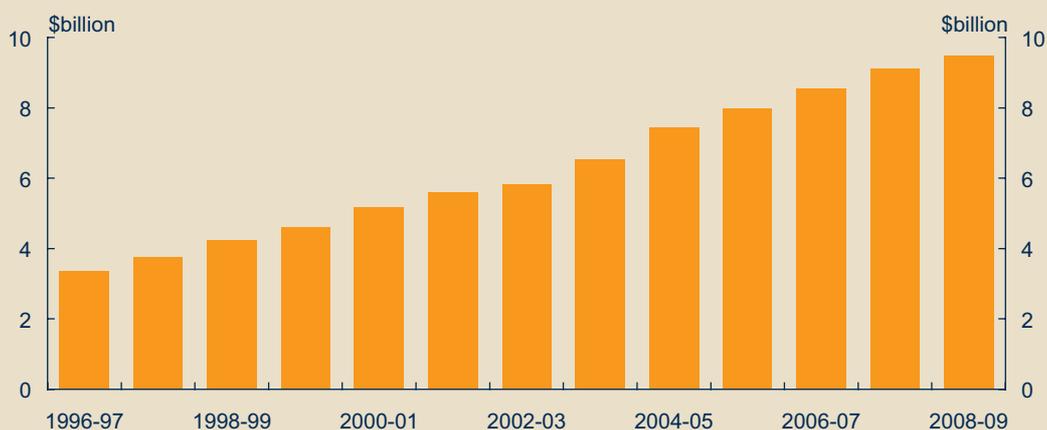
Schools are the bedrock of opportunity for Australia's children and the key to our long-term skilled labour supply.

This budget recognises the vital role teachers play in educating our children, and will provide \$140 million to extend the Australian Government Quality Teacher Programme, which supports professional learning for school teachers and leaders.

This builds on the Government's election commitment A Billion Dollar Investment in Our School Infrastructure, which will provide for much needed school infrastructure.

Through these measures and the Schools Agreements with the states and other education authorities, the Government will provide \$33 billion to Australian schools over 2005-2008, some \$9.5 billion more than the previous four-year period. Australian Government spending on schools will increase from \$3.4 billion in 1996-97 to \$9.5 billion in 2008-09.

The Government is committed to ensuring young Australians receive the guidance they need to assist them to navigate key transitions at school and move on to further study and work. For this purpose, this budget will provide \$143 million to deliver an Australian Network of Industry Career Advisers.



Increased Australian Government investment in schools

# \$1.8 billion of tax cuts for business

This budget makes a \$1.8 billion contribution to removing impediments to business investment in Australia and making it easier for Australian business to take advantage of international opportunities.

These measures will reduce business costs and add to Australia's productivity and competitiveness.

## Reducing business costs

The Government is assisting business to sustain the high rates of productivity that will be needed to maintain Australia's economic growth in the years ahead. By relieving business of tariffs that increase their costs and recognising other legitimate expenses under the tax law, the Government is facilitating more investment and better investment decisions.

### Removing 3 per cent tariff on business inputs

The Government will remove from 11 May 2005 the 3 per cent tariff applying to business inputs where no substitutable goods are manufactured in Australia.

The removal of this tariff will reduce costs for affected businesses by \$1.3 billion over five years from 2004-05, and help increase the international competitiveness of Australian business.

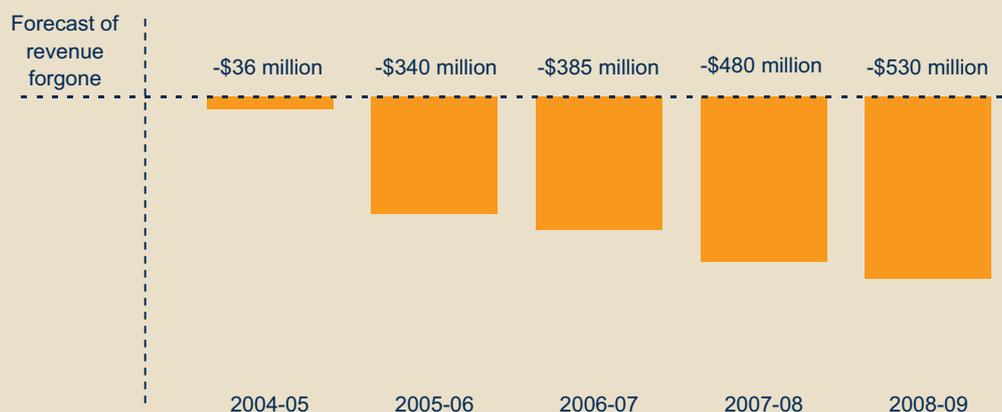
### Recognising blackhole expenditures

From 1 July 2005, business will be able to obtain tax relief for a range of 'blackhole' expenses (including certain pre-business costs) currently not recognised in the tax law. The changes will facilitate investment by ensuring business can claim tax relief for a wider range of legitimate expenses. This measure will cost \$205 million over the period 2006-07 to 2008-09.

### Assisting small businesses

The budget provides \$29 million to continue the Small Business Assistance Programme and \$9 million for the Small Business Mentoring and Succession Programme. In addition, \$37 million will be provided to continue the Business Entry Point website, providing simple access to information for Australia's small business sector and government stakeholders.

This builds on substantial initiatives announced since the last budget, including the entrepreneurs' tax offset (\$1.2 billion over three years) and improved access to the Simplified Tax System (\$361 million over four years).



\$1.8 billion in tax cuts for business over five years from 2004-05

# Improving our international opportunities

As part of its package of measures to support business, the Government is seeking to make Australia a more attractive investment destination and to remove impediments to Australian investment overseas.

## Encouraging exports and business investment

In a climate of increasing global competition, it is important that Australian business can access international opportunities, and continue to grow Australia's export base.

### Helping Australian businesses access international opportunities

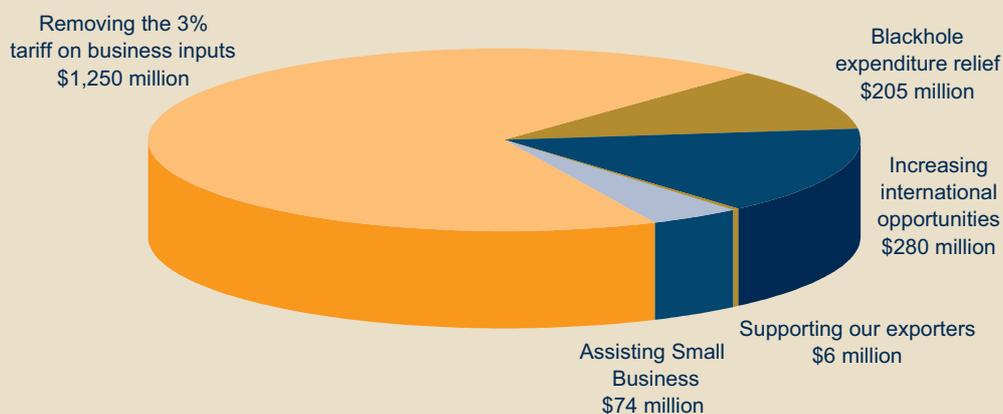
The Government will make Australia more attractive to foreign investors and for regional headquarters by aligning Australia's capital gains tax treatment of non-residents with international norms, at a cost of \$230 million over four years.

It also will remove impediments to Australian firms investing overseas and increase Australia's attractiveness as a location for regional headquarters by allowing foreign losses to offset domestic income, at a cost of \$50 million over two years from 2007-08.

### Supporting Australian exporters

The budget provides \$6 million to appoint new export facilitators to maximise Australian export opportunities in the United States.

This builds on commitments announced since the last budget providing an additional \$30 million to the Export Market Development Grants scheme and a further \$6 million to expand the Export Hubs scheme.



Measures to support business over four years from 2005-06

# Meeting our health and aged care needs

The Government's spending on health and aged care has more than doubled since 1996.

By keeping the health system affordable, the Government can further enhance cancer care, make dementia a National Health Priority and increase support for carers of senior Australians.

These initiatives will build on significant recent investments in Medicare, access to GP services and aged care.

## Record spending for health care services and support

In 2005-06 the Government will spend \$45 billion on health and aged care, up from \$20 billion when the Government came to office.

This spending includes an increased emphasis on major health priorities to ensure Australians can access the best health care when they need it.

Through the Strengthening Cancer Care initiative, the Government is spending \$196 million to introduce new cancer screening programmes and awareness campaigns, and a range of coordinated measures that tackle treatment, research and support for patients, families and carers.

In making dementia a National Health Priority, the Government will invest \$321 million over five years in early intervention, additional care services and carer training to improve significantly the quality of life for people with dementia.

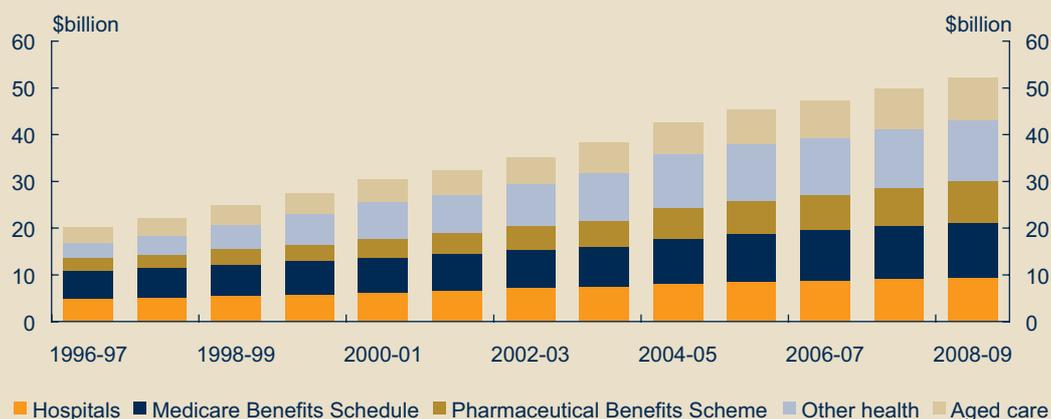
The Government is providing \$208 million to assist carers of senior Australians with more financial help and better access to respite care.

This will further the Government's commitment to ensuring carers receive the recognition, reward and support needed to enable them to continue caring for older Australians at home and in the community.

In addition, the Government will provide \$79 million to improve access to health services for veterans.

These new initiatives build on the substantial investment in health made since the last budget, including:

- making GP services more affordable by increasing the Medicare rebate to 100 per cent of the schedule fee at a cost of \$2.3 billion over five years
- improving access to GPs by investing in after-hours GP services
- improving the affordability of private health insurance by increasing the rebate for older Australians
- providing more residential aged care places and improving care in nursing homes.



Growing investment to meet health and aged care needs

# Ensuring a sustainable health system

The Government is introducing new measures to improve the long-term health of the Australian community.

Targeted reforms will enhance the viability and effectiveness of the central pillars of the health system, including Medicare services and the Pharmaceutical Benefits Scheme, to ensure the future delivery of quality health care.

## Fostering a healthy community into the future

With its ageing population, Australia faces significant long-term pressures on health costs. Steps are needed now to ensure the health system remains sustainable and to maintain the high quality of our health care.

Keeping the Medicare Safety Net affordable will keep it in place. Adjusting the threshold levels will ensure the Government can continue to cover 80 per cent of out-of-pocket costs for non-hospital health services over the thresholds.

The Medicare Safety Net will remain a generous protection against high medical expenses, with over \$1.1 billion in benefits expected to be paid over the next four years.

The Government is keeping the Pharmaceutical Benefits Scheme (PBS) sustainable, introducing initiatives such as the 12.5 per cent mandatory price reduction for new generic medicines and a phased increase in the PBS Safety Net thresholds.

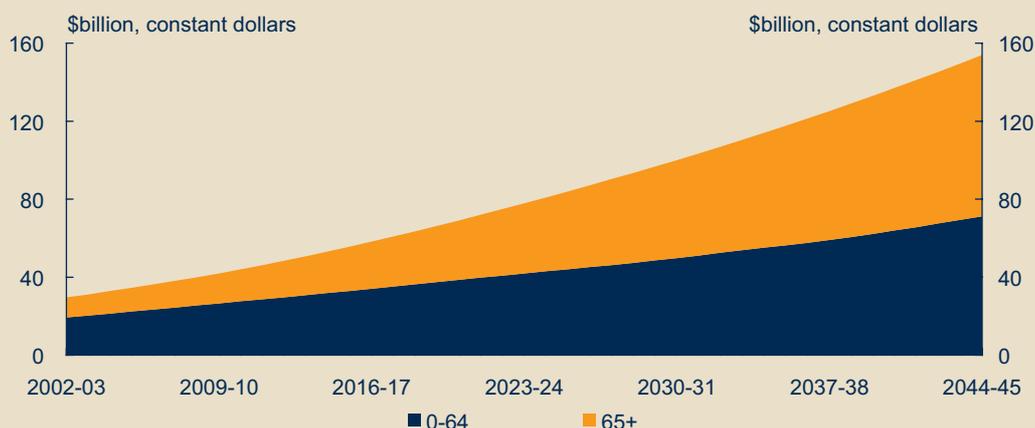
Needed reforms in medicine distribution and retail are being negotiated through the next Community Pharmacy Agreement.

Such reforms will ensure Australians continue to have affordable access to the drugs they need, including through the listing of new innovative medicines as they become available.

Since the last budget, over 70 items have been added to the PBS, including high-cost drugs to treat high blood cholesterol, schizophrenia and bipolar disorder.

And to enhance the long-term health of Australians, the Government is increasing its investment in health promotion and prevention activities. Building on its successful drive to increase child immunisation rates to above 90 per cent, the Government is funding new vaccines for chickenpox and polio at a cost of \$139 million.

A new National Tobacco Youth Campaign will help further reduce tobacco use and discourage young Australians from taking up smoking.



Long-term pressures on health expenditure are projected with an ageing population

# A new approach to family law

The most significant changes since the current family law system was introduced in 1975 will focus on families and their needs before, during and after separation.

The Government will spend \$398 million to help prevent separation and, where parents do separate, on new approaches to reduce the conflict and emotional cost on children and parents by achieving agreement at an earlier stage.

## Reducing the impacts on children

The Government maintains its very strong commitment to the role of the family unit in our society. Children raised in a stable, happy family environment are an important asset for Australia's future.

The Government's reforms to the family law system will provide assistance to families experiencing difficulties, to help avoid separation.

In the unfortunate cases where family breakup occurs, the Government will provide couples with an opportunity to resolve child custody issues without the need to go to court. The system will focus on the best interests of the child.

### Family relationship centres

This will be done through providing \$199 million over four years to fund the establishment of 65 new family relationship centres. These centres will help separating parents resolve child custody disputes in a less adversarial way outside the formal court system. This will make it easier to resolve disputes before court proceedings start. As part of this initiative, \$10 million will be provided to Rural Outreach Services.

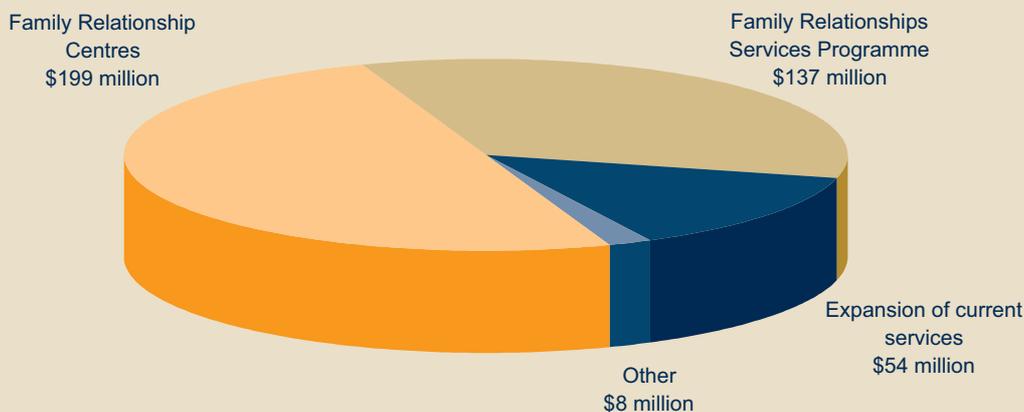
### Family relationship services

The Government will invest \$137 million over four years to maintain

the increased funding provided in 2004-05 to the Family Relationship Services Programme, expand early intervention, prevention and pre-marriage education services, and continue ongoing funding for Men's Line.

Together these will strengthen the family environment.

In addition, this budget expands other current services, providing \$54 million over four years for 15 new services under the Contact Orders programme, 30 new services under the Children's Contact services programme and additional dispute resolution services.



New services to enhance the family law system

# Greater opportunity for Indigenous Australians

By developing partnerships with Indigenous communities, this budget delivers initiatives to better meet the key needs of Indigenous Australians.

The Government is spending over \$3 billion on Indigenous-specific programmes in 2005-06.

## A new approach to better meet the needs of Indigenous Australians

The Government has acted decisively to deliver a better deal for Indigenous Australians.

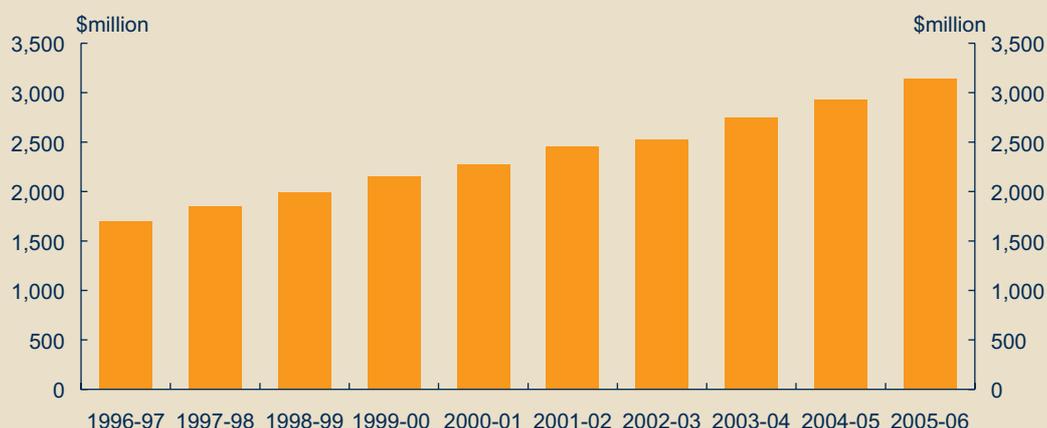
The Government is working with Indigenous people to deliver improved outcomes for them. At the national level, a National Indigenous Council will advise the Government.

At a community level, the Government is negotiating Shared Responsibility Agreements to ensure funding meets the needs of each community and all parties commit to improving outcomes. This budget provides \$86 million to continue to develop and implement Shared Responsibility Agreements.

Other key initiatives are:

- \$102 million to improve the health of Indigenous babies and children through initiatives at 83 sites Australia-wide
- \$40 million to improve access to primary health services, \$10 million to increase access to hearing services and a further \$18 million to help address substance abuse
- \$103 million for the Healthy Indigenous Housing Initiative to improve Indigenous housing
- ensuring the continued effective operation of the native title system at a cost of \$73 million
- establishing an Indigenous Economic Development Strategy to foster Indigenous businesses, and a reformed Community Development Employment Projects Programme that will create more genuine jobs
- \$9 million to give one year of tutorial assistance to Indigenous students who leave remote areas to attend educational institutions away from their support base.

Government spending on Indigenous-specific programmes has grown from \$1.7 billion in 1996-97 to \$3.1 billion in 2005-06.



Spending on Indigenous-specific programmes rises to \$3.1 billion in 2005-06

# Providing for Australia's Security

National security remains a priority for the Government.

The *Providing for Australia's Security* package increases security spending by \$1.1 billion, bringing total spending to \$5.6 billion over eight years from 2001-02.

This budget also provides funding to maintain and enhance Australia's quarantine regime.

## Protecting Australians and Australian interests

The Government is continuing to increase resources for Australia's security agencies to meet the higher demands placed on them. Cooperation between government agencies, in Australia and overseas, and links to business and the broader community are critical.

The *Providing for Australia's Security* package in this budget includes \$239 million to enhance further the investigation and language skills of intelligence agency personnel. The National Security Hotline will continue as an effective link to the broader community on security matters.

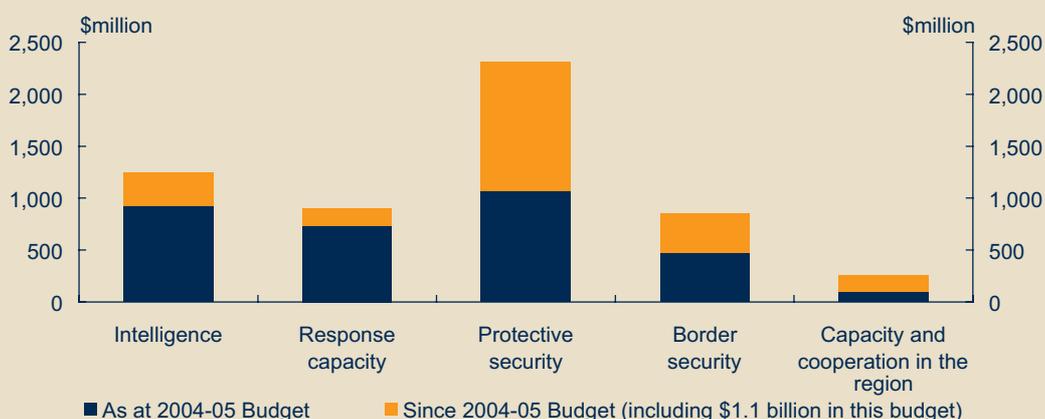
Funding of \$522 million will improve protective security, including in overseas missions. Within Australia, additional funding will go towards improved security for Defence personnel and facilities, diplomatic guarding and support for businesses providing critical infrastructure.

The Government is harnessing emerging technologies to bolster Australia's border protection. To ensure people of concern cannot access visas, the Government will deploy biometric technology using face and fingerprint scans. It also will introduce ePassports over time for Australian citizens.

### Enhancing quarantine and protecting Southern Ocean fisheries

High levels of quarantine intervention are essential to protect Australia's unique pest and disease-free status, and to enable our continued access to world markets. The Government has committed \$580 million to maintain and enhance Australia's quarantine inspection regime.

This budget also provides \$181 million for an armed patrol vessel to protect Australia's sovereign interests and environmental values in the Southern Ocean from illegal fishing.



A total of \$5.6 billion of national security spending over eight years from 2001-02

# Enhancing our international engagement

Australia's security and prosperity depend on the effectiveness of our engagement with the rest of the world.

The Government is strengthening Australia's already close regional ties through practical bilateral diplomacy in East Asia and ongoing support for vulnerable Pacific states.

## Boosting stability, security and good governance

The Government is committed to promoting economic development, good governance and security in our region and beyond. This reflects Australia's interest in a stable, secure and well-governed world.

### Bilateral assistance

Australia has increased substantially its direct development assistance to Australia's neighbours.

Australia responded to the recent tsunami disaster by providing to Indonesia the largest single aid contribution it has ever made. The \$1 billion package will provide valuable

support to Indonesia's reconstruction and development efforts.

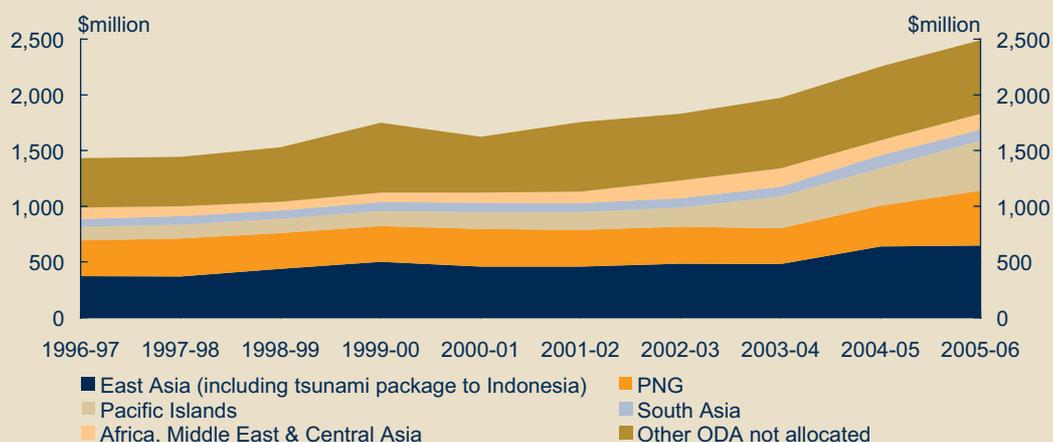
The Government remains active in the Pacific. The Regional Assistance Mission to the Solomon Islands has made great progress in restoring law and order and stabilising government finances, and a further \$841 million over four years will continue this work. The Government also will maintain its substantial commitments of personnel in Papua New Guinea and Nauru.

Australia has a strong interest in a stable, democratic and developing Iraq. This budget provides \$466 million over

four years to continue the Australian Defence Force's contribution to stabilisation activities, and \$45 million over two years to support Iraq's development and democratic transition.

### Trade liberalisation

Closer economic links contribute to prosperity. The Government is working to reduce trade barriers through the multilateral Doha round negotiations and through free trade agreement negotiations with China, Malaysia, ASEAN and the United Arab Emirates.



## Increasing Australian Official Development Assistance

# Funding the elimination of state taxes

The Australian Government's tax reforms mean that in 2005-06 the states will be \$1.5 billion better off after having eliminated over \$3.6 billion of taxes, including debits tax.

The Australian Government is continuing to drive the states to end double taxation by removing inefficient business taxes.

## GST windfall to drive further tax reform

All GST is paid to the states, providing them with a secure, growing and efficient revenue base.

The GST was intended to replace nine inefficient state taxes. By 2001-02, financial institutions duty, quoted marketable securities duty and bed tax were abolished. On 1 July 2005, debits tax will be abolished. (NSW abolished this tax in 2002.) The abolition of debits tax will save taxpayers over \$1 billion in 2005-06.

The Australian Government has called on the states to eliminate the remaining business stamp duties listed in the Intergovernmental Agreement, from 1 July 2006.

Even after these taxes are abolished, the states will continue to enjoy significant GST windfall gains of around \$9 billion from 2004-05 to 2009-10.

Six of the eight jurisdictions have responded to the Government's proposal with their own timetable for the abolition of the taxes, and the Government is considering its response to them.

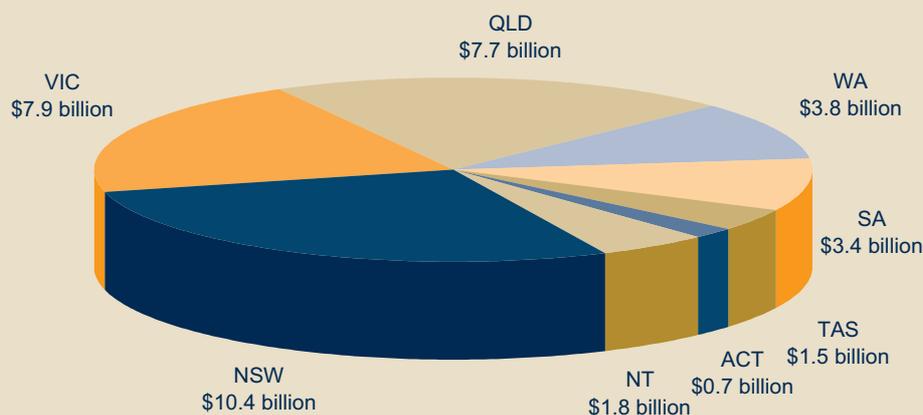
### States better off

In 2005-06, every state will receive more revenue than it would have received had the Government not implemented tax reform. Subject to the Intergovernmental Agreement, the states can use their GST revenue to

fund services such as hospitals, schools and police, and to reduce state taxes.

Even after the abolition of debits tax, the states will receive an additional \$1.5 billion in 2005-06 because of tax reform.

- \$60 million more for NSW
- \$199 million more for VIC
- \$595 million more for QLD
- \$230 million more for WA
- \$166 million more for SA
- \$98 million more for TAS
- \$54 million more for the ACT
- \$138 million more for the NT



More than \$37 billion in GST revenue to be provided to the states in 2005-06

# Investing for the future

The Future Fund aims to offset the Government's largest financial liability, its unfunded superannuation obligations.

Funding superannuation now will reduce future pressures on the budget at a time when the Government will need to face the spending challenges of an ageing population.

## The Future Fund — saving today for financial sustainability tomorrow

### What is the Future Fund?

Having reduced net debt to historically low levels, the Government announced during the 2004 federal election that it would establish a Future Fund to meet unfunded superannuation liabilities, currently estimated at \$91 billion.

### Why is it needed?

The Government pays out billions of dollars a year for superannuation liabilities accrued in the past. By establishing the Fund today the Government will strengthen Australia's long-term financial position without passing yesterday's liabilities to future generations to pay as they fall due.

### How will it operate?

The policy aims to grow financial assets in the Fund sufficient to offset unfunded superannuation liabilities by around 2020.

Seed capital for the Fund will be determined once the 2004-05 surplus is realised. On current estimates this will be in the order of \$16 billion. To grow the Fund the Government will reinvest its earnings as well as investing future surpluses.

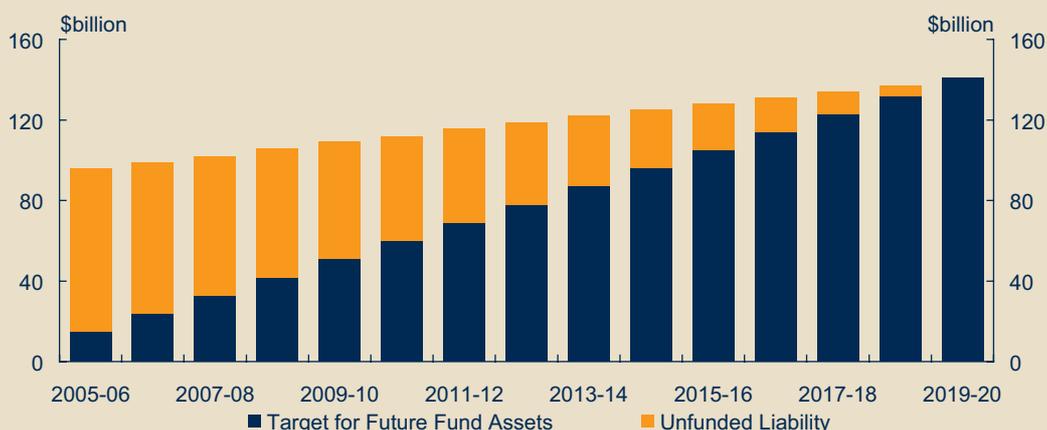
The Fund will be governed by a statutory Board. The Government will set out an investment mandate to guide the board

in managing the Fund. Draw-downs from the Fund will not be allowed until such time as it has accumulated assets sufficient to offset the liabilities.

### What does this mean for the budget?

The Fund will be quarantined from the rest of the budget, effectively pre-committing these funds to meet superannuation payments in the future.

As a consequence, Fund earnings will be excluded from the underlying cash balance, recognising that they are not available to meet current payments. This ensures the Fund will grow so that future Governments can maintain services without raising taxes.



Future Fund to reduce pressure on the budget as ageing population pressures emerge

# Delivering our commitments

The 2005-06 Budget delivers on the Government's 2004 election commitments including those on families, the elderly, schools, and the environment.

These commitments are possible because of the Government's strong economic management.

## Sharing the benefits of strong economic management

The Government is delivering on its 2004 election commitments, including:

### Family Assistance

The Government is delivering extra assistance to families, including increasing the maximum rate of Family Tax Benefit Part B (\$2 billion over five years from 2004-05), the 30 per cent Child Care Tax Rebate (around \$1 billion over five years from 2004-05), and increasing grandparents' access to the Child Care Benefit (\$110 million over five years from 2004-05).

### Recognising Senior Australians

The Government is providing a new Utilities Allowance of \$100 per household to people of Age Pension age receiving income support, including Veterans (\$801 million over five years from 2004-05) and a new Seniors Concession Allowance of \$200 per year to each holder of the Commonwealth Seniors Health Card (\$334 million over five years from 2004-05).

### Water Management

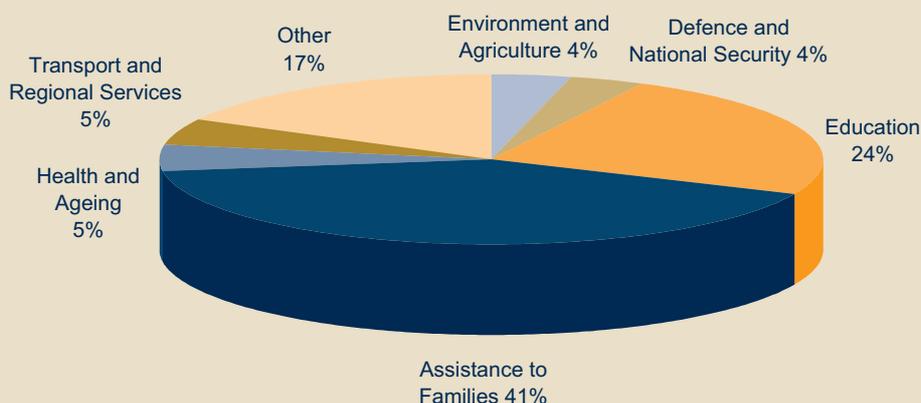
\$2 billion has been committed to establish an Australian Water Fund.

This is a major investment in water infrastructure, improved environmental knowledge and water management.

### Investing in Our Schools

The Government will invest an additional \$1 billion over five years from 2004-05 to provide much needed school infrastructure.

These and the other election promises outlined in the Making Australia Stronger — Delivering Our Commitments document build on policies already implemented by this Government.



Sharing the benefits — distribution of election commitments

# Higher household incomes

The spending power of Australians has increased significantly since 1996-97.

The increase in the wage level at which families become net taxpayers has been even more dramatic.

## Improvement in the real disposable incomes and net tax thresholds for different household types since 1996-97

Household Types and Wage as percentages of AWOTE (a)	Real disposable income (\$2005-06)			Real net tax threshold (b) (\$2005-06)		
	1996-97	2006-07	% change	1996-97	2006-07	% change
Single person (67%)	\$24,286	\$28,672	18.1%	\$14,926	\$16,649	11.5%
Single person (100%)	\$33,888	\$40,989	21.0%	\$14,926	\$16,649	11.5%
Single person (167%)	\$50,218	\$63,028	25.5%	\$14,926	\$16,649	11.5%
Sole parent (0%)	\$19,382	\$24,726	27.6%	\$34,502	\$44,951	30.3%
Sole parent (67%)	\$34,088	\$40,749	19.5%	\$34,502	\$44,951	30.3%
Single income couple (133%)	\$44,050	\$54,477	23.7%	\$16,083	\$27,497	71.0%
Single income couple (167%)	\$51,848	\$64,637	24.7%	\$16,083	\$27,497	71.0%
Dual income couple (100 & 33%)	\$47,415	\$57,110	20.4%	\$19,466	\$30,460	56.5%
Dual income couple (100 & 67%)	\$58,174	\$69,661	19.7%	\$22,646	\$31,067	37.2%
Single income couple with children (c) (100%)	\$38,070	\$49,312	29.5%	\$33,931	\$44,951	32.5%
Single income couple with children (133%)	\$46,603	\$59,815	28.4%	\$33,931	\$44,951	32.5%
Single income couple with children (167%)	\$54,401	\$69,941	28.6%	\$33,931	\$44,951	32.5%
Dual income couple with children (100 & 33%)	\$49,170	\$61,286	24.6%	\$34,559	\$47,891	38.6%
Dual income couple with children (100 & 67%)	\$59,929	\$73,195	22.1%	\$34,657	\$46,884	35.3%
Dual income couple with children (167 & 100%)	\$84,106	\$104,017	23.7%	\$34,641	\$47,003	35.7%
Senior single (0%)	\$11,469	\$12,930	12.7%	\$20,205	\$25,575	26.6%
Senior single (33% wages)	\$18,485	\$23,588	27.6%	\$20,205	\$26,310	30.2%
Senior single (33% investment return)	\$18,485	\$23,101	25.0%	\$20,205	\$25,575	26.6%
Senior couple (33 & 33% investment returns)	\$32,598	\$41,666	27.8%	\$33,893	\$43,956	29.7%
Pensioner couple (0 & 0%)	\$19,014	\$21,486	13.0%	\$33,893	\$43,956	29.7%

(a) AWOTE is average weekly ordinary time earnings for full-time employees

(b) The net tax threshold is the private income at which income tax paid first exceeds cash benefits received

(c) Families with children have two, one aged 3 and the other 8 years

# Benefits of new measures for families

Australians enjoy the second highest take home pay in the OECD.

Family take home pay will be improved substantially by the Government tax cuts in 2005-06 and 2006-07, along with the changes to the income tests for family tax benefit and allowances.

## Improvements in disposable income from Government tax cuts, and from changes to the income tests for family tax benefit and allowances, in 2005-06 and 2006-07

Private income	Single income couple no children	Dual income couple no children (50/50 income split)	Sole parent 2 children aged 3 and 8	Single income couple, 2 children aged 3 and 8	Dual income couple, 2 children aged 3 and 8 (income split 67/33)	Single person
\$10,000	\$941	\$723	\$131	\$941	\$246	\$1,000
\$20,000	\$2,187	\$1,881	\$144	\$1,809	\$1,411	\$493
\$30,000	\$2,465	\$2,608	\$144	\$3,224	\$1,889	\$312
\$40,000	\$312	\$560	\$965	\$965	\$1,109	\$312
\$50,000	\$312	\$624	\$965	\$965	\$1,175	\$312
\$60,000	\$552	\$624	\$1,023	\$1,023	\$1,059	\$552
\$70,000	\$1,752	\$624	\$1,752	\$1,752	\$624	\$1,752
\$80,000	\$2,252	\$624	\$2,252	\$2,252	\$624	\$2,252
\$90,000	\$2,752	\$624	\$2,752	\$2,752	\$900	\$2,752
\$100,000	\$3,252	\$624	\$3,252	\$3,252	\$1,704	\$3,252
\$110,000	\$3,752	\$624	\$3,752	\$3,752	\$2,249	\$3,752
\$120,000	\$4,252	\$1,104	\$4,252	\$4,252	\$2,584	\$4,252
\$130,000	\$4,502	\$2,304	\$4,502	\$4,502	\$2,919	\$4,502
\$140,000	\$4,502	\$3,504	\$4,502	\$4,502	\$3,254	\$4,502
\$150,000	\$4,502	\$4,004	\$4,502	\$4,502	\$3,589	\$4,502

Average wages after tax and social security contributions across the OECD, 2003-04



# Australian Government budget aggregates

The table below shows the main cash and accrual budget aggregates for the Australian Government general government sector over the period 2003-04 to 2008-09<sup>(a)</sup>. The underlying cash surplus is estimated to be \$8.9 billion in 2005-06. The fiscal surplus is estimated to be \$7.4 billion. More comprehensive information is provided in Budget Paper No. 1, *Budget Strategy and Outlook 2005-06*, Statement 2.

	Actual	Estimates		Projections		
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Revenue (\$b)</b>	<b>187.6</b>	<b>202.7</b>	<b>214.5</b>	<b>222.9</b>	<b>233.4</b>	<b>245.3</b>
Per cent of GDP	23.1	23.5	23.1	23.0	23.2	23.1
<b>Expenses (\$b)</b>	<b>182.0</b>	<b>195.0</b>	<b>206.1</b>	<b>214.8</b>	<b>225.4</b>	<b>236.6</b>
Per cent of GDP	22.4	22.6	22.2	22.2	22.4	22.3
Net operating balance (\$b)	5.6	7.7	8.4	8.1	8.0	8.8
Net capital investment (\$b)	0.7	0.7	1.0	0.6	0.0	-0.3
<b>Fiscal balance (\$b)</b>	<b>4.8</b>	<b>7.0</b>	<b>7.4</b>	<b>7.5</b>	<b>8.0</b>	<b>9.0</b>
Per cent of GDP	0.6	0.8	0.8	0.8	0.8	0.9
<b>Underlying cash balance (\$b)(b)</b>	<b>8.0</b>	<b>9.2</b>	<b>8.9</b>	<b>7.9</b>	<b>8.5</b>	<b>9.3</b>
Per cent of GDP	1.0	1.1	1.0	0.8	0.8	0.9
<i>Memorandum item:</i>						
Headline cash balance (\$b)	7.6	7.9	7.9	18.2	18.6	19.4

(a) All estimates are based on Government Finance Statistics (GFS) standards, but with goods and services tax (GST) revenue collected on behalf of the states and territories netted off revenue and expenses.

(b) Excludes expected Future Fund earnings from 2005-06 onwards.

# Major initiatives in the 2005-06 Budget

This table provides a summary of major new initiatives in the 2005-06 Budget. More comprehensive information is provided in Budget Paper No. 2, *Budget Measures 2005-06*.

	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m	Total \$m
<b>Personal tax cuts (a)</b>	-3,100.0	-5,600.0	-6,250.0	-6,700.0	-21,650.0
<b>Abolition of the superannuation surcharge</b>	-	-650.0	-875.0	-990.0	-2,515.0
<b>Business Assistance</b>					
Removal of Tariff Concession Scheme	-290.0	-300.0	-320.0	-340.0	-1,250.0
<b>Promoting participation</b>					
<i>Welfare to Work</i> measures	226.3	963.6	1,226.1	1,146.3	3,562.4
<b>Indigenous Australians</b>					
<i>Addressing Indigenous Needs</i> measures	63.3	73.0	85.0	90.5	311.8
<b>Family assistance</b>					
Family Tax Benefit Part B supplement	430.9	439.4	450.5	461.7	1,782.5
A new family law system measures	35.2	80.2	121.9	160.0	397.3
<b>Health</b>					
Dementia care	19.6	50.8	81.4	98.3	250.1
Recognising senior Australians	29.7	54.6	60.8	62.4	207.5
Strengthening cancer care	33.8	45.2	41.1	21.7	141.8
<b>National security</b>					
<i>Providing for Australia's Security</i> measures	226.2	325.7	233.0	174.5	959.4
<b>International Engagement</b>					
Regional Assistance Mission to Solomon Islands	222.7	213.1	203.7	201.0	840.5
Iraq - stabilisation and reconstruction measures	405.7	56.0	4.0	-	465.7
Tsunami assistance measures	136.5	127.5	126.5	126.4	516.9
Australia's Hosting of APEC 2007	54.8	90.2	70.6	-0.3	215.3
<b>Quarantine Border Security</b>					
Quarantine Border Security	63.0	67.7	130.2	130.2	391.1
AQIS inspection fees - Government contribution	34.3	35.4	36.5	37.7	143.9

(a) A minus sign against a revenue measure indicates a reduction in the fiscal balance.

# Detailed economic forecasts for 2005-06

The table below shows the Government's macroeconomic forecasts. The Australian economy is expected to record solid growth in 2005-06 after a period of modest growth in 2004-05. More comprehensive information is provided in *Budget Strategy and Outlook 2005-06*, Statement 3.

	Outcomes (b) 2003-04	Estimates 2004-05	Forecasts 2005-06
<b>Demand and output(a,c)</b>			
Household consumption	5.6	4	3 1/4
Private investment			
Dwellings	7.3	-2	-2
Total business investment(d)	9.4	8	6
Non-dwelling construction(d)	12.5	2	2
Machinery and equipment(d)	7.8	11	7
Private final demand(d)	6.2	3 3/4	3 1/2
Public final demand(d)	3.8	6	3 3/4
Total final demand	5.7	4 1/4	3 1/2
Change in inventories(e)			
Private non-farm	0	- 1/4	1/4
Farm and public authorities(f)	0.6	- 1/4	0
Gross national expenditure	6.2	3 1/2	3 3/4
Exports of goods and services	1.6	2	7
Imports of goods and services	12.4	10	8
Net exports(e)	-2.4	-2	-1
<b>Gross domestic product(a,c)</b>	4.1	2	3
Non-farm product	3.3	2 1/4	3
Farm product	35.8	-8	5
<b>Other selected economic measures(a)</b>			
External accounts			
Terms of trade	7.0	9 3/4	12 1/4
Current account balance			
\$billion	-47.4	-56 1/4	-48
Percentage of GDP	-5.8	-6 1/2	-5 1/4
Labour market			
Employment (labour force survey basis)	1.8	2 3/4	1 3/4
Unemployment rate (per cent)	5.8	5 1/4	5
Participation rate (per cent)	63.5	63 3/4	63 3/4
Prices and wages			
Consumer Price Index	2.4	2 1/2	2 3/4
Gross non-farm product deflator	3.6	4	4 1/2
Wage Price Index	3.6	3 3/4	4

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

(b) Calculated using original data.

(c) Chain volume measure.

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

(e) Percentage point contribution to growth in GDP.

(f) For presentational purposes, inventories held by privatised marketing authorities are included with the inventories of the farm sector and public marketing authorities.

Source: Australian Bureau of Statistics and Treasury.

# Historical Budget and net debt data

This table provides historical data and forward estimates for Australian Government general government sector cash receipts, cash payments, cash surplus and net debt. The table provides details of the cash budget aggregates for the period 1973-74 to 2008-09. More comprehensive information is provided in Budget Paper No. 1, *Budget Strategy and Outlook 2005-06*, Statement 13.

	Receipts		Payments		Underlying cash balance(a)		Net Debt	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1973-74	11,890	20.6	10,829	18.8	1,061	1.8	-1,851	-3.2
1974-75	15,325	22.6	15,275	22.5	50	0.1	-1,901	-2.8
1975-76	18,316	23.0	19,876	25.0	-1,560	-2.0	-341	-0.4
1976-77	21,418	23.3	22,657	24.7	-1,239	-1.4	898	1.0
1977-78	23,491	23.4	25,489	25.4	-1,998	-2.0	2,896	2.9
1978-79	25,666	22.6	27,753	24.4	-2,087	-1.8	4,983	4.4
1979-80	29,780	23.1	31,041	24.1	-1,261	-1.0	6,244	4.8
1980-81	35,148	24.1	35,260	24.2	-112	-0.1	6,356	4.4
1981-82	40,831	24.3	40,394	24.0	437	0.3	5,919	3.5
1982-83	44,675	24.7	47,907	26.5	-3,232	-1.8	9,151	5.1
1983-84	49,102	24.0	55,966	27.4	-6,864	-3.4	16,015	7.8
1984-85	57,758	25.6	63,639	28.2	-5,881	-2.6	21,896	9.7
1985-86	64,845	26.1	69,838	28.1	-4,993	-2.0	26,889	10.8
1986-87	73,145	26.9	75,392	27.7	-2,247	-0.8	29,136	10.7
1987-88	81,217	26.1	79,440	25.6	1,777	0.6	27,359	8.8
1988-89	88,369	25.1	82,202	23.4	6,167	1.8	21,982	6.2
1989-90	95,517	24.8	88,882	23.1	6,635	1.7	16,121	4.2
1990-91	97,705	24.6	97,333	24.5	372	0.1	16,936	4.3
1991-92	92,966	22.9	104,551	25.7	-11,585	-2.8	31,132	7.7
1992-93	94,448	22.2	111,484	26.2	-17,036	-4.0	55,218	13.0
1993-94	100,142	22.4	117,252	26.3	-17,110	-3.8	70,223	15.7
1994-95	109,720	23.3	122,901	26.1	-13,181	-2.8	83,492	17.8
1995-96	121,105	24.2	131,182	26.2	-10,077	-2.0	95,831	19.1
1996-97	129,845	24.6	135,126	25.6	-5,281	-1.0	96,281	18.2
1997-98	135,779	24.3	134,608	24.1	1,171	0.2	82,935	14.8
1998-99	146,496	24.8	142,159	24.1	4,337	0.7	70,402	11.9
1999-00	165,806	26.6	152,747	24.5	13,059	2.1	53,768	8.6
2000-01	160,829	24.1	154,858	23.2	5,970	0.9	42,651	6.4
2001-02	162,524	22.8	163,507	22.9	-983	-0.1	38,024	5.3
2002-03	176,147	23.2	168,661	22.2	7,486	1.0	29,665	3.9
2003-04	186,971	23.0	178,935	22.0	8,036	1.0	23,421	2.9
2004-05(e)	202,662	23.5	193,441	22.4	9,221	1.1	16,328	1.9
<b>2005-06(e)</b>	<b>214,515</b>	<b>23.1</b>	<b>205,132</b>	<b>22.1</b>	<b>8,921</b>	<b>1.0</b>	<b>6,080</b>	<b>0.7</b>
2006-07(p)	221,891	22.9	213,015	22.0	7,933	0.8	-14,031	-1.5
2007-08(p)	232,525	23.1	223,029	22.1	8,500	0.8	-34,649	-3.4
2008-09(p)	244,245	23.0	233,907	22.1	9,284	0.9	-56,389	-5.3

(a) Excludes expected Future Fund earnings from 2005-06 onwards.

(e) Estimate

(p) Projection