The 2019-20 Budget delivers a surplus for the first time in over a decade. This Budget reinforces the Government’s commitment to investing in Australia’s future by strengthening the economy and guaranteeing essential services, while keeping taxes low.

Australia’s economy remains in fundamentally good shape. Employment growth has been strong with over 1.2 million jobs created since September 2013. The unemployment rate is at its lowest level in more than seven years and the participation rate is at a near-record high. However, there are a range of risks both domestically and abroad.

The plan for a stronger economy is based on fiscal discipline and policies that enhance the economy’s productive potential. This plan will help meet the challenges ahead while boosting incomes.

The underlying cash balance is forecast to be a surplus of $7.1 billion in 2019-20, with surpluses projected to build to more than 1 per cent of GDP in the medium term.

With the budget returning to surplus, the Government is strengthening its focus on paying down debt to reduce the fiscal burden on future generations.

Over the medium term, net debt is projected to be eliminated entirely and gross debt is projected to fall to 12.8 per cent of GDP.

The Government is delivering lower taxes by:

• providing tax relief to hard-working low- and middle-income Australians, with immediate relief of up to $1,080 for singles, or up to $2,160 for dual income families, and structural reform so a projected 94 per cent of Australian taxpayers will face a marginal tax rate no higher than 30 per cent in 2024-25;

• providing lower taxes to small and medium-sized businesses by increasing the instant asset write-off and expanding access to it alongside the lower tax rates the Government has already legislated; and

• safeguarding the integrity of the tax system by ensuring everyone, including multinationals and big business, pay their fair share.
A major focus of the Budget is the significant increase in infrastructure spending to $100 billion over the next decade. This recognises its role in managing population growth, easing congestion and ensuring towns and regions are better connected. This includes:

• a new fast rail plan for Australia including a $2 billion contribution to the Melbourne-Geelong fast rail project;
• a $3 billion increase in the Urban Congestion Fund including $500 million for a new Commuter Car Park Fund;
• an additional $1 billion for the next phase of the Roads of Strategic Importance initiative; and
• $15.6 billion for additional road and rail projects across the country.

The Government is continuing to guarantee the essential services on which Australians rely by:

• strengthening Medicare to ensure that Australians can access quality and affordable healthcare;
• providing more affordable access to medicines through additional listings on the Pharmaceutical Benefits Scheme;
• continuing to strengthen the safety, quality, integrity of and access to Australia’s aged care system;
• providing $291.6 billion to the end of 2029 for government and non-government schools, while working with states and territories to lift student outcomes; and
• investing $525.3 million to modernise the vocational education and training sector, including 80,000 new apprenticeships, to ensure that workers and employers are equipped with the skills they need today and in the future.

The Government is investing in the prosperity, security and resilience of communities by:

• taking decisive action to ensure a more affordable, reliable and sustainable energy system;
• investing in communities to improve local infrastructure, upgrade regional communications connectivity, address local environmental issues and boost tourism;
• providing $328 million for women’s and children’s safety as well as programs to keep children safe online; and
• better supporting Australians through drought and natural disasters with the creation of new drought resilience and emergency response funds.
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STATEMENT 1: BUDGET OVERVIEW

INTRODUCTION

The 2019-20 Budget confirms the return to a surplus in 2019-20, with surpluses continuing over the medium term. These surpluses will pay down debt to ensure that Australia is better equipped to deal with future challenges and to reduce the fiscal burden on future generations.

The Australian economy is fundamentally sound, with the unemployment rate falling to 4.9 per cent and the creation of more than 1.2 million jobs since September 2013. Real GDP is expected to grow at around its estimated potential rate of 2¼ per cent in 2019-20 and 2020-21. The economy is expected to be supported by solid growth in business investment, exports and the roll-out of major public infrastructure projects. Growth in Australia’s major trading partners has outpaced global growth over the past decade. This is forecast to continue and, combined with new opportunities from Australia’s growing number of free trade agreements, will support the domestic economy. At the same time, there are a number of risks and uncertainties around the outlook, including global trade tensions and conditions in the domestic housing market.

The Government is building on its Personal Income Tax Plan announced in the 2018-19 Budget. In this Budget, the Government will provide additional tax relief for low- and middle-income earners to reward hard-working Australians and support consumption growth. The Government will also introduce further structural tax reform, lowering the 32.5 per cent tax rate to 30 per cent from 2024-25. Combined with the already legislated abolition of the 37 per cent tax rate from that year, this means a single 30 per cent marginal tax rate will apply to taxable incomes from $45,000 to $200,000. These changes will improve incentives for hard-working Australians and increase the reward for effort while maintaining a progressive tax system.

The Government continues to invest in productivity-enhancing infrastructure to ease congestion and manage a growing population, as well as providing Australians with the essential services they rely on.

After a decade of deficits, the budget is returning to surplus in 2019-20 with an underlying cash surplus of $7.1 billion, equal to 0.4 per cent of GDP. Sustained fiscal discipline will ensure these surpluses exceed 1 per cent of GDP in the medium term.

Maintaining a strong economy and ongoing fiscal discipline is the best way of securing a more prosperous future for Australians.
Budget Statement 1: Budget Overview

Table 1: Budget aggregates

<table>
<thead>
<tr>
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<tr>
<td>Underlying cash balance (b)(b)</td>
<td>-10.1</td>
<td>-4.2</td>
<td>7.1</td>
<td>11.0</td>
<td>17.8</td>
<td>9.2</td>
<td>45.0</td>
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<tr>
<td>Per cent of GDP</td>
<td>-0.5</td>
<td>-0.2</td>
<td>0.4</td>
<td>0.5</td>
<td>0.8</td>
<td>0.4</td>
<td></td>
</tr>
<tr>
<td>Net operating balance (b)</td>
<td>-4.0</td>
<td>8.5</td>
<td>12.9</td>
<td>18.2</td>
<td>28.8</td>
<td>20.6</td>
<td>80.4</td>
</tr>
<tr>
<td>Per cent of GDP</td>
<td>-0.2</td>
<td>0.4</td>
<td>0.6</td>
<td>0.9</td>
<td>1.3</td>
<td>0.9</td>
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</table>

(a) Total is equal to the sum of amounts from 2019-20 to 2022-23.
(b) Excludes expected net Future Fund earnings before 2020-21.

Payments as a proportion of GDP are expected to fall to 24.5 per cent by the end of the forward estimates, slightly lower than forecast at the 2018-19 MYEFO and remaining lower than the 30-year average of 24.7 per cent of GDP.

Receipts as a proportion of GDP are expected to increase over the forward estimates, broadly in line with forecasts at the 2018-19 MYEFO, with tax receipts remaining below the Government’s tax-to-GDP cap of 23.9 per cent.

Net debt is forecast to fall to 18 per cent of GDP in 2019-20 and will continue to decline as a share of GDP over the forward estimates. Further improvements are projected across the medium term to eliminate net debt by 2029-30. Gross debt will also fall below its 30-year average in the medium term.

**Economic Outlook**

The Australian economy has entered its 28th consecutive year of annual economic growth and its fundamentals are sound. Real GDP is forecast to grow at around its estimated potential rate of 2¾ per cent in 2019-20 and 2020-21. Household consumption, business investment, public final demand and exports are all forecast to contribute to growth. The unemployment rate is expected to be 5 per cent across the forecast period.

The economy is expected to continue to benefit from solid global growth, especially amongst Australia’s major trading partners. While there was some loss of momentum in the international economy in the second half of 2018 and the IMF and OECD have revised down their growth projections, global growth continues to be supported by accommodative monetary policy, solid labour market outcomes and the unwinding of some temporary dampening factors such as natural disasters in Japan.
Domestically, household consumption growth is expected to pick up over the forecast period supported by continued growth in employment, a pick-up in wage growth, historically low interest rates and the Government’s personal income tax relief measures, which have been further enhanced in this Budget and will support household disposable income. Business investment is forecast to record solid growth. Public final demand will contribute to growth as the Government continues to provide essential services such as the National Disability Insurance Scheme and deliver on its $100 billion infrastructure plan. Growth in exports in 2019-20 is expected to be supported by major liquefied natural gas (LNG) projects ramping up production and continuing strong demand for education and travel services from Asia. Rural exports are expected to contribute to growth in 2019-20 on the basis of an assumed return to average seasonal conditions, following a detraction from growth in 2018-19 as a result of the drought.

The labour market is strong, with employment recently growing above its long-run average rate and faster than Australia’s population growth. The unemployment rate is at its lowest level in more than seven years and the participation rate is at a near-record high. The female participation rate is historically high and youth labour market outcomes have improved recently. Employment growth is expected to be solid over the forecast period and the unemployment rate is forecast to be 5 per cent. As growth in the economy picks up and spare capacity in the labour market continues to be reduced, wage growth and inflation are expected to rise.

Nominal GDP is forecast to grow by 5 per cent in 2018-19, 3¼ per cent in 2019-20 and 3¼ per cent in 2020-21. Nominal GDP growth is influenced by the terms of trade, which have been supported recently by higher-than-assumed commodity prices, in particular for iron ore and metallurgical coal. The moderation in nominal GDP growth in 2019-20 reflects a fall in the terms of trade as key commodity prices are assumed to decline to more sustainable levels. This is partially offset by a pick-up in real GDP growth and in wages and domestic prices.

As always there are a number of risks and uncertainties around the forecasts. Internationally, while some risks have lessened somewhat since the MYEFO, downside risks remain around trade tensions, emerging market debt vulnerabilities and geopolitical issues. The risks associated with Brexit have become more pronounced in recent months although Australia’s trade is oriented more towards Asia than Europe.
Domestically, uncertainty about the outlook for the housing market, in particular the extent to which housing prices fall, poses a downside risk to the forecasts for both dwelling investment and consumption. A more subdued outlook for household income, or a further tightening in credit conditions, could constrain household spending amid high levels of household debt. In contrast, faster-than-expected wage or employment growth could lead to household consumption growth being stronger than forecast. There are also uncertainties around the pace of recovery in rural exports given that the outlook will depend on how weather conditions develop and how the sector recovers from recent drought and flood events.

**Table 2: Major economic parameters**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Real GDP</td>
<td>2.8</td>
<td>2 1/4</td>
<td>2 3/4</td>
<td>2 3/4</td>
<td>3</td>
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<tr>
<td>Employment</td>
<td>2.7</td>
<td>2</td>
<td>1 3/4</td>
<td>1 3/4</td>
<td>1 1/2</td>
<td>1 1/2</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>5.4</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Consumer price index</td>
<td>2.1</td>
<td>1 1/2</td>
<td>2 1/4</td>
<td>2 1/2</td>
<td>2 1/2</td>
<td>2 1/2</td>
</tr>
<tr>
<td>Wage price index</td>
<td>2.1</td>
<td>2 1/2</td>
<td>2 3/4</td>
<td>3 1/4</td>
<td>3 1/2</td>
<td>3 1/2</td>
</tr>
<tr>
<td>Nominal GDP</td>
<td>4.7</td>
<td>5</td>
<td>3 1/4</td>
<td>3 3/4</td>
<td>4 1/2</td>
<td>4 1/2</td>
</tr>
</tbody>
</table>

(a) Year-average growth unless otherwise stated. From 2017-18 to 2020-21, 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.

**FISCAL STRATEGY AND OUTLOOK**

The Government’s economic plan for a stronger economy and securing a better future is delivering a much stronger budget position that allows the Government to pay down debt, deliver more jobs, lower taxes and guarantee essential services including schools, hospitals and roads.

After more than a decade of deficits, the budget is returning to surplus in 2019-20 with an underlying cash surplus of $7.1 billion, equal to 0.4 per cent of GDP. Continued fiscal discipline will ensure these surpluses build over time and exceed 1 per cent of GDP in the medium term.

The Government has charted a responsible path back to surplus with the total turnaround in the underlying cash balance between 2013–14 and 2019-20 projected to be $55.5 billion, or 3.4 per cent of GDP.

The net operating balance is forecast to reach a surplus of $12.9 billion (0.6 per cent of GDP) in 2019-20 and maintain sustainable surpluses over the forward estimates. This means that the Government’s recurrent spending is more than funded by revenue over the forward estimates.
The Government remains focused on controlling growth in government spending. As a proportion of GDP, payments are forecast to fall below the historical average of 24.7 per cent from 2019-20. The average real growth in spending is expected to be 1.9 per cent under the Government, the lowest average of any government in 50 years.

The Government has continued to offset new spending decisions to make room for new spending priorities. Since 2013-14, the Government has implemented savings measures with a combined effect of more than $200 billion through to 2022-23.

A stronger economy and sustained fiscal discipline has enabled the Government to guarantee essential services, invest in important economic and community infrastructure, and respond to unexpected developments, including the severe effects of drought and floods in parts of Australia.

The Government is committed to keeping the tax burden on hard-working Australians as low as possible. Tax receipts as a share of GDP are expected to be 23.3 per cent in 2019-20 and remain below 23.9 per cent until 2029-30.

Compared with the 2018-19 MYEFO, the 2019-20 Budget forecasts for tax receipts have been revised down by $18.2 billion over the four years to 2022-23. The revisions have been driven by parameter and other variations, and policy decisions, including the Government’s measure Lower taxes for hard-working Australians: Building on the Personal Income Tax Plan. Policy decisions are expected to reduce tax receipts by $3.2 billion over the four years to 2022-23.

Excluding policy decisions, tax receipts have been revised down by $15 billion over the four years to 2022-23, as revisions to the outlook for household consumption, dwelling investment and average wages weigh on the forecasts. In the near term, however, this impact will be more than offset by an increase in company tax collections in 2018-19 and 2019-20, reflecting the recent observed strength in commodity prices.

Net debt is expected to be 18 per cent of GDP in 2019-20, and is projected to continue to decline before being eliminated entirely in the final year of the medium term. Gross debt is expected to be 27.9 per cent of GDP in 2019-20, falling to 12.8 per cent of GDP by the end of the medium term, below its 30-year average.

With ongoing risks to the global economy, strong fiscal management is essential to build the buffers that will allow the Australian economy to better absorb major economic and financial shocks that may be encountered in the future.
BUDGET PRIORITIES

A better tax system
The Government is continuing to provide lower taxes for hard-working Australians and small and medium-sized business, and is improving the integrity of the tax system.

Lower taxes for hard-working Australians
In this Budget, the Government will again provide tax relief for hard-working low- and middle-income Australians. Combined with the legislated Personal Income Tax Plan, this Budget will provide immediate relief of up to $1,080 for singles, or up to $2,160 for dual income families from 2018-19. It will also deliver further structural reform, so that a projected 94 per cent of Australian taxpayers will face a marginal tax rate of no more than 30 per cent in 2024-25.

These changes will maintain Australia’s progressive tax system and ease the cost of living. The structural changes improve incentives for working Australians and increase the reward for effort. The changes are consistent with the Government’s goals of maintaining a strong economy whilst retaining a sound fiscal position. They build on the Government’s legislated Personal Income Tax Plan announced in the 2018-19 Budget.

Immediate relief targeted to low- and middle-income earners
From the 2018-19 income year, additional tax relief will be provided to low- and middle-income taxpayers through an increase to the current low and middle income tax offset (LMITO). Under the changes, the maximum tax relief provided by LMITO will increase by $550 from the previous level of $530 to a new maximum of $1,080. The base amount will increase from $200 to $255 for 2018-19 and the next three income years. The LMITO will be received after individuals lodge their 2018-19 tax returns and will continue to be provided in addition to the low income tax offset (LITO).

The LMITO will assist over 10 million Australians, with about 4.5 million taxpayers with taxable incomes between $48,000 and $90,000 receiving the full $1,080 reduction in tax for 2018-19. Families with two people earning between $48,000 and $90,000 will receive a total reduction in tax of $2,160. Around 2.3 million Australians with taxable incomes less than $37,000 will receive an offset of up to $255.

This additional tax relief builds on the increase to the top threshold of the 32.5 per cent tax bracket from $87,000 to $90,000, which took effect from 1 July 2018.
Chart 1: Annual tax relief 2018-19 to 2021-22 from the enhanced plan

$1,080 (from $48k to $90k)
$1,215 (including maximum tax offset of $1,080)
$135 (>$125k)
$200
$ Tax cut
$ Tax cut
0 200 400 600 800 1,000 1,200 1,400
50,000 100,000 150,000 200,000

Locking in the benefits of lower taxes

The Government will lock in the benefits of the increased LMITO through changes to income tax thresholds and LITO from 1 July 2022. The top threshold of the 19 per cent tax bracket will increase from $41,000 as legislated under the plan to $45,000 and the maximum amount of the LITO will increase from $645 to $700. In total, the Government’s enhanced plan will benefit 12.6 million taxpayers in 2022-23.

The widening of the top threshold of the 19 per cent tax bracket from $41,000 to $45,000 will prevent around 590,000 taxpayers from entering the 32.5 per cent tax bracket in 2022-23. This builds on the already legislated increase in the top threshold of the 19 per cent tax bracket from $37,000 to $41,000, which is projected to prevent around 560,000 taxpayers from paying tax at the 32.5 per cent tax rate in 2022-23. In total, more than one million taxpayers will stay under the 32.5 per cent marginal tax rate in 2022-23 as a result of the Government’s enhanced plan.

The change to the 19 per cent tax bracket builds on the increase to the top threshold of the 32.5 per cent tax bracket from $90,000 to $120,000, which has already been legislated. This change will prevent around 1.8 million taxpayers from entering the 37 per cent tax bracket in 2022-23.

Structural reforms to the tax system to deliver permanently lower taxes

From 1 July 2024, in addition to the already legislated abolition of the 37 per cent tax rate, the Government will continue to simplify and flatten the tax system to reward hard-working Australians by reducing the 32.5 per cent rate to 30 per cent for taxable incomes between $45,000 and $200,000. The top marginal rate of 45 per cent will remain for taxable incomes above $200,000.
Reducing the 32.5 per cent rate to 30 per cent will more closely align the middle tax rate of the personal income tax system with corporate tax rates, improving incentives for working Australians and increasing the reward for effort. It will also encourage Australians to take on additional work and improve their skills because extra earnings will not be taxed at a higher marginal rate. Around 13.3 million taxpayers are estimated to benefit as a result of the full enhanced plan.

At maturity, the new, simpler tax system will have only three tax rates and will ensure that a projected 94 per cent of taxpayers will face a marginal tax rate of no higher than 30 per cent. This is compared to a projected 16 per cent of taxpayers who would have faced a marginal tax rate of 30 per cent or less if the plan was not in place, and a projected 63 per cent of taxpayers who would have faced a marginal tax rate of 32.5 per cent or less.

Australia currently has relatively high rates of tax, cutting in at relatively low levels of income compared with other countries. Australia’s top marginal tax rate cuts in at around 2.2 times average full-time earnings, compared with 4 times in Canada and the UK, and 8 times in the US. Without the changes announced in last year’s Budget, Australia’s ratio was projected to drop to around 1.7, reducing Australia’s international competitiveness and ability to attract and retain talent. Increasing the bottom threshold of the top tax bracket from $180,000 to $200,000 as legislated means that this ratio is now expected to fall more modestly to around 1.9.

Australia will retain a progressive tax system in which those with the greatest ability to pay will continue to contribute a larger share of all personal income tax revenue. It is projected that in 2024-25 around 60 per cent of all personal income tax will be paid by the highest earning 20 per cent of taxpayers, which is broadly similar to that cohort’s share if 2017-18 rates and thresholds were left unchanged. By 2024-25 someone earning $200,000 will pay around 10 times more tax than someone earning $45,000.
Table 3: New personal tax rates and thresholds

<table>
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<tr>
<th>Rate (%)</th>
<th>2017-18 tax thresholds</th>
<th>Current tax thresholds</th>
<th>New tax thresholds From 1 July 2018</th>
<th>New tax thresholds From 1 July 2022</th>
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<tr>
<td></td>
<td>Income range ($)</td>
<td>From 1 July 2018</td>
<td>Income range ($)</td>
<td>Income range ($)</td>
</tr>
<tr>
<td>Tax free</td>
<td>0 - 18,200</td>
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<td>0 - 18,200</td>
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</tr>
<tr>
<td>19</td>
<td>18,201 - 37,000</td>
<td>18,201 - 37,000</td>
<td>18,201 - 37,000</td>
<td>18,201 - 45,000</td>
</tr>
<tr>
<td>32.5</td>
<td>37,001 - 87,000</td>
<td>37,001 - 90,000</td>
<td>37,001 - 90,000</td>
<td>45,001 - 120,000</td>
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<td>37</td>
<td>87,001 - 180,000</td>
<td>90,001 - 180,000</td>
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<td>120,001 - 180,000</td>
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<tr>
<td>45</td>
<td>&gt;180,000</td>
<td>&gt;180,000</td>
<td>&gt;180,000</td>
<td>&gt;180,000</td>
</tr>
</tbody>
</table>

Low and middle income tax offset
- Up to 530
Up to 1,080

LITO
- Up to 445
Up to 700

Backs small business

The Government is supporting small and medium-sized businesses to invest, grow and create jobs.

Lower taxes have been fast tracked for around 3.4 million small and medium-sized businesses that employ around 7.1 million workers. Companies with an aggregated annual turnover below $50 million will have a tax rate of just 25 per cent in 2021-22, five years earlier than previously planned. Similar fast tracking will apply to rolling out the 16 per cent tax discount for unincorporated businesses.

The Government is increasing the instant asset write-off threshold for eligible assets to $30,000. It is also expanding access to medium-sized businesses by increasing the aggregated annual turnover threshold for eligibility from $10 million to $50 million. Around 22,000 additional businesses, employing around 1.7 million workers will now be eligible to access the instant asset write-off. This will bring the number of businesses that are eligible to around 3.4 million, employing around 7.7 million workers.

The increased instant asset write-off threshold and expanded eligibility will apply from 7:30pm (AEDT) on 2 April 2019 until 30 June 2020, allowing small and medium-sized businesses to immediately deduct eligible assets costing less than $30,000. The threshold applies on a per asset basis, so eligible businesses can instantly write off multiple assets.
This builds on the Government’s announcement of 29 January 2019 that increased the instant asset write-off threshold for small businesses to $25,000.

**Improving the integrity of the tax system**

The Government is safeguarding the integrity of the tax system by ensuring everyone, including multinationals and big business, pay their fair share. Maintaining tax system integrity helps keep taxes as low as possible and creates a level playing field between businesses.

The Government has taken major steps to increase the integrity of the tax system. The Government has implemented more than a dozen measures, including the Multinational Anti-avoidance Law (MAAL), the Diverted Profits Tax, Country-by-Country Reporting, strengthened transfer pricing rules, hybrid mismatch rules, the Multilateral Instrument and increased penalties for large entities that do not comply with their tax obligations. The ATO estimates the MAAL alone will bring an additional $7 billion of sales revenue back into the Australian tax base each year. Since 1 July 2016, the ATO has raised $12.9 billion in tax liabilities against large public groups and multinationals, as well as wealthy individuals and associated groups.

In this Budget, the Government is extending and expanding the ATO’s Tax Avoidance Taskforce, which will help ensure multinationals, trusts and high wealth individuals pay the right amount of tax in Australia. This measure is estimated to raise $4.6 billion in additional tax liabilities over the forward estimates period.

The operations of the black economy risk undermining the tax and other regulatory systems and raises the burden on honest individuals and businesses. Taking measures to tackle its operation remains a priority. The Government has already taken action to clampdown on the black economy, estimated to generate in excess of an additional $5 billion to help fund essential Government services. This has been achieved by extending the taxable payments reporting system to higher risk industries, banning the use of sales suppression tools and establishing the Illicit Tobacco Taskforce.

**Investing in economic and community infrastructure**

**Planning for Australia’s future population**

The Government has released *Planning for Australia’s future population*, a plan to better manage population challenges, including through the Migration Program and increased investment in infrastructure and services in Australia’s cities and regions.

The planning level of the Migration Program will be reduced from 190,000 to 160,000 places for four years from 2019-20. The Government is also introducing new visas to support regional Australia and create stronger incentives for new migrants to settle outside the major capitals.
These measures are designed to reduce pressure on Australia’s major cities while new arrangements for improved planning across government and more infrastructure are put in place to manage long-term population growth and settlement across Australia.

**Managing growth in major cities and investing in the regions**

A strong economy depends on ongoing investment in infrastructure to ease congestion in cities and unlock the potential of Australia’s regions.

The Australian Government will provide a record $100 billion in funding for its infrastructure plan over the next decade, an increase of around a third compared to the 2018-19 Budget.

This record level of transport infrastructure investment will help get Australians home sooner and safer. These investments also directly support economic activity, create jobs and lift productivity by cutting travel time between worksites and getting products to customers more reliably and quickly.

The Government is committing $2 billion to help deliver a fast rail connection between Geelong and Melbourne. This funding will provide commuters on this key transport corridor with faster and more reliable journey times, cutting travel time in half to just over 30 minutes. The Government will also co-fund five business cases with state governments for fast rail from Sydney to Wollongong, Sydney to Parkes (via Bathurst and Orange), Melbourne to Albury Wodonga, Melbourne to Traralgon, and Brisbane to the Gold Coast. These will build on the fast rail business cases already underway for Sydney to Newcastle, Melbourne to Greater Shepparton, and Brisbane to the regions of Moreton Bay and the Sunshine Coast.

The Government is contributing an additional $3 billion to the Urban Congestion Fund, increasing total funding to $4 billion. This will include $500 million for a Commuter Car Park Fund, which will improve access to public transport by funding park and ride facilities at rail stations. Urban Congestion Fund projects will target congestion in some of the worst affected urban areas and address local pinch points.

Australians expect their roads to be safe. The Government is providing $2.2 billion for a Local and State Government Road Safety Package. This includes additional funding of $1.1 billion for the Roads to Recovery Program; $550 million for the Black Spots Program; $275 million for the Heavy Vehicle Safety and Productivity Program; and $275 million for the Bridges Renewal Program.

An additional $1 billion is being provided for the next phase of the Roads of Strategic Importance initiative, increasing total funding to $4.5 billion. This includes further investment in strategic corridors, associated feeder roads and other rural roads across the country. This will facilitate additional upgrades of key freight routes to better connect the agriculture and resource sectors to export markets and improve road safety.
The Princes Highway will benefit from a further investment of $1 billion across New South Wales, Victoria and South Australia.

The Government is making additional commitments to each of the states and territories:

- New South Wales will receive an additional $6.1 billion for projects including $1.6 billion for the M1 Pacific Motorway Extension to Raymond Terrace and $400 million to upgrade the Newell Highway.

- Victoria will receive an additional $2.8 billion for projects including $1.1 billion for upgrades of south eastern and northern suburban roads and $700 million for a rail upgrade from South Geelong to Waurn Ponds (Stages 2 and 3).

- Queensland will receive an additional $2.6 billion for projects including $800 million for upgrades to the Gateway Motorway between Bracken Ridge and Pine River and $500 million to ease congestion and improve safety on the M1 from Daisy Hill to the Logan Motorway.

- South Australia will receive an additional $1.8 billion for projects including $1.5 billion for the North-South Corridor and $260 million for a South Australia Regional Roads Package.

- Western Australia will receive an additional $933 million for projects including $349 million for Tonkin Highway upgrades and $140 million for construction of stages 2 and 3 of the Albany Ring Road.

- Tasmania will receive an additional $68 million for the Tasmanian Freight Rail Revitalisation Program – Tranche 3.

- The Australian Capital Territory will receive an additional $50 million for projects with $20 million for the duplication of William Slim Drive. The ACT and NSW will benefit from a $30 million upgrade of the Kings Highway.

- The Northern Territory will receive an additional $60 million for Tiwi Island Road upgrades.

City Deals with a total Commonwealth contribution of $5.7 billion are being delivered in Townsville, Launceston, Western Sydney, Darwin, Hobart, Geelong and Adelaide. The Government is continuing to negotiate a deal for Perth while also pursuing a new City Deal for South East Queensland.

Building on the success of the City Deals model the Government is rolling out Regional Deals in the Barkly region in the Northern Territory ($45.4 million), the Hinkler region covering the Bundaberg and Hervey Bay area in Queensland ($172.9 million), and Albury Wodonga on the New South Wales and Victorian border ($3.2 million for initial planning).
Since 2013, the Government has delivered more than $3 billion in support to regional communities through various grants and programs. The Government is increasing support to regional Australians with an additional $1 billion available through the Building Better Regions Fund, Stronger Communities Programme, Stronger Regional Connectivity Package, Regional Airports Program, Communities Environment Program and tourism projects. These investments will improve liveability through better connectivity and access to services.

**Supporting Australians through drought and natural disasters**

The Government is providing $6.3 billion of assistance and concessional loans to support those affected by drought and $3.3 billion to support those affected by flood.

The Government has invested in future drought resilience by establishing the new Future Drought Fund with an initial investment of $3.9 billion. Each year $100 million of fund earnings will be made available for important water infrastructure and drought resilience projects, with the balance reinvested so the Fund grows to $5 billion over the next decade.

Grant funding of $300 million will be provided this year to support flood-affected farmers in North Queensland in restocking, replanting and replacing damaged infrastructure. This is in addition to $232 million that has been made available to help North Queenslanders manage the impacts of the recent flood and weather events.

The Government is working closely with the banking sector on proposals to lower the interest rate on business loans for eligible primary producers affected by floods in Northern Queensland to ensure accessible and affordable funding.

The Government is also creating a new $3.9 billion Emergency Response Fund (ERF) to provide a sustainable source of funding to respond to future natural disasters. The ERF will be established as a Commonwealth Investment Fund to finance natural disaster recovery and response initiatives above and beyond existing state and federal programs.

In this Budget, the Government is also providing $130.5 million over five years to reduce the risk and impact of disasters. This includes $104.4 million for a new National Partnership Agreement to support states and territories in reducing disaster risks and $26.1 million to deliver initiatives that reduce disaster risk at a national level.
A more affordable, reliable and sustainable energy system

The Government is taking decisive action to create a more affordable, reliable and sustainable energy system. Australia exceeded its first greenhouse gas reduction target under the Kyoto Protocol (2008–2012) by 128 million tonnes of greenhouse gases and is on track to overachieve on its second Kyoto Protocol target (2013–2020) by 240 million tonnes. An investment of $3.5 billion in a new Climate Solutions Package, including a $2 billion Climate Solutions Fund, is designed to support projects that will diversify regional economies and help reduce emissions by an anticipated 103 million tonnes by 2030. The Climate Solutions Package will help ensure that Australia meets its emissions reduction target under the Paris agreement.

Australian businesses and households will see savings in their power bills with the Government’s $79.2 million investment in new energy efficiency measures, including $50 million in grants to eligible businesses and community organisations, which are expected to deliver 63 million tonnes of emissions reductions. The Government is also providing $284 million for a one-off, income tax exempt payment to over 3.9 million Australians to assist with power bills and cost of living pressures. This payment will be made to recipients of the Age Pension, Disability Support Pension, Carer Payment, Parenting Payment Single, Veterans’ Service Payment, Veterans’ Income Support Supplement, Veterans’ Disability Payments, War Widow(er)s Pension or Permanent Impairment Payments who are residing in Australia as at 2 April 2019.

The Commonwealth is partnering with the Tasmanian Government to unlock additional hydro storage potential in Tasmania through the Battery of the Nation initiative and providing $56 million to link that capability to the mainland through the Marinus Link interconnector; a second electricity transmission connection between Tasmania and Victoria.

A Priority Transmission Taskforce will also be established to support timely delivery of the Australian Energy Market Operator’s recommended transmission projects from its Integrated System Plan.

The Government is committing up to $1.4 billion of equity for the Snowy 2.0 project with the remainder of the project to be financed by Snowy Hydro Limited. The project will bring 2000 MW of firm electricity generation into the system and up to 175 hours of energy storage that can meet the peak demand of up to 500,000 homes.

A further $3.5 million has been committed to progress the Underwriting New Generation Initiative. The Government has announced a shortlist of projects, across a range of technology types and with a weighted emissions profile around one third of the National Electricity Market average. The Government is also providing $10 million to conduct detailed evaluation and feasibility of projects in North and Central Queensland through the Underwriting New Generation Investments program.
Delivering skills for today and tomorrow

In addition to lower taxes and more infrastructure, the Government’s plan for a stronger economy includes a new skills package that will better prepare Australians for the jobs of today and tomorrow.

The Delivering Skills for Today and Tomorrow package invests $525.3 million in vocational education and training.

The Government is helping up to 80,000 additional apprentices over the next five years by expanding apprenticeship incentives in occupations facing shortages of skilled workers, including bakers, bricklayers, carpenters and plumbers. Employers will be eligible for an additional $4,000 payment, and apprentices will be eligible for $2,000 paid at key milestones in the apprenticeship. The list of eligible occupations will be reviewed annually to capture contemporary skill shortages as they emerge.

The Government is establishing a National Skills Commission that will work with states and territories to deliver a nation-wide approach to skills development, serving the needs of both students and industry.

A pilot of Skills Organisations will develop training packages for high demand skills, including in information and communications technology, healthcare, cyber security and aged and disability care. These organisations will foster closer links with industry.

Training Hubs will be piloted in ten regional areas with high youth unemployment, to support students to complete their secondary education and access training relevant to industries facing skill shortages.

The Government is establishing a new foundational literacy, language, numeracy and digital skills program, to equip individuals with the skills they need to move into further education or employment.

These measures respond to the Government-commissioned Expert review of Australia’s vocational education and training system.

A new approach to employment services

The Government is developing a new employment services model to deliver more intensive support for disadvantaged job seekers.

The new model will provide digital services for job-ready job seekers and enhanced services for disadvantaged job seekers. This transformational reform will deliver an improved service with a more targeted mutual obligation framework and better support to address barriers to work.

This reform will drive better outcomes for job seekers and ensure employers are getting the right people for the job.
A trial of the new model will commence in Adelaide South in South Australia and the Mid North Coast in New South Wales on 1 July 2019. During the trial the existing jobactive contracts, and complementary jobactive programs, will be extended for two years, with the new model commencing nationally from July 2022.

Guaranteeing essential services

A strong healthcare system

The Government is continuing to deliver and boost the essential services which Australians expect and rely on. This includes significant investment in a strong healthcare system.

An estimated $81.8 billion is being provided to the health system in 2019-20, with funding expected to grow to $89.5 billion in 2022-23. Access to essential healthcare and medicines will be enhanced through new measures in this Budget.

The Government is continuing to guarantee and strengthen Medicare to ensure affordable healthcare for all Australians. It is providing $187.2 million to bring forward the indexation of all remaining GP services items on the Medicare Benefits Schedule (MBS) to 1 July 2019. Ultrasound and x-ray diagnostic imaging items will also be indexed from 1 July 2020 at a cost of $198.6 million. A further $32.6 million is being provided to improve access to Magnetic Resonance Imaging scans for patients with breast cancer.

To help reduce the prevalence of heart disease, the Government is introducing a new MBS item for heart health checks, providing funding to HeartKids Australia towards the Childhood Heart Disease National Action Plan and providing research funding to cardiovascular health.

This Budget continues to provide affordable access to medicines through the Pharmaceutical Benefits Scheme (PBS). In particular, the Government is investing $331 million to help reduce patient out-of-pocket costs through new and amended listings on the PBS, including life-changing medicines to treat lung, bladder, kidney and skin cancer, and leukaemia.

The $1.3 billion Community Health and Hospitals Program is boosting health services across Australia in four priority areas: hospital infrastructure; drug and alcohol treatment; preventative health, primary care and chronic disease management; and mental health. The Program is providing funding to improve facilities and establish centres of excellence, including $100 million for a Comprehensive Children’s Cancer Centre at Sydney Children’s Hospital and $80 million to establish a Centre of Excellence in Cellular Immunotherapy in Victoria. In addition, the Government is funding mental health programs in remote communities, such as support for Red Dust to expand their services in Alice Springs and surrounding remote communities.
The Government is continuing to invest in medical research, helping to position Australia as a world leader in this field. This Budget outlines the Government’s $5 billion Ten Year Investment Plan for the Medical Research Future Fund, which includes investments in projects to improve patient care, increase access to clinical trials and improve health outcomes for Australians. This includes $605 million in funding for infrastructure to support medical research, and $220 million for research into cardiovascular health.

This Budget provides $736.6 million over seven years for mental health services, including a commitment of $461.1 million for youth mental health. The mental health funding includes $152 million for the National Headspace Network to reduce waiting lists, $111.3 million to provide 30 new Headspace services, $109.7 million to extend the Early Psychosis Youth Services program and $114.5 million to trial eight adult mental health centres.

The Government is preventing and minimising the harmful effects of drugs, as part of its $337.2 million comprehensive drug strategy. Through health measures under the strategy, the Government is addressing harmful opioid use, improving family drug support services across Australia, and increasing the capacity of the drug and alcohol workforce in regional and remote areas. Under the strategy, the Government is also providing $153.3 million over four years from 2018-19 to extend support for the National Ice Action Strategy.

To support a more active Australia, the Government is providing $385.6 million to build on Sports 2030 by encouraging Australians to increase their participation in sport and by upgrading sporting infrastructure. This includes $150 million to support the development of female change room facilities at sporting grounds and community swimming facilities across Australia; and $41 million to continue and expand the Sporting Schools Program to provide free sport-based activities for school students.

**Investing in schools**

The Government is investing $291.6 billion in schools to the end of 2029. This is an increase in Commonwealth funding of 63 per cent over the next 10 years. The Government is addressing the findings of the Review to Achieve Educational Excellence in Australian Schools (Gonski 2.0) and is working with the states and territories to lift student outcomes across Australian schools. Funding of $30.2 million is being provided to schools in 2019-20 under the Local School Community Fund to allow schools — and their parent committees — to identify and fund individual priorities such as new equipment.

This Budget, $453.1 million is being committed until the end of 2020 to support continued access to 15 hours per week of quality preschool education for Australian children in the year before school. This will ensure children get the best start to their education.
Supporting older Australians

The Government is continuing to strengthen the safety and quality of Australia’s aged care system. It is providing older Australians with more support, whether they choose to live in their homes longer or enter residential aged care. Total funding for aged care is estimated to increase by $3.7 billion from $21.6 billion in 2019-20 to $25.4 billion in 2022-23, helping to ensure quality and safe care.

To support older Australians who choose to remain in their own homes for longer, the Government is providing $282.4 million for 10,000 home care packages and increasing home care supplements for dementia and cognition.

The Government is also investing in residential care, with a $320 million general subsidy boost in 2018-19 and 13,500 new places across Australia. A $60 million capital works program will help aged care providers to construct new, or upgrade existing, residential services — with a particular focus on rural and regional locations.

Complementing the work of the Royal Commission into Aged Care Quality and Safety, the Government is delivering a range of measures to improve the safety and quality of aged care — including introducing mandatory reporting against national care quality indicators, and developing a Serious Incident Response Scheme.

Support for young carers is being expanded with an additional $84.3 million for the Integrated Carer Support Service. This funding will provide flexible support to carers by assisting with transport, cooking and cleaning costs. This added support will also enable younger carers to continue education and training. The additional funding will expand the Regional Delivery Partners network that provides outreach activities, face-to-face peer support and coaching.

A more secure Australia

This Budget is delivering the essential services that ensure the safety and security of all Australians. This includes protecting Australia’s borders, combatting people smuggling in the region and deterring people from risking their lives at sea by continuing to invest in Operation Sovereign Borders.

The Government is providing $679.4 million for defence operations to protect Australians and Australia’s interests. This Budget maintains the Government’s commitment to grow the Defence budget to 2 per cent of GDP by 2020-21. The Government’s $200 billion commitment over the next decade to build defence capability will create jobs and provide significant opportunities for Australian industries to supply equipment and services to support the defence forces.

Foreign interference is detrimental to Australia’s values and interests. In this Budget, the Government is providing $34.8 million over four years to continue to strengthen Australia’s ability to counter foreign interference. This includes funding to support investigations under the National Security Legislation Amendment (Espionage and Foreign Interference) Act 2018.
The Government is strengthening Australia’s national security and law enforcement agencies. The Government is providing $512.8 million to enhance the Australian Federal Police’s ability to deliver on national security and community policing priorities and $58.6 million to continue to build the capabilities of the Australian Security Intelligence Organisation.

**Safer communities**

The Government is contributing $328 million over four years from 2018-19 to the Fourth Action Plan of the *National Plan to Reduce Violence against Women and their Children 2010-2022*. This will fund prevention initiatives and frontline services to address domestic and family violence.

The Government is committed to protecting the most vulnerable Australians. In this Budget, the Government is providing $527.9 million over five years for the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability.

This Budget is continuing the Government’s commitment to prevent child sexual abuse. The Government is providing $7.8 million to the Australian Criminal Intelligence Commission to establish a National Public Register of Child Sex Offenders, which will provide a nationally consistent approach to the public release of information about child sex offenders.

The Government will provide $10 million over four years from 2019-20 to the Office of the eSafety Commissioner to establish a new Online Safety Grants Program to support the delivery of online safety education and training projects for children by non-government organisations. The Government is also working with industry to improve access to parental controls and promote child-friendly Wifi connections. This builds on the Government’s existing commitment to a $17 million *Children’s Online Safety Package*.

A further $58.2 million is being invested in the Safer Communities Fund to support local councils and community organisations to undertake crime prevention activities, and help protect schools, religious organisations and other sites from the risks associated with religious and racial intolerance.

This Budget is increasing support for migrants to become established and integrated in their communities through an additional $64.2 million for new social cohesion measures. This funding will be used to support local sports programs, community languages, national community hubs and deliver grants that will encourage integration, mutual understanding and celebrate diversity.

The Government’s comprehensive drug strategy includes $152 million to strengthen law enforcement efforts to disrupt and reduce the supply of illicit drugs including by targeting the threat posed by outlaw motorcycle gangs.
Supporting veterans and their families

The Government is improving the wellbeing of veterans and their families by continuing the *Putting Veterans and their Families First* program. This program will provide earlier access to services, simplified access to treatment and improved care for veterans with complex circumstances.

The Government is also providing the Australian Civilian Surgical and Medical Team members who worked in Vietnam between 1964 and 1972 with a Gold Card to better recognise the service of this group. In addition, the Government is supporting veterans by investing more than $16 million to assist veterans to find meaningful employment. More than $4 million is being provided to extend the Provisional Access to Medical Treatment Trial and $4 million to provide awareness and intervention training to volunteers who work with veterans to recognise people at risk and provide intervention and support. These measures demonstrate the Government’s ongoing commitment to recognise and appreciate veterans’ service to Australia.

Restoring trust in the financial system

A strong and trusted financial system is a pillar of the Australian economy. That is why a key part of the Government’s plan for a stronger economy is restoring trust in Australia’s financial system.

Since coming into office, the Government has implemented a comprehensive financial system reform agenda to improve outcomes for consumers and small businesses, increase the accountability of financial institutions and enhance the powers and resources of the financial system regulators.

Building on these reforms, the Government is taking action on all 76 recommendations of the Royal Commission and, in a number of important areas, is going further, with implementation already underway.

In this Budget, the Government is ensuring the financial system regulators have the resources they need to expand their capability to deliver on their new responsibilities and new enforcement and supervision approach.

The Government will provide the Australian Securities and Investments Commission (ASIC) with additional funding of $404.8 million so that it can undertake an accelerated enforcement strategy, implement an enhanced onsite supervisory capability for large institutions and deliver on its expanded role in relation to superannuation as recommended by the Royal Commission.

The Australian Prudential Regulation Authority’s (APRA) budget will be increased by $151.7 million to strengthen its supervisory and enforcement activities, including in relation to governance, culture and remuneration, and to enhance the regulation of superannuation funds. The funding will also support the expansion of the Banking Executive Accountability Regime to include all APRA-regulated entities. The
Government will also establish a new Financial Regulator Oversight Authority as recommended by the Royal Commission to assess ASIC and APRA’s effectiveness on an ongoing basis.

The Government is ensuring consumers and small businesses affected by misconduct have access to redress. It will provide $36.1 million to compensate consumers and small businesses who have legacy unpaid external dispute resolution determinations; establish an industry-funded compensation scheme of last resort; and extend the jurisdiction of the Australian Financial Complaints Authority to enable it to consider eligible complaints that have occurred since 1 January 2008 (the timeframe adopted by the Royal Commission). For the first time, the jurisdiction of the Federal Court of Australia will expand to include corporate crime, with the Government providing $35.5 million to support this expansion. The expansion of the Federal Court and additional funding will ensure that those who engage in financial sector criminal misconduct are prosecuted and face the appropriate punishment for their actions more quickly.

To ensure that these reforms achieve lasting change, the Government will establish an independent inquiry in three years that will assess whether industry has implemented the recommendations of the Royal Commission.