



BUDGET

OVERVIEW

11 MAY 2010

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KEY INITIATIVES OF THE 2010-11 BUDGET

Easing costs of living and making tax time simpler

- Delivering tax relief, including raising the low income tax offset to \$1,500
- Lower tax on savings - 50 per cent discount on up to \$1,000 on interest income
- Standard deduction to simplify the tax system for 6.4 million Australians

Skills for sustainable growth and building infrastructure

- \$661 million for the *Skills for Sustainable Growth* strategy
- \$5.6 billion for a new infrastructure fund and \$1 billion to renew rail networks

Renewables and energy efficiency

- \$652 million Renewable Energy Future Fund

Growing the whole economy

- Resource Super Profits Tax from 1 July 2012
- Company tax rate cut to 29 per cent in 2013-14 and 28 per cent from 2014-15
- Company tax rate cut to 28 per cent from 2012-13 for small businesses
- From 1 July 2012, instant asset write off for small business assets under \$5,000

Stronger, Fairer Super

- Increasing the super guarantee to 12 per cent, assisting 8.4 million Australians
- From 1 July 2012, contributing up to \$500 for those on incomes up to \$37,000
- From 1 July 2012, allow catch-up contributions by older workers up to \$50,000

National Health and Hospitals Network

- Additional \$2.2 billion to meet the needs of our modern health system:
 - \$355 million for GP Super Clinics
 - \$417 million to enhance after hours services
 - \$523 million to train our nurses
 - \$467 million to introduce individual electronic health records

Budget at a glance

A responsible Budget that will return to surplus early, strengthen our economy and secure our future.

Australia has outperformed the rest of the developed world

Business and employees joined with the Government to tackle the global financial crisis, helping Australia emerge in a strong position.

Our economy's resilience stands in stark contrast to the experience of many other countries.

Australia has emerged from the global financial crisis with stronger growth, lower debt and lower deficits than any of the major advanced economies.

Returning to surplus early

All of our investments in this Budget are fully funded within the strict confines of the Government's responsible fiscal strategy.

All new spending has been fully offset and real spending growth kept to less than 2 per cent a year.

The Government's commitment to this strategy will see the Budget return a modest surplus three years ahead of schedule, and ahead of any of the major advanced economies.

Investing in the long term

The Government is determined to convert Australia's success during the global financial crisis into a stronger economy for the future.

This Budget boosts savings, builds skills and infrastructure, improves our health and hospitals, invests in renewable energy and simplifies tax time for working families.

The Government will ease the costs of living in this Budget by providing a standard tax deduction, implementing further tax cuts and rewarding working families for saving.

| | Actual | Estimates | | | Projections | |
|--|--------------|--------------|--------------|--------------|-------------|------------|
| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Underlying cash balance(\$b)(a) | -27.1 | -57.1 | -40.8 | -13.0 | 1.0 | 5.4 |
| Per cent of GDP | -2.2 | -4.4 | -2.9 | -0.9 | 0.1 | 0.3 |
| Fiscal balance(\$b) | -29.7 | -54.8 | -39.6 | -12.1 | 2.0 | 6.3 |
| Per cent of GDP | -2.4 | -4.2 | -2.8 | -0.8 | 0.1 | 0.4 |

(a) Excludes expected future fund earnings

| | Forecasts | | | Projections | |
|-------------------|-----------|---------|---------|-------------|---------|
| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Real GDP | 2 | 3 1/4 | 4 | 3 | 3 |
| Employment | 2 1/2 | 2 1/4 | 2 | 1 1/2 | 1 3/4 |
| Unemployment rate | 5 1/4 | 5 | 4 3/4 | 5 | 5 |
| CPI | 3 1/4 | 2 1/2 | 2 1/2 | 2 1/2 | 2 1/2 |
| Nominal GDP | 2 3/4 | 8 1/2 | 5 3/4 | 5 1/2 | 5 1/2 |

Position of strength

In a year when virtually all advanced economies contracted, Australia emerged as the best performing advanced economy in 2009.

The top ranked advanced economy

Australia has emerged from the global recession ahead of the pack, recording the best economic performance of any advanced economy in 2009.

In a year in which the global economy endured an unprecedented decline in GDP in the post-war era, the Australian economy grew by 1.4 per cent, whereas advanced economies collectively contracted by 3.2 per cent.

The shallower downturn has meant that Australia has largely avoided the business failures and large-scale employment losses that have occurred in many other countries, providing a solid foundation for recovery.

A resilient labour market

At a time when most other advanced economies were shedding jobs, the Australian economy created 225,000 jobs in the past year alone.

Australia's unemployment rate peaked at 5.8 per cent around the middle of 2009. By contrast, unemployment rates rose sharply across the advanced economies, and hit double digit rates in both the United States and Europe.

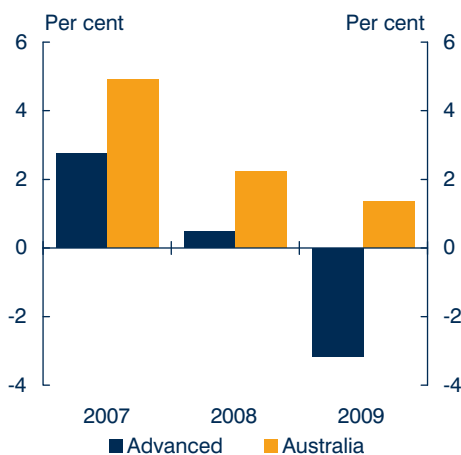
This remarkable performance is a testament to the resilience of the Australian people in the face of the worst global downturn in 75 years.

A strong fiscal position

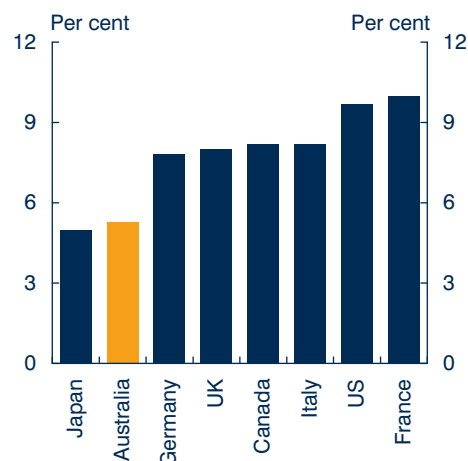
Australia has far lower debt and deficits than the major advanced economies, and will be the first to return to surplus.

Australia's strong economy and sound fiscal position leave us in a position of strength to invest in health and hospitals, skills, infrastructure and renewable energy, and bring the Budget back to surplus as soon as possible.

By reprioritising spending and exercising restraint, the Government is delivering major long-term reforms — in tax, health and infrastructure — while still maintaining a fiscal position that is the envy of the world.



GDP growth: Advanced economies and Australia



Unemployment rates: Australia and G7

Stimulus provides a strong platform for growth

The success of Australia's economic stimulus means we can now tackle future challenges from a position of strength.

Success of the stimulus

Strong and rapid policy stimulus sustained economic activity and jobs during the global downturn.

Fiscal and monetary stimulus shielded the Australian economy from the worst of the global recession. It sustained confidence and spending, driving a recovery in private demand.

With private sector activity gathering momentum, fiscal stimulus is being withdrawn as planned.

Fiscal stimulus continued to build capacity in our economy during the global recession. Australia can now build on this strong platform as the world moves into recovery.

World-leading economy

The Australian economy is set to remain a world leader, growing by a strong 3¼ per cent in 2010-11 and 4 per cent in 2011-12.

Our unemployment rate, already the second lowest compared to the major advanced economies, is set to fall further, to 4¾ per cent in 2011-12.

A healthy recovery in business investment is in prospect and exports are recovering, underpinned by high levels of business confidence and the global recovery.

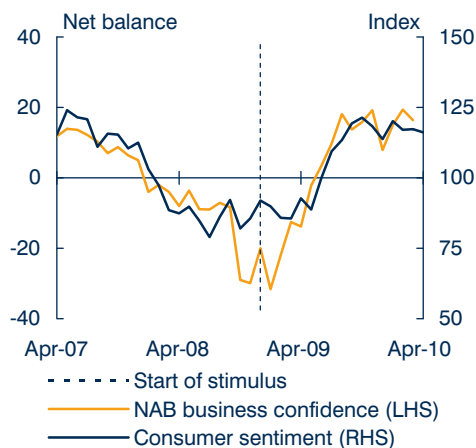
Incomes are set to pick up in line with a strong labour market and recovery in business profits.

Reaping the benefits of a dynamic region

Australia is also benefiting from its location in the fastest growing region in the world.

Our close trade links with the growing economies of Asia and demand for our exports are forecast to push Australia's terms of trade to their highest level in 60 years. This will boost incomes and support a private sector recovery.

Australia's favourable position, both economically and geographically, means Australia can take full advantage of the global economic recovery.



Consumer and business confidence



Terms of trade

Returning to surplus three years early

Delivering on the Government's strict fiscal strategy will see Australia return to surplus three years ahead of schedule.

Delivering on our strategy

When the Government responded to the global financial crisis, it also laid out a clear plan for returning the budget to surplus.

This Budget is delivering on that deficit exit strategy:

- All new spending in this Budget has been fully offset
- Real spending growth has been kept to less than 2 per cent a year
- Higher tax receipts have been allowed to flow through to the budget bottom line
- Tax as a share of GDP has been kept below the 2007-08 level.

Sticking to this plan contributes to a much stronger fiscal outlook.

The Budget is now expected to return to surplus by 2012-13 — three years ahead of schedule, and well before any of the major advanced economies.

Strongest fiscal consolidation

This is forecast to be the fastest positive turnaround in the budget position in modern times, delivering a tightening fiscal policy stance of around 1½ per cent of GDP a year over the next three years.

The improvement in budget balance is faster than the recoveries in the 1980s and 1990s.

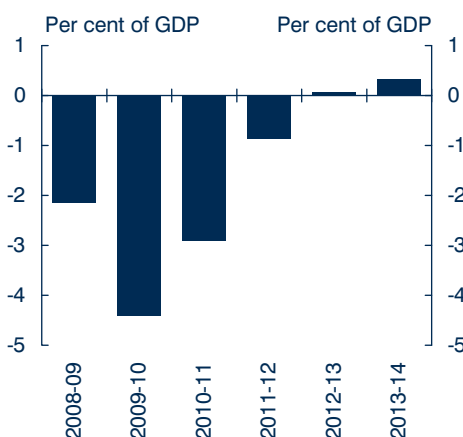
This is paying dividends. Net debt is now projected to peak at only 6.1 per cent in 2011-12, two years earlier than previously thought.

Maintaining discipline

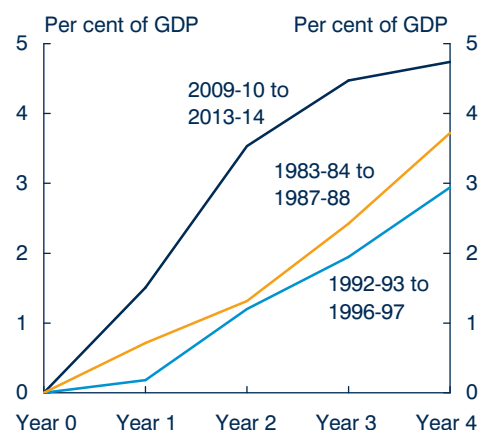
The Government is delivering on its responsible fiscal strategy, and will continue to do so.

All the investments in this Budget — measures to boost savings, build skills and infrastructure, improve our health and hospitals, invest in renewables and simplify tax time for working families — are fully funded within the strict confines of our responsible strategy.

The Government remains committed to maintaining strong fiscal discipline into the future.



Returning to surplus — budget balance



Fiscal consolidation — improvements to budget balance

Back to surplus before every major advanced economy

Australia is in an enviable position, with net debt as a share of GDP less than one-tenth the average for the major advanced economies, and the budget expected to return to surplus in 2012-13 well before any major advanced economy.

Australia emerged stronger

Australia emerged from the global recession with a lower debt and deficit than all of the major advanced economies.

Australia's budget is projected to return to surplus in 2012-13, ahead of any of the major advanced economies, and years before Canada and Germany — the next best placed countries.

Major challenges abroad

The major advanced economies suffered deep contractions, with their fiscal positions deteriorating across the board. None of them are projected to return to surplus until 2015 at the earliest.

While they emerged from recession around the second half of 2009, their recovery remains weak.

The global recession inflicted tremendous economic damage and left a legacy of large fiscal deficits and mounting public debt around the world.

Gross public debt levels in these economies are now close to 60-year highs, with net public debt forecast to reach 93.9 per cent of GDP on average in 2015.

This surge in public debt is occurring at a time when pressure from rising health and pension spending is building — making the already difficult challenge even more difficult.

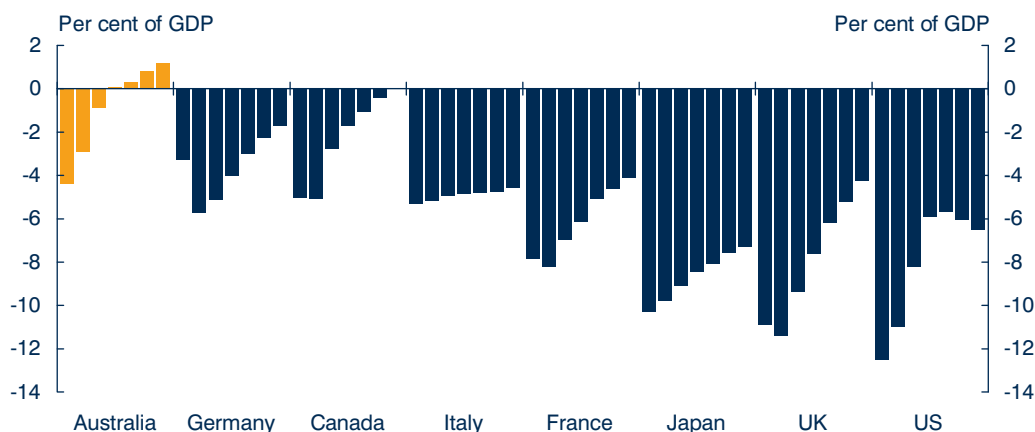
Australia is well positioned

In contrast, Australia avoided recession, and our public finances are sound.

Greece has brought the importance of credible and sound public finances to the fore.

Australia's budget is expected to return to a small surplus in 2012-13 and remain in surplus over the medium term.

Australia's net debt is expected to peak lower and earlier than previously expected, at 6.1 per cent of GDP in 2011-12. This is less than one-tenth the average of the major advanced economies.



Budget balance 2009-2015

Easing costs of living

The Government has taken action to address cost of living pressures for ordinary Australians, rewarding them for their efforts during the global recession.

Tax relief on the way

From 1 July 2010 Australian workers will benefit from the next round of tax cuts, fulfilling the Government's commitment to deliver real benefits to working families. This includes lifting the low income tax offset to \$1,500 to provide an effective tax free threshold of \$16,000 for Australians with income up to \$30,000.

Supporting small savers

Australians will receive a 50 per cent discount on up to \$1,000 of interest, including interest earned on deposits, bonds, debentures and annuity products, from 1 July 2011. This will be of particular benefit to small savers,

including low and middle income earners, who are more likely to put their non-super savings into interest-earning deposits. Around 5.7 million depositors will benefit from this measure in 2011-12. The Government will consult on implementation details during 2010-11.

Housing affordability

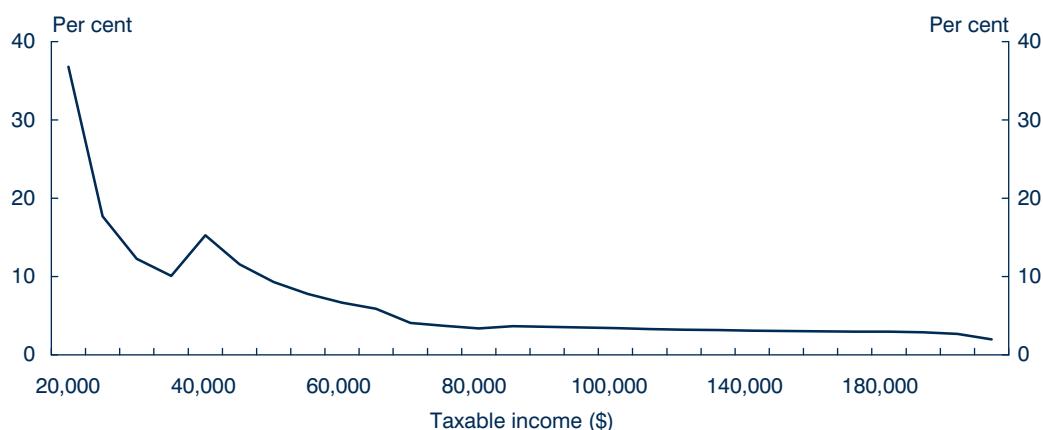
The Government is assisting aspiring first home buyers through concessionally taxed First Home Saver Accounts. These accounts are being made more flexible by allowing money from the accounts to be paid to an approved mortgage at the end of the minimum qualifying period, if a house

is purchased in the interim. This will make it easier for first home savers to adjust their housing decisions to their changing economic circumstances.

Banking competition

The Government has taken action to support banking competition and keep competitive pressure on the big banks:

- extra boost to banking competition by phasing down interest withholding tax;
- investing \$16 billion in residential mortgage-backed securities to assist smaller lenders to raise competitively-priced funds.



Total tax benefit as per cent of tax paid in 2009-10

Making tax time simpler

The Government will provide a standard tax deduction for work expenses, simplifying the tax system and giving Australians more time with their families.

Simpler treatment of work-related expenses

The Government will ease the cost of living for ordinary Australians, and make our personal tax system simpler, to minimise the time and resources people spend on their tax returns.

Under the current personal tax system, many people find it difficult to work out how much tax they need to pay or how much they should receive as a refund.

Calculating work related expenses is the main tax burden for many Australians.

As a result, more Australians use tax agents than almost anywhere else in the world.

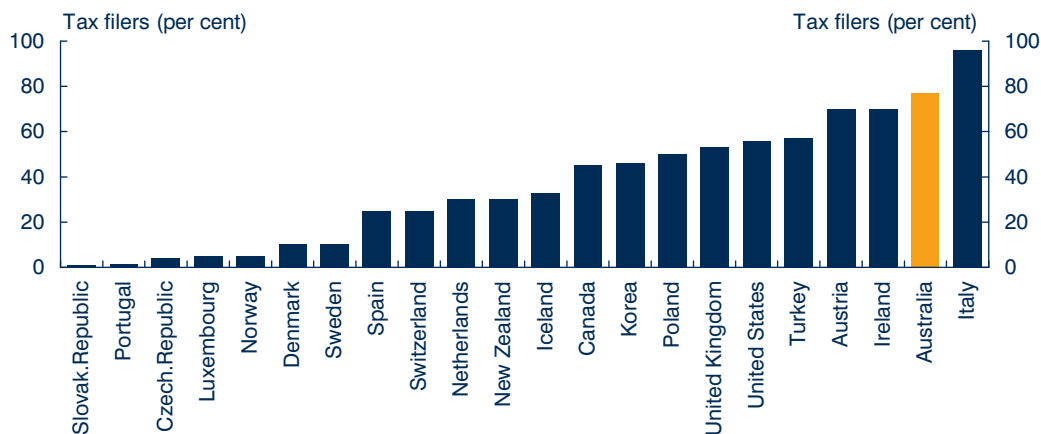
From 2012-13 the Government will provide taxpayers with the choice of a \$500 standard deduction to replace deductions for their work-related expenses and cost of managing tax affairs. This will increase to \$1,000 from 2013-14.

This will enable taxpayers to spend less time and effort preparing their tax return and more time with their family.

When fully implemented, 6.4 million Australians will find it easier to choose just the standard deduction and will see their tax drop by an average of \$192.

Taxpayers with higher expenses or more complex tax affairs can continue to claim their expenses and will not be worse off.

The Government will continue to improve pre-filling so that more Australians can have their tax return filled out for them.



Proportion of tax filers using tax agents

Challenges remain

The strong economic outlook means the challenge is quickly moving from employing idle capacity in the economy to building additional capacity to take full advantage of the mining boom and the broader recovery.

Return to full capacity

The economic outlook has improved dramatically over the past year and the economy is returning to more normal levels of capacity.

The policy priority has now shifted towards supporting private sector expansion through measures that expand the economy's productive capacity.

The broad economic recovery and the mining boom have the potential to yield significant gains in income and wealth for all Australians over many years.

Managing and sustaining that growth will be the key to realising that potential.

Two speed economy

The global financial crisis saw a shift in the balance of world economic activity towards China, India and other emerging Asian economies. These countries are set to be major drivers of the world economy in future decades.

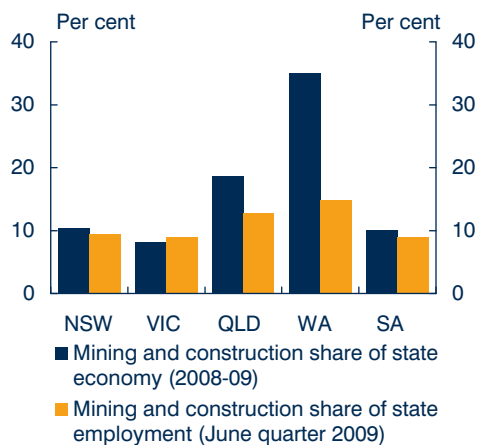
Australia is well positioned to benefit from this economic shift, with substantially increased demand for our mineral and energy resources.

But with the opportunity of a mining boom comes the challenge of managing a two-speed economy. The non-mining sectors of the economy will find it tougher to compete for workers and capital.

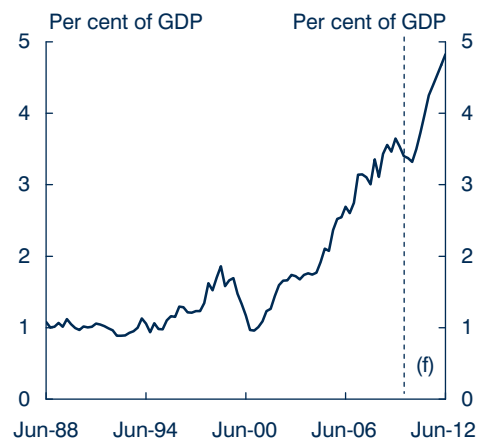
In these circumstances, the best thing the Government can do to support growth in the broader economy is to cut company taxes and encourage investment in key skills and infrastructure.

A better trained workforce and a larger capital stock boost the productive capacity of the whole economy, while still supporting its adjustment to a higher terms of trade.

States with a large share of mining activity are likely to continue to experience strong growth. But boosting the economy's productive capacity will ensure that the benefits of growth are shared by working families across the nation.



Australia's mining and construction intensity



New engineering construction

Ageing population

The *Australia to 2050* Report highlighted the challenges that population ageing and associated pressures in the health system will bring to bear on Australia's economic growth, living standards and government finances.

Australia to 2050

The *Australia to 2050* Intergenerational Report showed that over the long term, ageing will pose significant challenges.

Population ageing means fewer workers to support retirees in the future. The IGR projects the number of people of eligible age to receive the Age Pension will increase by around 150 per cent, highlighting the importance of adequate and sustainable retirement incomes.

The number of traditional working age people to support each retiree is expected to fall from 5 people today, to 2.7 people in 2050.

Reflecting this, the proportion of people in the labour force is expected to fall gradually, slowing the pace of growth.

Fiscal pressures

The report also projected that the ageing population and associated spending pressures would result in a substantial fiscal gap. Spending would exceed revenue by around 2¾ of GDP in 2049-50. The Government is responding to these long-term challenges.

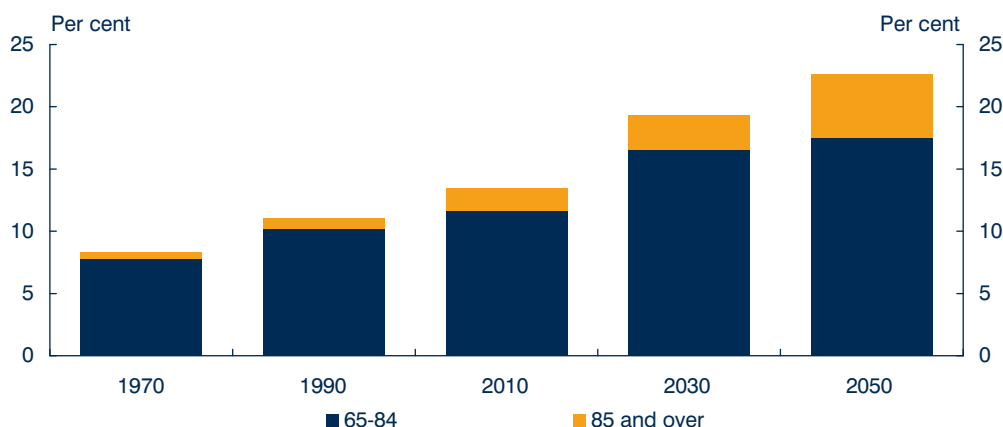
Responsible economic management, including policies that lift productivity and encourage participation in the labour force, will contribute to higher

rates of economic growth and higher living standards.

The Government is supporting productivity growth, through investments in skills and nation building infrastructure like transport, education and broadband, and reducing business costs through streamlined regulation and tax reform.

Reforms in education, training, health, employment services, paid parental leave and childcare will all support higher workforce participation.

The Government's implementation of the fiscal strategy is delivering structural adjustments to spending that address fiscal pressures over the medium and long term.



The proportion of the population aged over 65 years is increasing

Strengthening the economy

Australia has emerged from the global crisis the envy of the developed world, and this Budget will further strengthen our economy for working families.

Future challenges

While tackling the global financial crisis, the Government did not lose sight of the long-term challenges. The stimulus not only supported the economy, it also began laying the groundwork to ensure Australia's long-term prosperity.

Growing the whole economy

The Government has begun implementing an ambitious tax reform program to make the tax system fairer and more efficient.

To increase the return to the community from our resource deposits and to stimulate investment across the economy, the Government will

introduce a Resource Super Profits Tax (RSPT) and reduce the company tax rate.

These reforms will ensure all Australians share in the returns from our resources and will promote economic growth.

Building our capacity

The Government is investing in skills and infrastructure to lift the productive capacity of the economy.

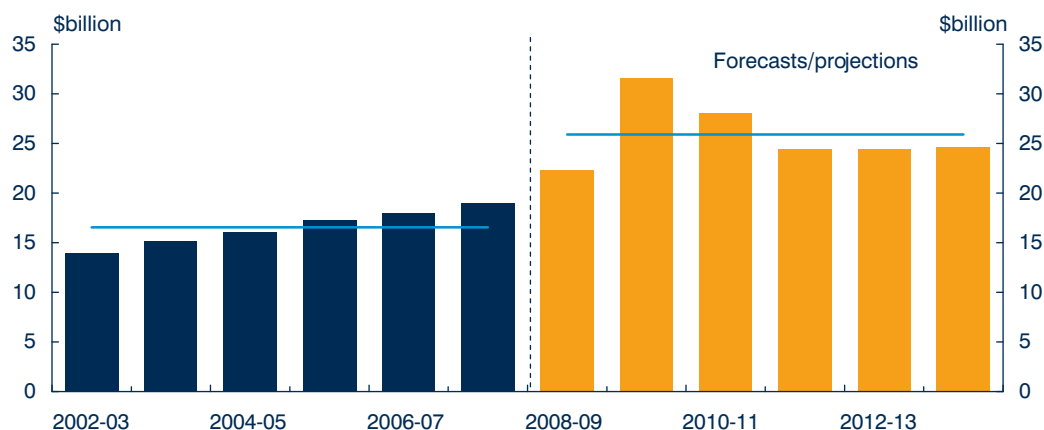
The Government's \$661 million *Skills for Sustainable Growth* strategy will provide more training places, increase the quality of our training, and tailor places to meet better the needs of our growing economy.

The Government is investing a further \$5.6 billion over the next decade to support State investment in nation building infrastructure, and nearly \$1 billion in Australia's rail networks.

Investing in renewables

The Government will invest \$652 million over four years in a new Renewable Energy Future Fund.

The Fund will leverage private investment in large and small scale renewable energy projects, including wind, solar and biomass. It will also be used to encourage Australia's take-up of energy efficiency, helping businesses and households reduce their energy consumption.



Commonwealth spending on education (2009-10 dollars)

Securing the future

The Government is determined to tackle the long-term challenges that face the nation, by boosting savings, improving our health and hospital system, and strengthening our long-term fiscal position.

Boosting savings

The Government will provide a 50 per cent tax discount on up to \$1,000 of interest, including interest earned on deposits, bonds, debentures and annuity products. The discount is expected to benefit around 5.7 million taxpayers in 2011-12.

The Government will gradually increase the Superannuation Guarantee to 12 per cent, improving the retirement incomes of some 8.4 million Australians.

To improve fairness in superannuation the Government will provide a contribution of up to \$500 for workers with incomes up to \$37,000.

Better health and hospitals

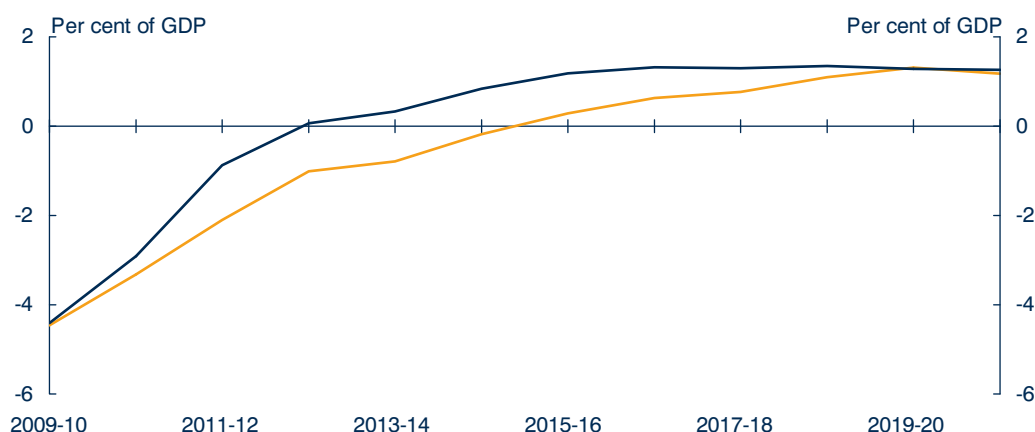
This Budget provides \$2.2 billion of new funding to support the *National Health and Hospitals Network*. This new funding includes:

- \$417 million for better after hours access to GPs and to establish Medicare Locals across the country
- \$355 million to increase GP Super Clinics and upgrade facilities
- \$523 million investment in Australia's nursing workforce
- \$467 million to introduce Individual Electronic Health Records.

Maintaining fiscal discipline

All of the investments in this Budget are fully funded within the strict confines of a responsible fiscal strategy, which will see us return to surplus three years ahead of schedule without raising tax to GDP above the level we inherited.

Once the budget returns to surplus, and while the economy is growing at or above trend, the Government will maintain expenditure restraint by retaining a 2 per cent annual cap on real spending growth, on average, until the budget surplus is at least 1 per cent of GDP.



Medium-term projection of the underlying cash balance

Skills for sustainable growth

The Government's \$661 million *Skills for Sustainable Growth* strategy will provide up to 70,000 new training places and support 22,500 new apprentices to boost the skills base of our workforce and lift the productive capacity of the economy.

A record of investing in people

This Government has already made substantial investment to support skills acquisition, including significant reforms to higher education in the last Budget. The skills investments continue through the *Skills for Sustainable Growth* strategy.

A strategy for skills

The strategy aims to boost the skills base of the Australian workforce and ensure that our education and training systems are responsive to industry, employer and individual needs.

Skills for recovery

The Government will invest \$300 million to address skill hotspots.

This includes a \$200 million Critical Skills Investment Fund to support quality training where it is needed most through partnerships with industry. The investment is expected to fund up to 39,000 training places.

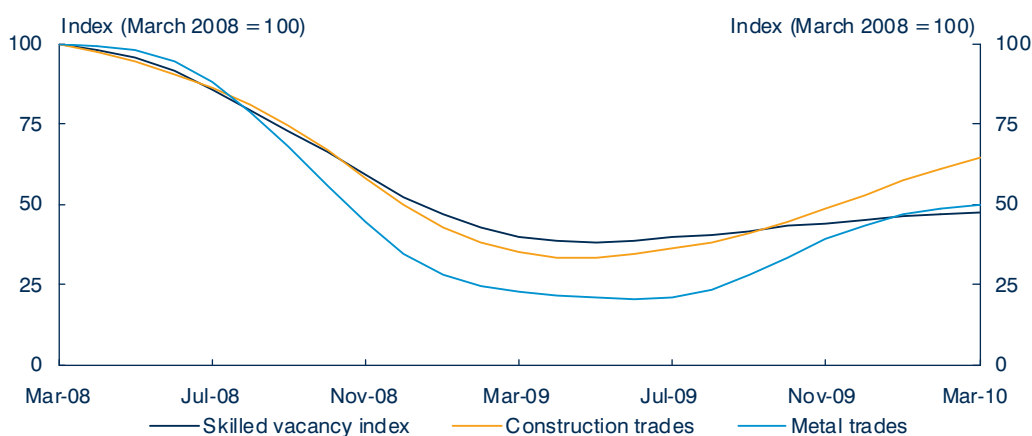
The fund will leverage industry co-investment, providing support for 50 per cent of the cost of training for large firms and up to 90 per cent of the cost of training for small firms.

Funding will be allocated through a competitive process.

Continued investment by employers in trade skills is vital as the economy strengthens. The Government will build on the success of the Kickstart Apprenticeship bonus by providing \$79 million for small and medium businesses to take on young traditional trade apprentices in skill shortage occupations.

This measure will provide greater access to training and support for around 22,500 apprentices.

The Government is also providing \$20 million to encourage competency based apprenticeships, improving the efficiency of skills formation.



Increasing demand for skills in the recovery

Boosting participation and productivity

The *Skills for Sustainable Growth* strategy will ensure our training systems are in the best position to meet the skill needs of industry, students and the broader economy.

Training system for the future

The Government is investing \$243 million to drive major improvements to our training system. This includes:

- income contingent loans, in return for significant training reforms
- provision of reward payments to drive higher standards and performance, through the \$130 million Quality Skills Initiative
- establishment of a National VET Regulator and the provision of enhanced performance information for students through the MySkills website.

Foundations for the future

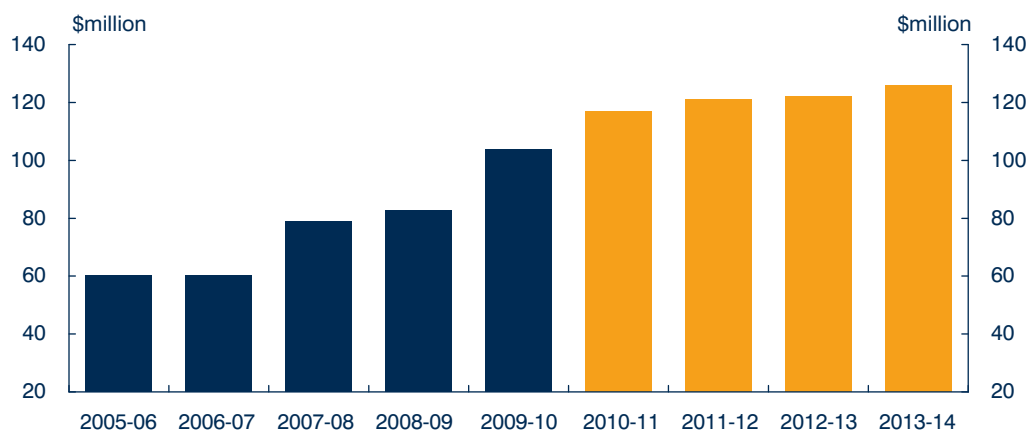
The importance of foundation skills such as literacy, language and numeracy (LLN) cannot be overstated. Poor foundation skills can be a major barrier for job seekers and those wishing to upskill. These core skills are crucial to higher educational outcomes — which in turn lead to higher participation and productivity.

The Government is investing \$119 million to improve foundation skills such as literacy and numeracy — bringing total Government assistance to around \$490 million over four years.

This investment will provide unprecedented LLN support for a total of 140,000 Australians.

Key initiatives include:

- Improving and strengthening the Language Literacy and Numeracy Program will provide an additional 13,570 training places for jobseekers (over four years).
- Better support for the LLN of existing workers will see an additional 9,500 Workplace English, Language and Literacy (WELL) Program places.
- Innovative community based learning to better suit individual learning needs, including around 8,000 training places in community settings such as men's sheds, mothers' groups, and neighbourhood houses.



Unprecedented investment in literacy, language and numeracy, \$490 million over four years

Building infrastructure

The Government is enhancing Australia's productive capacity through substantial investment in infrastructure, which builds on the Government's strong nation building agenda.

Push for productivity

Expanding Australia's productive capacity is vital to position our economy to meet future challenges.

Infrastructure investment is a key driver of productivity which will increase living standards in the long term. Demand for our exports, ageing infrastructure and strong population growth are all putting pressure on our existing infrastructure stock. The Government will continue to identify and address these critical infrastructure challenges.

The new measures announced here build on the \$36 billion that is already committed to transport infrastructure, including our roads, rail and ports.

In real terms, this Government is more than doubling expenditure on major transport infrastructure in the six years to 2013-14, compared with the previous six years.

\$5.6 billion Infrastructure Fund

The Government will establish a new infrastructure fund to invest in the nation building infrastructure necessary to improve Australian living standards.

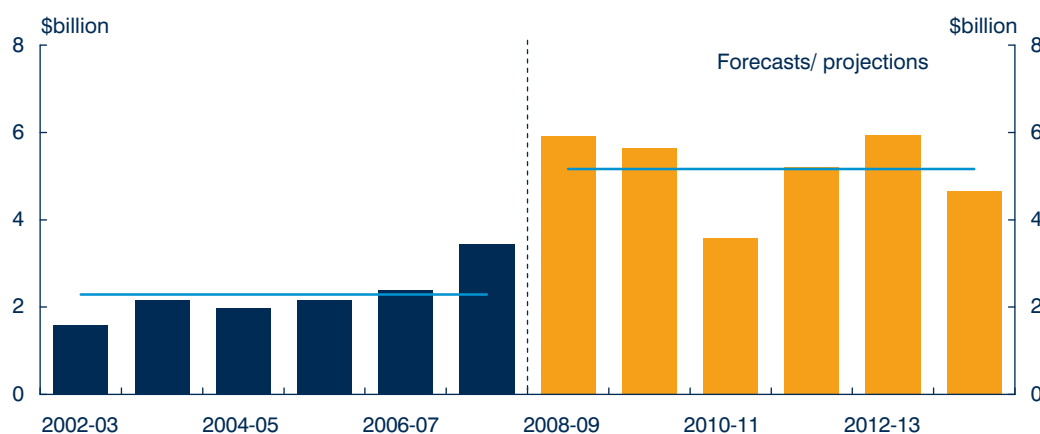
The fund will commence in 2012-13 with an initial contribution from the Commonwealth of \$700 million and will be worth more than \$5.6 billion over the decade.

It will make infrastructure spending a permanent feature of Commonwealth and state budgets.

Funding will be distributed in a way which recognises that resource rich states face large associated infrastructure demands.

Infrastructure Australia will continue to develop our National Infrastructure Pipeline to help inform investment by the private sector and governments.

Further, private infrastructure investors will benefit from both new simplified disclosure for corporate bond issuance, and the new discount on bond interest income, which will help them access large pools of retail investment funds.



Commonwealth spending on major transport infrastructure (2009-10 dollars)

Easing bottlenecks

The Government is investing \$5.6 billion in a new ongoing infrastructure fund and directly investing almost \$1 billion to renew key rail networks.

Increasing our freight capacity

To further address infrastructure capacity constraints the Government is investing almost \$1 billion in the Australian Rail Track Corporation (ARTC) in the 2010-11 Budget, to fund a package of productivity enhancing rail projects. The Government recognises that for Australia to meet its future freight needs, rail must play an integral role.

In addition, the Government has committed to establishing an intermodal terminal precinct at Moorebank to address the critical shortage of intermodal capacity in Sydney and complement the Government's other investments in rail.

The terminal will provide a much needed integrated transport solution for the movement of freight to and within the Sydney basin which will boost national productivity, reduce business costs and relieve bottlenecks and urban congestion.

The Moorebank project will now move into the detailed planning and approval phase. To this end, the Government will spend \$71 million to conduct planning for the relocation of Defence facilities and to establish a project office.

Construction of the terminal precinct could commence in 2013 with the facility becoming fully operational by early 2016.

National Broadband Network

The National Broadband Network (NBN) will revolutionise Australia's telecommunications. It will deliver next generation broadband services to all Australians, and will provide open access to its network to all retailers on equivalent terms.

The NBN will drive competition, help secure enhanced productivity growth and increase our international competitiveness.

The NBN represents a quantum leap in the way Australia communicates. It will turbo-charge Australia's productivity and drive our economy forward with greater capacity.

ARTC projects, totalling \$996 million, include:

Whyalla-Broken Hill and Parkes-Cootamundra Re-railing

Broken Hill to Parkes Concrete Re-sleeping

NSW North Coast Curve Easing

Albury to Melbourne to Geelong Re-railing

Gheringhap to Maroona Passing Loops

Goulburn / Moss Vale / Glenlee Double Track Passing

The ARTC projects will improve the rail network along the Brisbane - Melbourne, Melbourne - Adelaide and Sydney - Perth rail corridors. The projects will increase the movement of freight by rail, reduce travel times and improve productivity.

Australian Rail Track Corporation Projects

A fair share of our resources

A key part of managing commodity boom mark II is to adopt a better way to charge for our resources, ensuring all Australians benefit from the returns from our non-renewable resources.

A better way to charge for our resources

Australia has abundant non-renewable resources, which are expected to continue to command high prices driven by demand particularly from China and India.

The current resource charging arrangements distort investment and production decisions, thereby lowering the returns from resources.

They fail to collect a sufficient return for the community because they are unresponsive to changes in the value of deposits. They have collected a declining share of the return to resources over the recent period,

despite increasing profitability in the resource sector.

The Government will introduce a Resource Super Profits Tax (RSPT) and reduce the company income tax rate.

The RSPT will replace crude oil excise. The states will keep their existing royalties, but these will be refunded to companies. Projects currently within the scope of the Petroleum Resource Rent Tax will have the option of electing into the RSPT.

This will increase the return to Australians from non-renewable resource deposits and will stimulate greater investment and growth.

RSPT will provide more consistent treatment of resource projects that

will promote efficient investment and production outcomes.

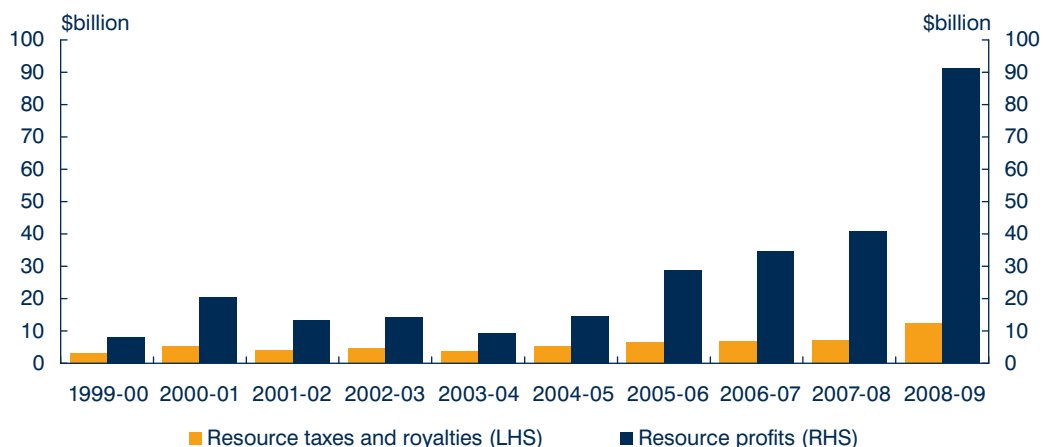
The RSPT will apply from 1 July 2012.

Existing resource projects will be provided a generous transition in recognition of existing project expenditure.

Supporting resource growth

The Government will establish a \$5.6 billion fund over a decade to support the investment in infrastructure necessary for the ongoing development of the resource industry.

The Government will also provide a \$1.1 billion resource exploration rebate to support small exploration companies.



Existing resource tax collections as a proportion of resource profits

Growing the whole economy

We will lower the company income tax rate to promote economic growth across the whole economy, boosting investment and real wages to the ultimate benefit of working families.

Reducing the company tax rate

The company tax rate will be reduced to 29 per cent for the 2013-14 income year and to 28 per cent from the 2014-15 income year, in conjunction with the introduction of the Resource Super Profits Tax. This rebalancing of the corporate tax burden will have a number of benefits.

- It will improve the international competitiveness of Australia's tax rate.
- By remaining competitive with similar countries we can reinforce Australia's recognised advantages as an investment destination.

More investment

Over time, this will lead to an increase in investment, particularly from overseas. This in turn will flow through to higher real wages for Australians.

More investment will also mean more innovation and entrepreneurial activity.

An increase in investment will mean that companies have more capital. This will lead to higher productivity and economic growth, and therefore higher real wages.

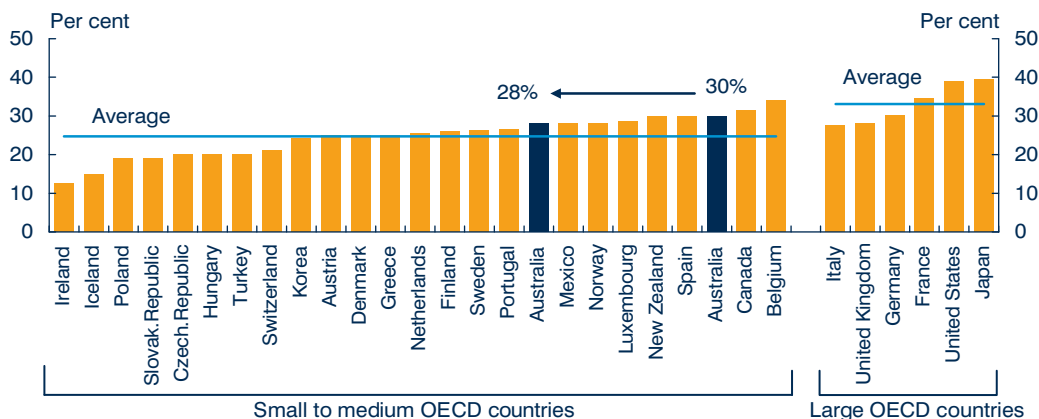
By reducing the company tax rate we will encourage new industries and businesses to set up and new jobs to be created, growing the entire economy right around Australia.

By making sure our corporate sector continues to be productive and competitive, we can remain at the forefront of technology and knowledge generation.

The proceeds from the RSPT will be directed to building skills and infrastructure to sustain growth.

This will make Australia a more attractive place to invest.

The reduction in the company tax rate is expected to increase GDP by 0.4 per cent in the long run. Together with the resource tax reforms, this will lead to a long run increase in GDP of around 0.7 per cent and increase real after tax wages by 1.1 per cent.



Company tax rates

Helping small business grow

The Government's tax package includes important measures to assist all Australian small businesses, including a fast-tracked reduction in the company tax rate and simplified depreciation arrangements.

Backbone of the economy

Australia's 2.4 million small businesses are the backbone of our economy. The Government's tax package will give them tax relief and cut red tape, so they can get on with running their businesses.

Early start to company income tax rate cut

The Government will provide a cash flow benefit to many small businesses by introducing an earlier cut to the company income tax rate to 28 per cent for small businesses from the 2012-13 income year. This change will enable small business companies to reinvest more of their profits back into the

company to expand and grow their businesses.

Instant asset write-off

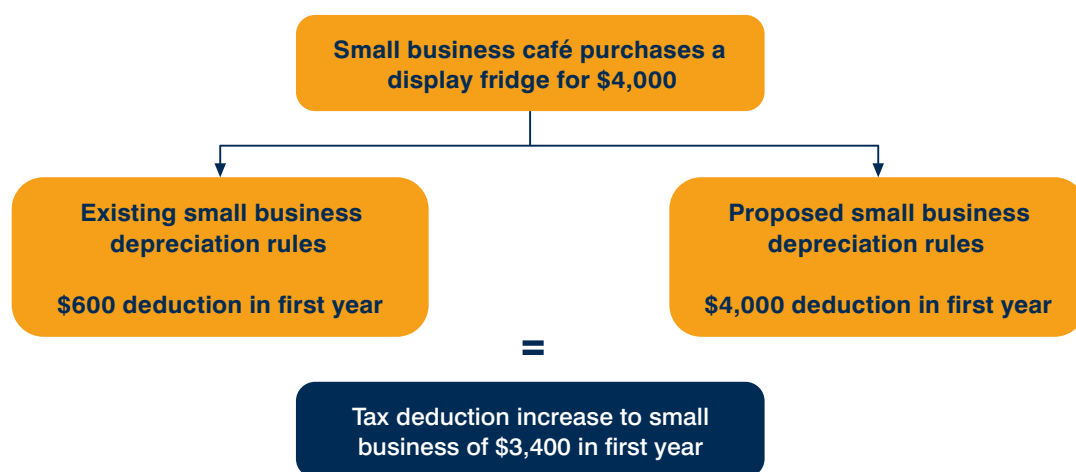
The Government will significantly enhance and expand the existing capital allowance (depreciation) concessions available to small businesses from 1 July 2012. These changes will increase cash-flow, reduce compliance costs and simplify the depreciation calculations for up to 2.4 million small businesses.

From 1 July 2012, the threshold under which depreciable assets of small businesses can be immediately written-off will be increased from \$1,000 to \$5,000. This will enable

small businesses to immediately deduct the costs of a significant proportion of their business assets.

Small businesses that elect to pool their assets will also be able to depreciate other assets (apart from buildings) in one pool at a rate of 30 per cent. This single pool will replace the two pools under the existing law.

In addition to increasing the cash flow of small businesses, these changes will also reduce compliance costs by removing the requirement to calculate depreciation allowances and track assets for depreciation purposes.



Example of how the instant write-off works

Australia as a regional financial services centre

We will build on the strengths of Australia's innovative, well-regulated and adaptive financial sector to enhance our international competitiveness.

World's best practice

The Australian financial sector is recognised internationally as being among the most innovative and best regulated in the world.

A strong regulatory framework, first class supervisors, and prudent commercial decision-making have ensured the resilience of our financial system during the global crisis.

The Government is committed to building on these strengths to position Australia as a regional financial centre.

Interest withholding tax

The Government will phase down the interest withholding tax rate incurred by

financial institutions on most interest paid on offshore borrowings. This will make Australia more attractive as an investment destination and help secure our place as a leading regional financial centre.

Managed investment trusts

The Government will introduce a specific taxation regime for Managed Investment Trusts, which will increase certainty, reduce complexity and minimise compliance costs for industry and investors.

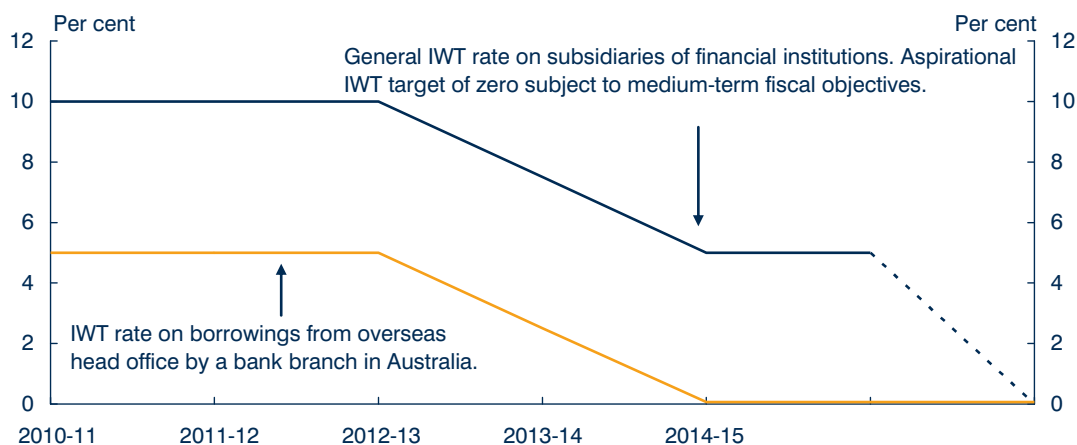
This will enhance the global competitiveness of the Australian managed funds sector for attracting foreign funds under management.

Centre for International Finance & Regulation (CIFR)

The Government will establish a regional centre for excellence in financial system innovation and regulation.

The centre will aim to:

- provide education and training for financial regulators from Australia and the region
- undertake research into best practice regulation
- undertake research into financial sector global developments
- enhance regional and financial system stability.



Phasing down interest withholding tax to boost banking competition

Stronger, Fairer Super

The Government will improve the retirement incomes of Australians and encourage savings through fairer tax concessions for superannuation and an historic boost to the Superannuation Guarantee.

Retirement incomes

The *Australia to 2050* Report highlights that over the next 40 years, the ratio of working age Australians to those over 65 is projected to decrease from 5-to-1 to just 2.7-to-1.

The challenges presented by an ageing population mean reform is required to support retirement savings.

A 12 per cent superannuation guarantee

The Government will assist 8.4 million Australians improve their retirement savings by gradually increasing the superannuation guarantee to 12 per cent from 1 July 2013.

Fairer super concessions

The Government will provide new assistance to around 3.5 million low income Australians who currently receive little or no concession from the existing superannuation system.

From 1 July 2012, the Government will contribute up to \$500 for workers with incomes up to \$37,000. This means those workers will pay no tax on superannuation guarantee contributions in 2012-13.

Helping people catch up

From 1 July 2012, the Government will assist older Australians to make catch-up contributions, by allowing workers aged 50 and over with

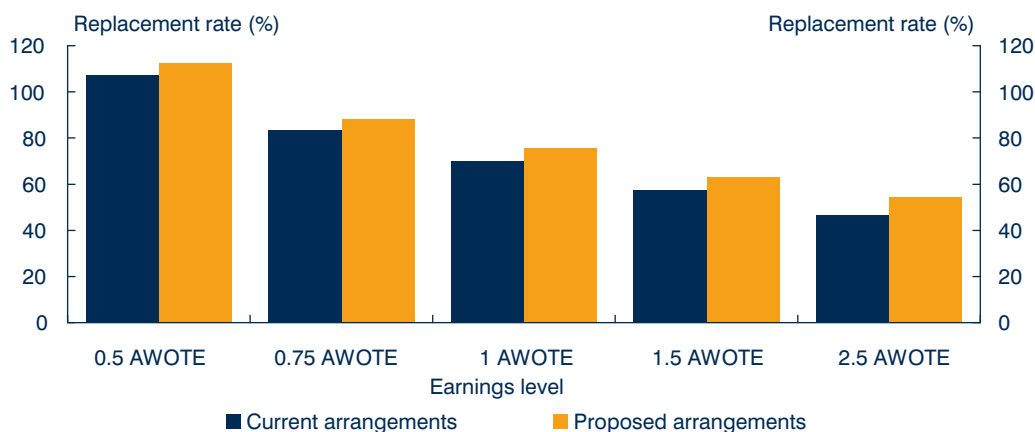
balances below \$500,000, to make up to \$50,000 a year in concessional superannuation contributions.

Growing retirement savings

It is projected that the superannuation measures will increase the retirement balances for a worker aged 30 now, on full time average weekly earnings, by \$108,000; and an individual with broken working patterns by \$78,000.

These changes will increase Australian superannuation savings by \$85 billion over 10 years, and \$500 billion by 2035.

By increasing savings, the Government will help address issues raised by our ageing population and build prosperity for Australians.



The changes will mean better retirement incomes

Helping Australians save

Encouraging Australians to save will boost national savings, help alleviate longer term fiscal pressures and provide for an ageing population.

Saving for the future

The Government recognises how important savings are for family security and the Australian economy.

To help Australians get more from their savings, the Government will introduce a tax discount for interest income, including on deposits.

A discount for interest income

From 1 July 2011, Australians will receive a 50 per cent discount on up to \$1,000 of interest, including interest earned on deposits, bonds, debentures and annuity products.

This will improve incentives for Australians to save for their future.

The discount for interest is expected to help 5.7 million people in 2011-12, three quarters of whom will have annual incomes below \$80,000.

The discount means interest income will receive a similar tax treatment to capital gains on assets held longer than a year.

This will be of particular benefit to small savers, especially older Australians, who are more likely to put extra non-superannuation savings into interest-earning deposits.

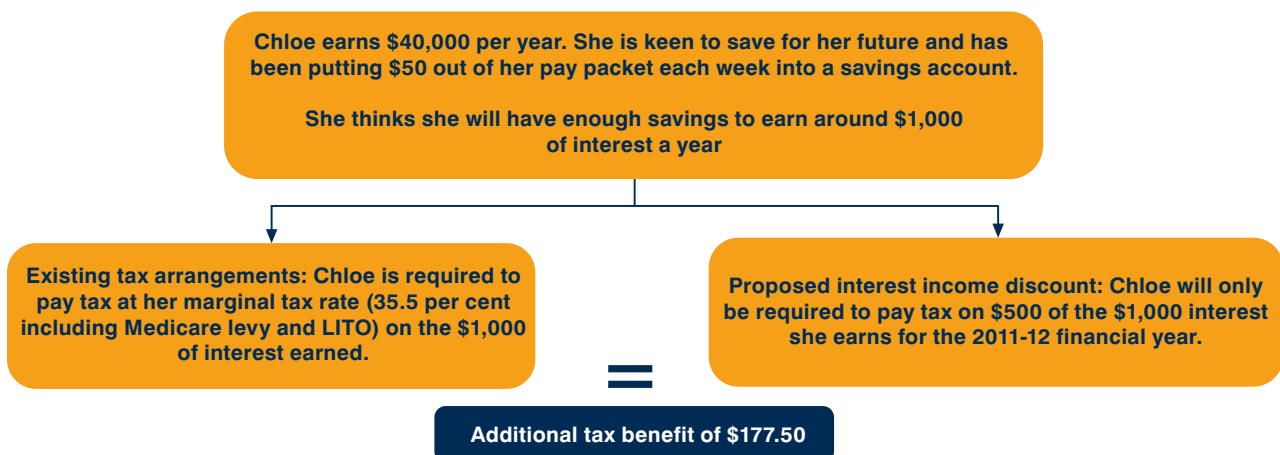
It will allow their savings to grow faster.

Supporting competition in the banking sector

The discount can be expected to increase the available pool of deposits, which are a particularly important source of funding for smaller banks, building societies and credit unions.

This will help them to put more competitive pressure on the big banks over time.

Further, allowing a discount on corporate bonds will promote this alternative source of funding for businesses, reducing their reliance on banks.



Helping Australians save

Historic reform of our health and hospital system

The Commonwealth will become the majority funder of public hospitals and have full funding and policy responsibility for GP and primary health care — driving better quality care, better value for money and ending the blame game.

A first for our health system

The *National Health and Hospitals Network* prepares our health system for the decades ahead. For the first time, the Commonwealth will be the majority funder of public hospitals, funding:

- 60 per cent of the efficient price of every public hospital service provided to public patients
- 60 per cent of capital, research and training in public hospitals
- up to 100 per cent, over time, of public primary care equivalent outpatient services.

The Commonwealth will also take full policy and funding responsibility for GP, primary health and aged care.

A sustainable footing for the future

Around one-third of GST revenue will be dedicated directly to health and hospitals spending, for seven states and territories.

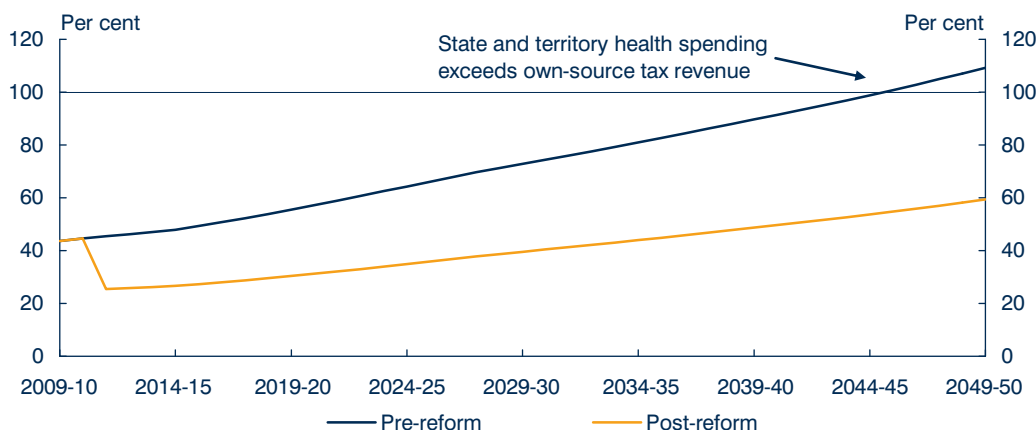
Beyond the forward estimates, the Commonwealth will fund the majority of growth in health and hospital costs. It has guaranteed no less than \$15.6 billion in top up payments to the states for growth in the public health system from 2014-15 to 2019-20.

Without reform, there was a real risk that state health and hospital spending would have swamped state own-source tax revenues by the middle of the century.

A well-managed health system

In return for providing a secure funding base into the future, the Commonwealth will require the states to commit to system-wide reforms to improve public hospital accountability, transparency and performance.

The *National Health and Hospitals Network* will be funded nationally and run locally. It will be guided by tough new national performance standards.



State and territory health spending as a percentage of own-source tax revenue

New health investments in the 2010-11 Budget

The 2010-11 Budget delivers a further \$2.2 billion over four years to meet the needs of our modern health system, by investing in primary health care, training and supporting our nurses, and modernising our health system.

Access to GPs

All Australians and their families deserve access to high-quality GP and primary health care, that is well resourced, well staffed and coordinated.

Key primary health care infrastructure is supported with \$355 million for 23 new GP Super Clinics and around 425 facility upgrades.

The Government will invest \$417 million to enhance after-hours services and to establish Medicare Locals to identify local needs and better coordinate primary, hospital and aged care for Australian communities.

Investing in our nurses

The Government will invest \$523 million over four years to train and support our nurses. This includes \$390 million to better utilise practice nurses.

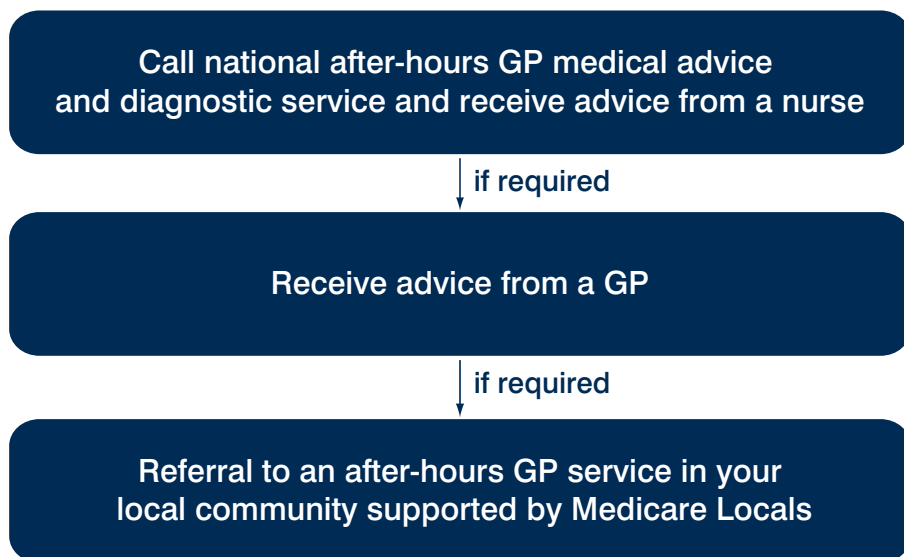
The Government is providing \$29 million in this Budget to support nurses in regional Australia.

An additional 300 registered nurse scholarships and 600 enrolled nurse training places will be provided, at a cost of \$21 million, to build nursing careers.

Modernising our health system

The Government will invest \$467 million to introduce personally controlled Individual Electronic Health Records that will keep our health system at the forefront of innovation, while allowing for more personalised health care and slashing costs of duplication.

The Government will also drive improvements in the health system, establishing tough new national standards and driving efficiencies through activity based funding.



Enhanced after-hours service

Comprehensive health and hospital reform

The new investments in this Budget are part of \$7.3 billion* over five years to support the *National Health and Hospitals Network* (NHHN), including more doctors and nurses, shorter waiting times and more hospital beds.

Better hospitals

An immediate injection of \$3.5 billion over five years will flow through to public hospitals.

This will deliver a four hour target for emergency department waiting times, a 95 per cent target for Australians receiving elective surgery on time, and fund at least 1,300 new sub-acute beds.

Along with the key service coordination role of Local Hospital Networks, these investments will make hospitals more responsive to local needs.

*The \$7.3 billion investment reflects the national roll-out of the NHHN.

Better primary health care

The Government will provide \$1.2 billion over four years to improve access to GP services, tackle chronic disease and keep Australians healthy and out of hospital.

Better integration of care for diabetes will be delivered with \$449 million of this funding.

Mental health

Mental health will be supported by \$104 million to expand programs for young people, \$13 million for more mental health nurses to provide services in the community and \$59 million to support clinical care for people with severe mental illness.

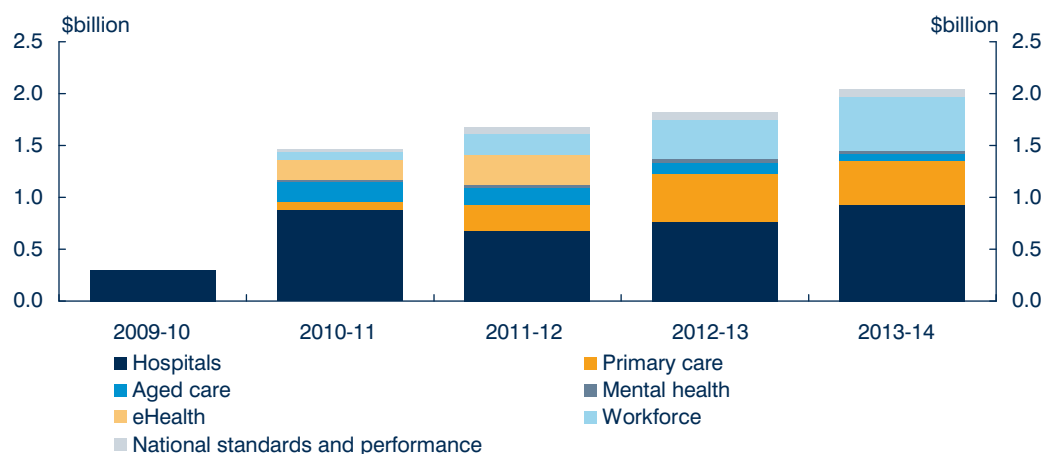
Aged care

The Government will invest \$533 million over five years to improve access in the community to high quality aged care: vital preparation for an ageing population.

A workforce for our future needs

A well-resourced health system will need a well-trained workforce.

The Government is investing \$1.2 billion over four years in training more health professionals and improving the skills of those already at work.



\$7.3 billion: an immediate investment in Australia's health

A sustainable health system

The *National Health and Hospitals Network* is fully funded over the forward estimates and wholly consistent with the Government's strict fiscal strategy.

Taking strong action on tobacco

On 30 April 2010, tobacco excise was increased by 25 per cent. This will provide clear incentives for current smokers to quit.

Higher tobacco prices will also help young people avoid smoking in the first place, as they are more responsive to price rises.

Increasing excise will provide \$5 billion in revenue over five years that will be directly invested in better health and better hospitals for all Australians.

This measure, combined with plain packaging of tobacco products, will see the world's most stringent anti-smoking regime.

Better value medicines

The Government has negotiated price reductions on medicines and price disclosure arrangements that will mean taxpayers benefit from savings of \$1.9 billion over five years.

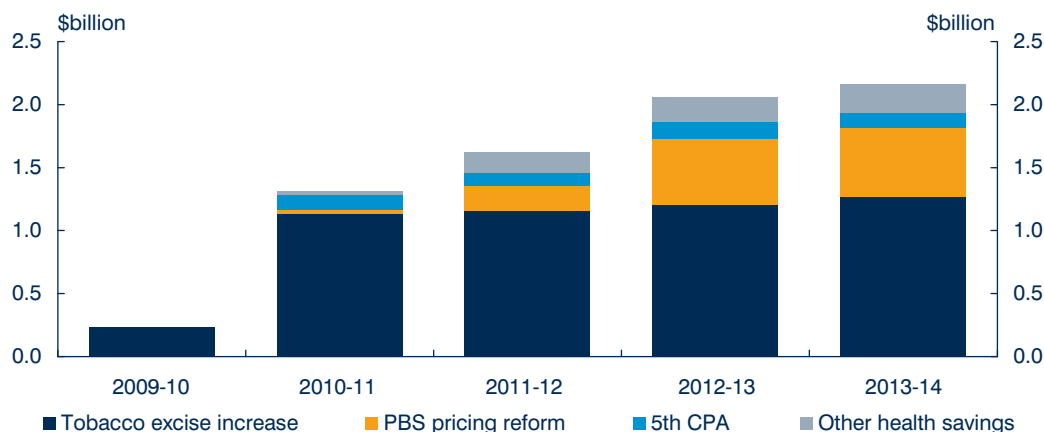
Improved services and better value for money will also be delivered through the Fifth Community Pharmacy Agreement (5th CPA).

This Agreement begins on 1 July 2010, and provides for further net savings of \$0.6 billion over five years.

Fully funded health reform

Through strong action on tobacco, and prudent savings to ensure value for money, the Government has delivered a more sustainable health system and has fully funded health reform.

The Government is delivering on its fiscal strategy, whilst funding improvements in health and hospitals in a sustainable way and achieving value for money from every dollar invested in health.



Paying for health reform

Renewables and energy efficiency

The Government is providing additional support for renewable energy and energy efficiency through its expanded \$5.1 billion Clean Energy Initiative.

Renewable Energy Future Fund

The Government will invest \$652 million over four years in a new Renewable Energy Future Fund, which will form part of the Government's expanded \$5.1 billion Clean Energy Initiative.

The Fund will be used to provide further support for the development and deployment of large and small scale renewable energy projects, including wind, solar and biomass. Through partnerships with the private sector, it will support critical early stage investments to leverage private funds for the commercialisation of renewable technologies.

In addition, the Fund will be used to promote the take-up of energy efficiency in Australia and help businesses and households reduce their energy consumption.

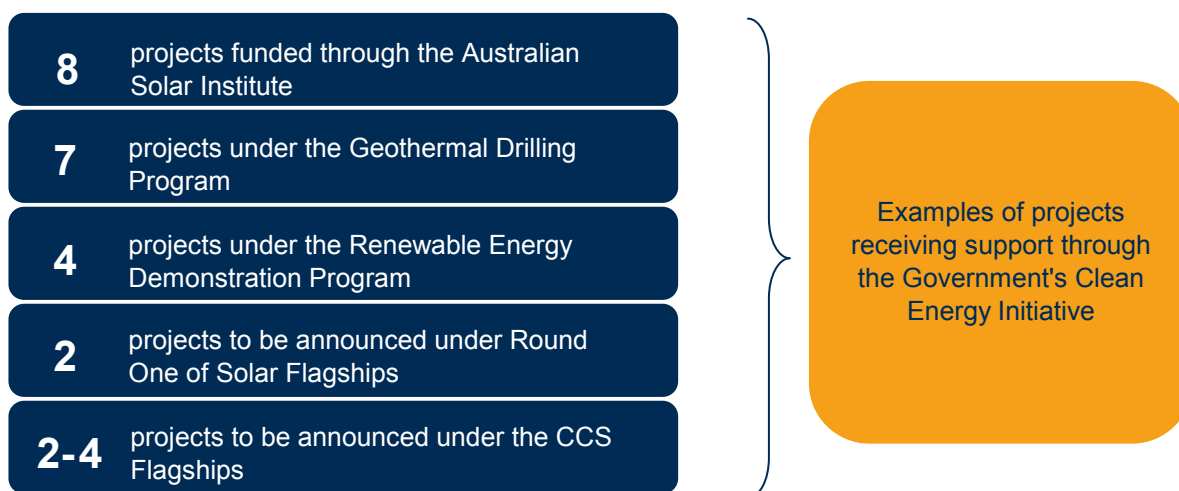
This measure brings the Government's total investment in renewable and clean energy and energy efficiency to over \$10 billion.

Building on existing investments

The Fund will build on the Government's comprehensive portfolio of clean energy investments through the Clean Energy Initiative, including the Solar Flagships program and the Carbon Capture and Storage Flagships program.

The Fund also complements existing support through the Government's expanded Renewable Energy Target (RET), which will ensure that by 2020, 20 per cent of Australia's energy comes from renewable sources, such as wind, solar and geothermal. By 2020, the amount of electricity coming from renewables will be the same as our current household electricity use.

The recent tax reform package also recognised the importance of geothermal energy by expanding the definition of exploration expenditure to include geothermal exploration for the purposes of the new Resource Exploration Rebate.



Clean Energy Initiative

Continuing to tackle climate change

The Government is committed to tackling climate change through the Carbon Pollution Reduction Scheme and will continue its efforts to build the necessary support both domestically and internationally.

Carbon Pollution Reduction Scheme

The Government remains committed to tackling climate change and considers the Carbon Pollution Reduction Scheme (CPRS) the most effective, least-cost way of meeting Australia's emissions reduction targets — but changing circumstances mean the CPRS will need to be delayed.

The Government will not introduce the CPRS until after the end of the current commitment period of the Kyoto Protocol and only when there is greater clarity on the actions of major economies including the US, China and India.

This means the Government will not move to legislate the CPRS before the end of 2012, and will only do so after this time if there is sufficient international action.

In the short term, continued investment in complementary and transitional measures will help the necessary transition to a low pollution economy. This is why the Government is boosting investment in renewable energy and energy efficiency.

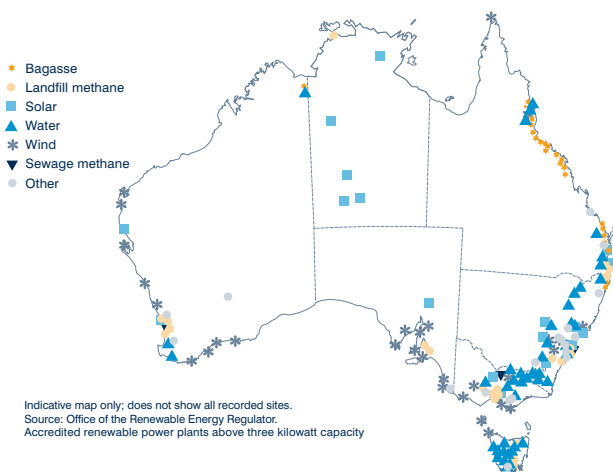
Over the medium term, the CPRS will be required if we are to meet the bipartisan emission reduction targets. Governments around the world have recognised that market-based approaches are the most effective and least-cost way to reduce emissions.

The Government will continue its efforts to build a consensus, domestically and internationally.

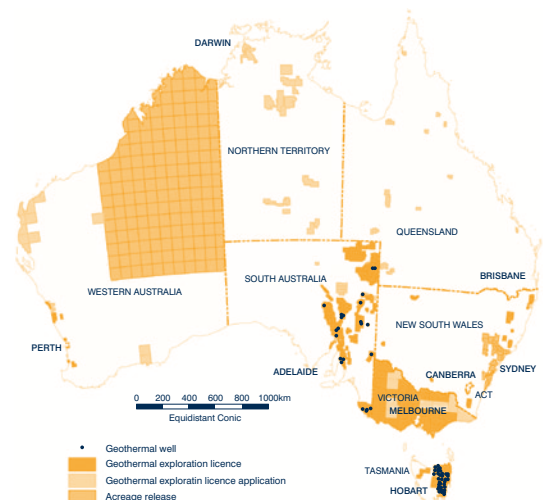
International action

The Government is committed to ensuring the Copenhagen Accord is fully implemented.

Developed countries have committed to provide funding approaching USD 30 billion over the period 2010 to 2012 and, in the context of meaningful mitigation action and transparency, to a goal of USD 100 billion a year by 2020 from both public and private sources, to support mitigation and adaptation in developing countries.



Existing renewable projects



Geothermal exploration

Strengthening our borders – protecting our troops

The 2010-11 Budget represents the first coordinated approach to national security funding with an investment of \$4.3 billion to enhance our national security, including measures to boost border protection and aviation security.

Border and aviation security

The 2010-11 Budget provides \$1.2 billion to enhance and strengthen Australia's border and aviation security.

The Government will replace the Bay Class patrol vessels used by Customs to patrol Australia's maritime domain. The replacement vessels will provide enhanced capability and greater flexibility to respond to an evolving maritime security environment.

This Budget provides \$199 million over five years to strengthen and enhance Australia's aviation security. Ongoing funding will also maintain a strong Australian Federal Police presence at major Australian airports.

Strengthening security capabilities

The Government will invest over \$500 million to improve Australia's national security capacity. This includes \$101 million for enhancing the security of Australia's passports, and additional funding for counter terrorism measures, identity security and initiatives to combat organised crime.

Protecting our Defence personnel

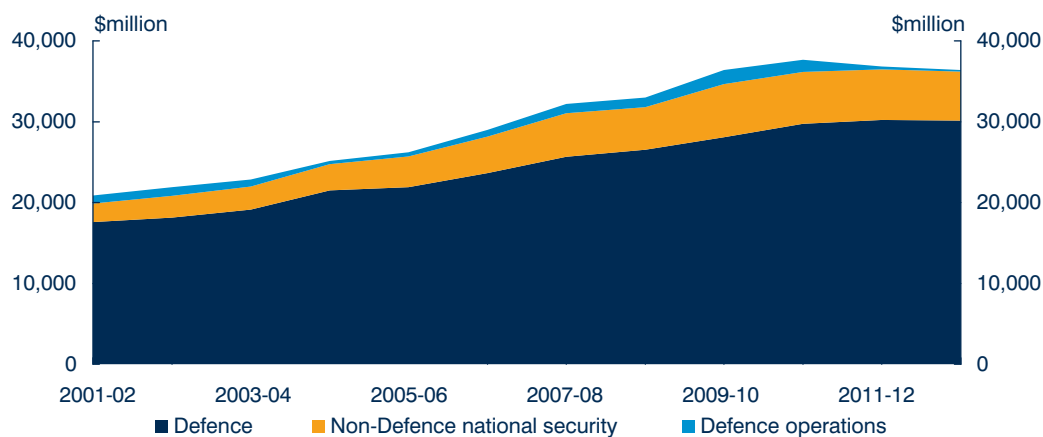
To improve the safety of Defence personnel deployed overseas, funding of \$1.1 billion will be provided for enhanced force protection measures. This funding is in addition to the \$239 million provided for existing force protection capabilities as part of our military involvement in Afghanistan.

The 2010-11 Budget is also providing \$1.5 billion for Australia's military stabilisation and capacity building efforts overseas.

A good global citizen

Overseas Development Assistance funding over the forward estimates has increased by \$1.3 billion since the 2009-10 Budget.

Delayed flow through to ODA of methodology changes for calculating GNI will result in savings to the budget of \$1 billion over four years. The Government remains on track to reach an ODA/GNI ratio of 0.5 per cent in 2015-16.



Total national security expenditure 2001-02 to 2012-13

Improving Indigenous opportunity

The Government has committed to improving outcomes for Indigenous Australians through its Closing the Gap agenda and is investing in remote service delivery, safe and supportive communities, economic participation and healthy lives.

Closing the Gap

The Government is continuing its ambitious program of reform targeted at Closing the Gap between Indigenous and non-Indigenous Australians.

In 2010-11, key measures include:

- \$46 million in flexible funding to improve remote service delivery
- \$38.5 million to expand successful initiatives tackling petrol-sniffing
- \$15.2 million to fund National Indigenous Television in 2010-11
- \$6.9 million for the essential maintenance of Aboriginal Hostels.

These measures are in addition to the \$6.3 billion committed to Closing the Gap programs by the Commonwealth, states and territories through COAG from 2008-2014.

Real progress

Meanwhile, governments' existing programs are making real progress on the ground.

Governments are working together to build 320 new houses in remote areas and refurbish 587 in 2009-10. Work is on track to meet both targets.

Since mid-2008, over 22,300 jobs have been filled through the Indigenous Employment Program.

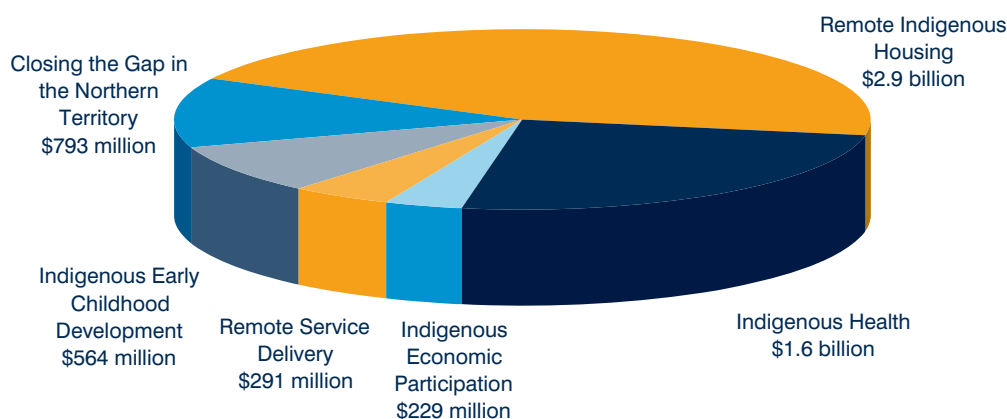
In remote areas of the Northern Territory over 14,000 health checks have been completed since 2007.

Ensuring effectiveness

Ensuring the greatest impact from every dollar spent is essential if we are to achieve the best possible future for Indigenous Australians.

To this end, the first national Indigenous Expenditure Report will be delivered to COAG in 2010. This report will inform future policy development and assist governments in improving the effectiveness of their spending.

Together, these initiatives are improving the wellbeing and opportunities of Indigenous Australians.



Funding of Indigenous National Partnership Agreements 2008-2014

Investing in our sporting future

The Government is following up its record investment in community sporting infrastructure by boosting funding for community and elite sport by \$325 million to \$1.2 billion over the next four years.

The Government is focused on growing participation in our community and enhancing sporting pathways for the benefit of health and productivity, while also contributing to our sustained international success.

Support for community sport

To help create healthy communities, the Government will provide \$71 million, for measures including:

- access to coaching and officiating training for up to 45,000 people
- funding for community and education initiatives for 28 national sporting organisations

This new spending builds on over \$300 million provided to support

community sport and local clubs under the Regional and Local Community Infrastructure program, the single biggest investment in community sporting infrastructure.

Support for our elite athletes

To allow our elite athletes to continue to entertain and inspire us, over the next four years the Government will provide \$237 million, including:

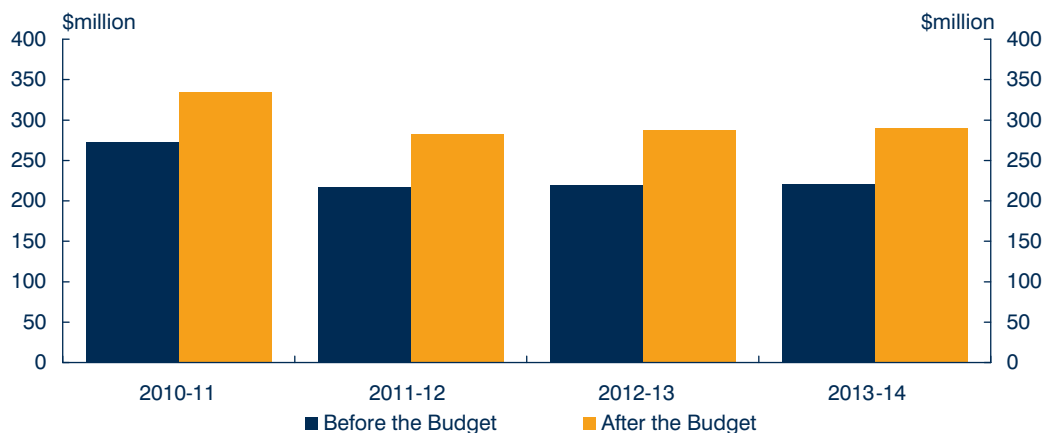
- \$52 million for the Australian Sports Commission's high performance programs
- \$124 million for: development of 112 national coaches; direct athlete support for up to 665 athletes; and

5,000 new talent identification and development opportunities

- \$62 million to continue support for the Australian Institute of Sport.

Support for our Paralympians

To ensure our Paralympic athletes can continue their remarkable achievements, the Government is providing almost \$16 million for the Australian Paralympic Committee's high performance programs and to support the broadcast of the 2012 Paralympic Games.



A major boost to sport funding

APPENDICES

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 2008-09 to 2013-14. The underlying cash deficit is estimated to be \$40.8 billion in 2010-11. In accrual terms, a fiscal deficit of \$39.6 billion is expected.

Australian Government general government sector budget aggregates

| | Actual | Estimates | | | Projections | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Revenue (\$b) | 298.9 | 294.2 | 321.8 | 356.4 | 381.9 | 407.2 |
| Per cent of GDP | 23.7 | 22.7 | 22.9 | 24.0 | 24.3 | 24.6 |
| Expenses (\$b) | 324.6 | 343.1 | 354.6 | 364.6 | 381.0 | 398.0 |
| Per cent of GDP | 25.8 | 26.5 | 25.2 | 24.5 | 24.3 | 24.0 |
| Net operating balance (\$b) | -25.6 | -48.9 | -32.8 | -8.2 | 0.9 | 9.2 |
| Net capital investment (\$b) | 4.1 | 5.8 | 6.8 | 3.9 | -1.0 | 2.9 |
| Fiscal balance (\$b) | -29.7 | -54.8 | -39.6 | -12.1 | 2.0 | 6.3 |
| Per cent of GDP | -2.4 | -4.2 | -2.8 | -0.8 | 0.1 | 0.4 |
| Underlying cash balance (\$b)(a) | -27.1 | -57.1 | -40.8 | -13.0 | 1.0 | 5.4 |
| Per cent of GDP | -2.2 | -4.4 | -2.9 | -0.9 | 0.1 | 0.3 |
| <i>Memorandum item:</i> | | | | | | |
| Headline cash balance (\$b) | -31.3 | -59.2 | -48.0 | -14.6 | -2.2 | 4.1 |

(a) Excludes expected Future Fund earnings.

Assessment against the fiscal target

In this Budget, the Government has delivered on its fiscal strategy and fully offset all new spending.

The table below shows the net budget impact of policy decisions taken since the *Mid-Year Economic and Fiscal Outlook 2009-10* on an underlying cash basis.

In the 2010-11 Budget, the Government has fully offset new policy over the forward estimates and delivered a net save of \$544 million.

In assessing performance against the fiscal target, the total effect of policy decisions is adjusted to account for policy decisions that have previously been provided for in the contingency reserve.

| | Estimates | | | Projections | | Total |
|--|----------------|----------------|----------------|----------------|----------------|---------------|
| | 2009-10 \$m | 2010-11 \$m | 2011-12 \$m | 2012-13 \$m | 2013-14 \$m | |
| Effect of policy decisions since MYEFO | | | | | | |
| Spends | -2,590 | -4,708 | -4,635 | -7,094 | -11,438 | -30,466 |
| Saves | 466 | 1,684 | 4,862 | 4,446 | 16,693 | 28,150 |
| Total effect of policy decisions since MYEFO | -2,124 | -3,024 | 227 | -2,648 | 5,254 | -2,316 |
| <i>Add</i> Contingency Reserve offsets to policy decisions | 212 | 671 | 664 | 698 | 615 | 2,860 |
| Net budget impact | -1,912 | -2,354 | 890 | -1,950 | 5,869 | 544 |

Helping households to make ends meet

The spending power of Australian households has increased over the term of this Government. From 1 July 2010, working Australians will benefit from tax cuts for the third consecutive year under this Government. This is in addition to increased Government assistance for working families for the costs of education, child care and dental care. Older Australians will continue to benefit from this Government's substantial increases to the Age Pension and the Pension Supplement.

Projected improvement in the real disposable incomes and the net tax thresholds of different household types from 2007-08 to 2010-11

| Family type and wage as percentages of AWOTE(a) | Real disposable income(b) | | | Real net tax threshold(c) | | |
|--|---------------------------|-----------|----------|---------------------------|----------|----------|
| | (\$2009-10) | | | (\$2009-10) | | |
| | 2007-08 | 2010-11 | % change | 2007-08 | 2010-11 | % change |
| Single person (67%) | \$34,151 | \$36,726 | 7.5% | \$19,409 | \$20,222 | 4.2% |
| Single person (100%) | \$47,535 | \$50,432 | 6.1% | \$19,409 | \$20,222 | 4.2% |
| Single person (167%) | \$73,283 | \$77,854 | 6.2% | \$19,409 | \$20,222 | 4.2% |
| Sole parent (0%) | \$28,203 | \$29,447 | 4.4% | \$53,639 | \$56,586 | 5.5% |
| Sole parent (67%) | \$47,983 | \$50,988 | 6.3% | \$53,639 | \$56,586 | 5.5% |
| Single income couple (133%) | \$63,352 | \$66,613 | 5.1% | \$33,789 | \$35,078 | 3.8% |
| Single income couple (167%) | \$75,499 | \$80,077 | 6.1% | \$33,789 | \$35,078 | 3.8% |
| Dual income couple (100 & 33%) | \$66,220 | \$70,536 | 6.5% | \$36,092 | \$36,837 | 2.1% |
| Dual income couple (100 & 67%) | \$81,687 | \$87,158 | 6.7% | \$36,213 | \$37,886 | 4.6% |
| Single income couple with children (100%)(d) | \$57,244 | \$60,060 | 4.9% | \$53,639 | \$56,586 | 5.5% |
| Single income couple with children (133%) | \$68,911 | \$72,589 | 5.3% | \$53,639 | \$56,586 | 5.5% |
| Single income couple with children (167%) | \$80,606 | \$82,420 | 2.2% | \$53,639 | \$56,586 | 5.5% |
| Dual income couple with children (100 & 33%)(e) | \$74,267 | \$79,891 | 7.6% | \$63,723 | \$69,153 | 8.5% |
| Dual income couple with children (100 & 67%)(f) | \$90,547 | \$95,831 | 5.8% | \$67,614 | \$76,762 | 13.5% |
| Dual income couple with children (167 & 100%)(g) | \$126,595 | \$136,009 | 7.4% | \$66,877 | \$75,529 | 12.9% |
| Senior single (0%) | \$15,279 | \$18,044 | 18.1% | \$29,505 | \$34,592 | 17.2% |
| Pensioner couple (0 & 0%) | \$25,169 | \$27,205 | 8.1% | \$47,365 | \$57,591 | 21.6% |

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

(b) Disposable income is the sum of private income and government cash transfers less net tax paid.

(c) The net tax threshold is the private income at which taxes paid exceed cash benefits received.

(d) Families with children have two, aged 3 and 8 years. Families spend enough on eligible education expenses to claim the maximum Education Tax Refund in respect of the 8 year old, where eligible.

(e) Younger child is in long day care, two days per week at \$5.70 per hour in 2007-08 and \$6.90 per hour in 2010-11; older child is not in paid care. For the calculation of net tax thresholds, the hours of care are consistent with the income of the second earner.

(f) Younger child is in long day care, four days per week at \$5.70 per hour in 2007-08 and \$6.90 per hour in 2010-11; older child is not in paid care. For the calculation of net tax thresholds, the hours of care are consistent with the income of the second earner.

(g) Younger child is in long day care, five days per week at \$5.70 per hour in 2007-08 and \$6.90 per hour in 2010-11; older child is not in paid care. For the calculation of net tax thresholds, the hours of care are consistent with the income of the second earner.

Lowering the tax burdens of Australians

The Government will be building on the third consecutive year of tax cuts. From 1 July 2011 the Government will introduce a 50 per cent discount on up to \$1,000 of interest income, and from 1 July 2012 taxpayers will have the option of a \$500 standard deduction for work-related expenses and the cost of managing tax affairs to simplify their tax returns. The standard deduction will increase to \$1,000 from 1 July 2013.

Tax benefit as per cent of tax paid (including Medicare levy) in 2009-10

| Taxable Income (\$) | 2010-11 | 2011-12 | 2012-13 | 2013-14 | Total tax benefit compared to 2009-10 (\$) | Tax benefit as % of tax paid (including ML) in 2009-10 |
|------------------------|------------------|------------------------------|--------------------------------|--|--|---|
| | Tax cuts (\$) | Interest discount (\$) | \$500 std deduction (\$) | Extra \$500 of std deduction (\$) | | |
| 15,000 | - | - | - | - | - | - |
| 20,000 | 150 | 83 | 17 | 83 | 332 | 37% |
| 25,000 | 150 | 83 | 17 | 83 | 332 | 18% |
| 30,000 | 150 | 83 | 17 | 83 | 332 | 12% |
| 35,000 | 150 | 103 | 21 | 103 | 376 | 10% |
| 40,000 | 450 | 178 | 36 | 178 | 841 | 15% |
| 45,000 | 450 | 178 | 36 | 178 | 841 | 12% |
| 50,000 | 450 | 178 | 36 | 178 | 841 | 9% |
| 55,000 | 450 | 178 | 36 | 178 | 841 | 8% |
| 60,000 | 450 | 178 | 36 | 178 | 841 | 7% |
| 65,000 | 450 | 178 | 36 | 178 | 841 | 6% |
| 70,000 | 300 | 158 | 32 | 158 | 647 | 4% |
| 75,000 | 300 | 158 | 32 | 158 | 647 | 4% |
| 80,000 | 300 | 158 | 32 | 158 | 647 | 3% |
| 85,000 | 350 | 193 | 39 | 193 | 774 | 4% |
| 90,000 | 400 | 193 | 39 | 193 | 824 | 4% |
| 95,000 | 450 | 193 | 39 | 193 | 874 | 3% |
| 100,000 | 500 | 193 | 39 | 193 | 924 | 3% |
| 110,000 | 600 | 193 | 39 | 193 | 1,024 | 3% |
| 120,000 | 700 | 193 | 39 | 193 | 1,124 | 3% |
| 130,000 | 800 | 193 | 39 | 193 | 1,224 | 3% |
| 140,000 | 900 | 193 | 39 | 193 | 1,324 | 3% |
| 150,000 | 1,000 | 193 | 39 | 193 | 1,424 | 3% |
| 160,000 | 1,100 | 193 | 39 | 193 | 1,524 | 3% |
| 170,000 | 1,200 | 193 | 39 | 193 | 1,624 | 3% |
| 180,000 | 1,300 | 193 | 39 | 193 | 1,724 | 3% |
| 190,000 | 1,300 | 233 | 47 | 233 | 1,812 | 3% |
| 200,000 | 1,300 | 233 | 47 | 233 | 1,812 | 3% |
| 250,000 | 1,300 | 233 | 47 | 233 | 1,812 | 2% |

(1) The cameos assume that the individual receives at least \$1,000 per annum of interest income.

(2) The cameos assume that the individual has existing deductions for work related expenses and cost of managing tax affairs of \$400 per annum, which are replaced with a standard deduction.

(3) Dollar gains for the interest income discount and standard deduction are inclusive of changes in Medicare levy liability and entitlement to the Low Income Tax Offset.

(4) Net tax in 2009-10 refers to the net income tax plus Medicare levy liability of an individual, assuming application of the 2009-10 Medicare levy thresholds for a single person, entitlement to Low Income Tax Offset and no entitlement to any other tax offsets.

(5) In some cases additional benefits may be received, where changes in taxable income (and therefore adjusted taxable income) lead to an increased entitlement to Government payments.

Major initiatives in the 2010-11 Budget

The table below provides a summary of major initiatives in the 2010-11 Budget and their impact on the fiscal balance. More comprehensive information is provided in Budget Paper No. 2, *Budget Measures 2010-11*.

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | TOTAL |
|--|---------|---------|---------|---------|----------|----------|
| | \$m | \$m | \$m | \$m | \$m | \$m |
| Making tax time simpler | | | | | | |
| Standard deduction for work-related expenses and the cost of managing tax affairs | 0.0 | 0.0 | -2.6 | -92.7 | -608.4 | -703.7 |
| Skills for sustainable growth and building infrastructure | | | | | | |
| Skills for Recovery - Critical Skills Investment | 0.0 | -50.0 | -50.0 | -50.0 | -50.0 | -200.0 |
| Skills for Recovery - Apprenticeship Kickstart Bonus II | 0.0 | -28.6 | -50.8 | 0.0 | 0.0 | -79.4 |
| Training System for the Future - Quality Skills Incentive | 0.0 | 0.0 | -43.3 | -43.3 | -43.3 | -129.9 |
| Foundation Skills Package - language, literacy and numeracy for job seekers - expansion | 0.0 | -14.2 | -17.4 | -17.6 | -17.8 | -67.0 |
| Infrastructure Fund | 0.0 | 0.0 | 0.0 | -700.0 | -735.0 | -1,435.0 |
| Renewables and energy efficiency | | | | | | |
| Renewable Energy Future Fund | 0.0 | -42.0 | -352.0 | -149.0 | -109.5 | -652.5 |
| Growing the whole economy | | | | | | |
| Lowering the company tax rate | 0.0 | 0.0 | 0.0 | -300.0 | -2,000.0 | -2,300.0 |
| Small business instant asset write-off and simplified pooling | 0.0 | 0.0 | 0.0 | -2.0 | -1,030.0 | -1,032.0 |
| Resource exploration refundable tax offset | 0.0 | -0.5 | -521.6 | -601.2 | -681.2 | -1,804.5 |
| Saving for the future | | | | | | |
| Increasing concessional contribution caps for individuals over 50 with low superannuation balances | 0.0 | -22.5 | -16.4 | -573.4 | -810.4 | -1,422.7 |
| 50 per cent discount for interest income | 0.0 | -5.2 | -52.8 | -516.2 | -525.8 | -1,100.0 |
| Government super contributions tax rebate for low income earners | 0.0 | 0.0 | -0.7 | -19.6 | -866.7 | -887.0 |
| Increasing the super guarantee rate to 12 per cent | 0.0 | -0.6 | -7.0 | -13.8 | -251.2 | -272.6 |
| Better health and better hospitals | | | | | | |
| New sub-acute hospital beds | 0.0 | -234.3 | -318.2 | -447.1 | -625.9 | -1,625.5 |
| Improving access to elective surgery | -75.0 | -351.0 | -144.0 | -116.5 | -116.5 | -803.0 |
| National access targets for emergency departments | -100.0 | -201.0 | -150.9 | -150.7 | -150.7 | -753.3 |
| Coordinated diabetes care | 0.0 | -5.7 | -13.3 | -183.2 | -247.0 | -449.2 |
| Improved primary care infrastructure | 0.0 | -56.7 | -179.4 | -119.1 | 0.0 | -355.2 |
| Improving access to after hours primary care | 0.0 | -14.0 | -66.6 | -156.5 | -179.7 | -416.8 |
| Support for practice nurses | 0.0 | -3.9 | -70.7 | -147.6 | -168.2 | -390.4 |
| More places on the GP Training Program | 0.0 | -3.3 | -30.8 | -104.0 | -206.9 | -345.0 |
| E-Health - individual electronic health records | 0.0 | -185.6 | -281.2 | 0.0 | 0.0 | -466.8 |
| Protecting our troops, protecting our borders | | | | | | |
| Aviation Security - strengthening passenger and air cargo security | 0.0 | -79.3 | -61.8 | -27.0 | -30.2 | -198.3 |
| Biometrics for border and visa processing | 0.0 | -29.7 | -15.5 | -11.6 | -12.5 | -69.3 |
| Overseas development assistance(a) | -30.0 | -231.7 | -520.5 | -570.0 | -475.1 | -1,827.1 |

(a) No net budget impact.

Appendix F

Major savings in the 2010-11 Budget

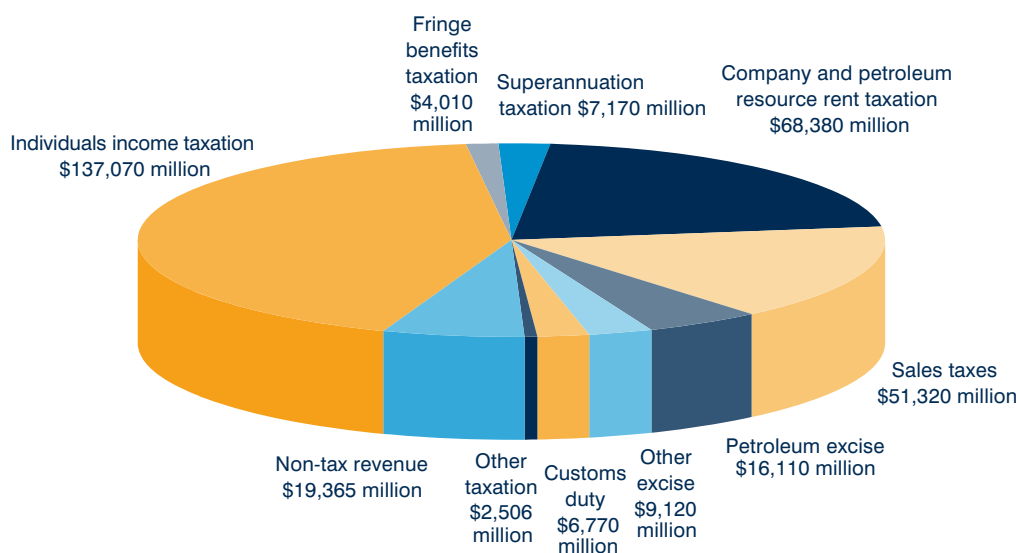
The table below provides a summary of major savings in the 2010-11 Budget and their impact on the fiscal balance. More comprehensive information is provided in Budget Paper No. 2, *Budget Measures 2010-11*.

| | 2009-10 \$m | 2010-11 \$m | 2011-12 \$m | 2012-13 \$m | 2013-14 \$m | TOTAL \$m |
|---|----------------|----------------|----------------|----------------|-----------------|-----------------|
| Stronger, fairer, simpler tax reform - introduction of Resource Super Profits Tax | 0.0 | 0.0 | 0.0 | 3,000.0 | 9,000.0 | 12,000.0 |
| National Health and Hospitals Network - Prevention - increasing the excise and excise-equivalent customs duty on tobacco products | 230.0 | 1,130.0 | 1,170.0 | 1,200.0 | 1,250.0 | 4,980.0 |
| Pharmaceutical Benefits Scheme - further pricing reform | 0.0 | 30.7 | 191.2 | 528.4 | 546.4 | 1,296.7 |
| Fifth Community Pharmacy Agreement | -0.4 | 125.2 | 109.4 | 129.2 | 120.3 | 483.7 |
| Personal income tax - increase in the net medical expenses tax offset claim threshold | 0.0 | 0.0 | 95.0 | 115.0 | 140.0 | 350.0 |
| Department of Health and Ageing grant programs - reprioritisation | 0.0 | 13.3 | 18.6 | 25.4 | 31.5 | 88.8 |
| GST compliance program - working together to improve voluntary compliance | 0.0 | 277.3 | 338.0 | 293.6 | 221.2 | 1,130.1 |
| Consolidation - non-membership equity interests | 0.0 | 25.0 | 50.0 | 110.0 | 200.0 | 385.0 |
| ATO compliance program - dealing with the cash economy | 0.0 | 6.9 | 35.4 | 68.3 | 86.7 | 197.3 |
| Skills for Sustainable Growth - Productivity Places Program National Partnership - redirect funding | 0.0 | 0.0 | 0.0 | 0.0 | 375.9 | 375.9 |
| Superannuation - permanent reduction to the superannuation co-contribution matching rate and maximum payable | 0.0 | 0.0 | 0.0 | 175.0 | 175.0 | 350.0 |
| Superannuation co-contribution - pause to the indexation of the income threshold for two years | 0.0 | 35.0 | 70.0 | 95.0 | 95.0 | 295.0 |
| Superannuation co-contribution - enhancing administration | 33.9 | 30.8 | 31.1 | 41.6 | 41.6 | 179.0 |
| Overseas Development Assistance - GNI methodology change | 0.0 | 207.8 | 234.3 | 269.5 | 314.1 | 1,025.7 |
| Job Capacity Assessment - more efficient and accurate assessments | 0.0 | -1.4 | 55.2 | 140.9 | 188.6 | 383.3 |
| Fuel tax - amending the arrangements for fuel ethanol | 0.0 | 0.0 | 116.0 | 92.5 | 66.5 | 275.0 |
| Green Car Innovation Fund - reduction in funding | 0.0 | 0.0 | 50.0 | 75.0 | 75.0 | 200.0 |
| Water for the future - National Rainwater and Greywater Initiative | 20.0 | 22.6 | 55.0 | 45.0 | 37.1 | 179.7 |
| Fraud prevention and compliance - enhanced capability for Centrelink to detect and respond to emerging fraud risks | 0.0 | -7.3 | 12.7 | 25.5 | 25.8 | 56.7 |
| Other | 216.8 | 614.5 | 669.5 | 1,079.8 | 3,296.6 | 5,877.2 |
| Total saves | 500.3 | 2,510.5 | 3,301.5 | 7,509.7 | 16,287.2 | 30,109.1 |

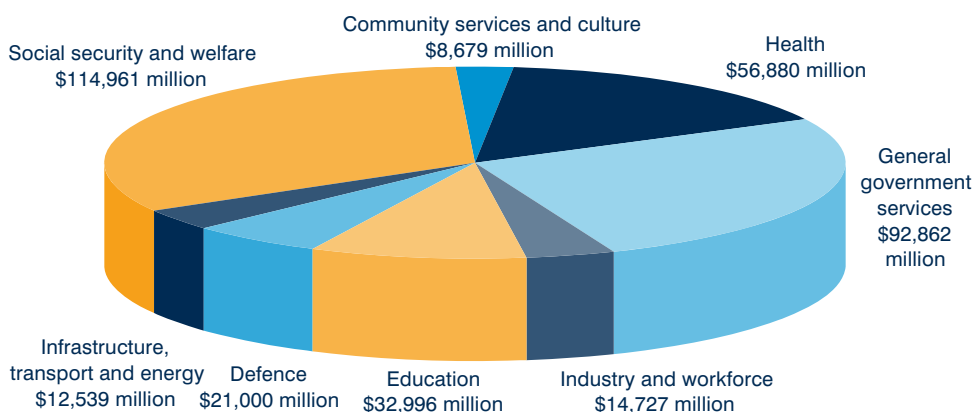
Australian Government taxation and spending

The charts below summarise Australian Government revenues and expenses for 2010-11 on an accrual basis. Total revenue for 2010-11 is expected to be \$321.8 billion, an increase of 5.9 per cent on estimated revenue since the *Mid-Year Economic and Fiscal Outlook 2009-10*. Total expenses for 2010-11 are expected to be \$354.6 billion, an increase of 2.8 per cent on estimated expenses since the *Mid-Year Economic and Fiscal Outlook 2009-10*.

Where revenue comes from



Where taxpayers money is spent



Detailed economic forecasts for 2010-11 and 2011-12

The table below shows the Government's macroeconomic forecasts.^(a) The Australian economy is expected to grow by 3¼ per cent in 2010-11. More comprehensive information is provided in Budget Paper No. 1, *Budget Strategy and Outlook 2010-11*, Statement 2.

| | Outcomes(b) | Estimates | Forecasts | |
|---|-------------|-----------|-----------|---------|
| | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| Panel A - Demand and output(c) | | | | |
| Household consumption | 1.9 | 2 3/4 | 3 1/2 | 4 |
| Private investment | | | | |
| Dwellings | -1.9 | 3 | 7 1/2 | 4 |
| Total business investment(d) | 6.6 | -2 | 7 | 12 1/2 |
| Non-dwelling construction(d) | 8.5 | -7 | 8 | 14 1/2 |
| Machinery and equipment(d) | 4.8 | - 1/2 | 6 | 13 |
| Private final demand(d) | 2.3 | 1 3/4 | 4 1/2 | 6 |
| Public final demand(d) | 4.3 | 7 1/4 | 1 | - 1/2 |
| Total final demand | 2.7 | 3 | 3 3/4 | 4 1/2 |
| Change in inventories(e) | -0.9 | 3/4 | 1/2 | 0 |
| Gross national expenditure | 1.8 | 3 3/4 | 4 1/4 | 4 3/4 |
| Exports of goods and services | 0.1 | 1 1/2 | 5 | 6 |
| Imports of goods and services | -2.8 | 5 | 9 | 8 1/2 |
| Net exports(e) | 0.6 | - 3/4 | -1 | - 3/4 |
| Gross domestic product | 1.3 | 2 | 3 1/4 | 4 |
| Non-farm product | 1.0 | 2 | 3 1/2 | 4 |
| Farm product | 17.6 | 6 | 1 | 2 |
| Nominal gross domestic product | 6.5 | 2 3/4 | 8 1/2 | 5 3/4 |
| Panel B - Other selected economic measures | | | | |
| External accounts | | | | |
| Terms of trade | 9.6 | -3 3/4 | 14 1/4 | -3 3/4 |
| Current account balance (per cent of GDP) | -3.0 | -4 3/4 | -3 3/4 | -5 |
| Labour market | | | | |
| Employment (labour force survey basis)(f) | 0.1 | 2 1/2 | 2 1/4 | 2 |
| Unemployment rate (per cent)(g) | 5.7 | 5 1/4 | 5 | 4 3/4 |
| Participation rate (per cent)(g) | 65.4 | 65 1/4 | 65 1/2 | 65 1/2 |
| Prices and wages | | | | |
| Consumer Price Index(f) | 1.5 | 3 1/4 | 2 1/2 | 2 1/2 |
| Gross non-farm product deflator | 5.5 | 1 | 5 | 1 3/4 |
| Wage Price Index(f) | 3.8 | 2 3/4 | 3 3/4 | 4 |

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

(b) Calculated using original data.

(c) Chain volume measures except for nominal gross domestic product which is in current prices.

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

(e) Percentage point contribution to growth in GDP.

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

(g) Estimate for the June quarter.

Note: The forecasts are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level — a trade weighted index of around 70 and a United States dollar exchange rate of around 90 US cents. Interest rates are assumed to move broadly in line with market expectations. World oil prices (Malaysian Tapis) are assumed to remain around US\$88 per barrel. The farm sector forecasts are based on an assumption of average seasonal conditions in the future.

Historical budget and net financial worth data

The table below provides historical data and forward estimates for Australian Government general government sector cash receipts, cash payments, the underlying cash balance and net financial worth. More comprehensive information is provided in Budget Paper No. 1, *Budget Strategy and Outlook 2010-11*, Statement 10.

| | Receipts | | Payments | | Underlying cash balance(a) | | Net Financial worth | |
|-------------------|----------------|-----------------|----------------|-----------------|----------------------------|-----------------|---------------------|-----------------|
| | \$m | Per cent of GDP | \$m | Per cent of GDP | \$m | Per cent of GDP | \$m | Per cent of GDP |
| 1977-78 | 24,019 | 22.8 | 26,057 | 24.8 | -2,037 | -1.9 | na | na |
| 1978-79 | 26,129 | 22.0 | 28,272 | 23.8 | -2,142 | -1.8 | na | na |
| 1979-80 | 30,321 | 22.5 | 31,642 | 23.5 | -1,322 | -1.0 | na | na |
| 1980-81 | 35,993 | 23.6 | 36,176 | 23.7 | -184 | -0.1 | na | na |
| 1981-82 | 41,499 | 23.6 | 41,151 | 23.4 | 348 | 0.2 | na | na |
| 1982-83 | 45,463 | 24.0 | 48,810 | 25.7 | -3,348 | -1.8 | na | na |
| 1983-84 | 49,981 | 23.4 | 56,990 | 26.6 | -7,008 | -3.3 | na | na |
| 1984-85 | 58,817 | 24.9 | 64,853 | 27.5 | -6,037 | -2.6 | na | na |
| 1985-86 | 66,206 | 25.4 | 71,328 | 27.3 | -5,122 | -2.0 | na | na |
| 1986-87 | 74,724 | 26.1 | 77,158 | 26.9 | -2,434 | -0.8 | na | na |
| 1987-88 | 83,491 | 25.5 | 82,039 | 25.1 | 1,452 | 0.4 | na | na |
| 1988-89 | 90,748 | 24.5 | 85,326 | 23.1 | 5,421 | 1.5 | na | na |
| 1989-90 | 98,625 | 24.2 | 92,684 | 22.7 | 5,942 | 1.5 | na | na |
| 1990-91 | 100,227 | 23.9 | 100,665 | 24.0 | -438 | -0.1 | na | na |
| 1991-92 | 95,840 | 22.4 | 108,472 | 25.4 | -12,631 | -3.0 | na | na |
| 1992-93 | 97,633 | 21.7 | 115,751 | 25.8 | -18,118 | -4.0 | na | na |
| 1993-94 | 103,824 | 22.0 | 122,009 | 25.8 | -18,185 | -3.9 | na | na |
| 1994-95 | 113,458 | 22.7 | 127,619 | 25.5 | -14,160 | -2.8 | na | na |
| 1995-96 | 124,429 | 23.4 | 135,538 | 25.5 | -11,109 | -2.1 | na | na |
| 1996-97 | 133,592 | 23.9 | 139,689 | 25.0 | -6,099 | -1.1 | na | na |
| 1997-98 | 140,736 | 23.8 | 140,587 | 23.8 | 149 | 0.0 | na | na |
| 1998-99 | 152,063 | 24.4 | 148,175 | 23.8 | 3,889 | 0.6 | na | na |
| 1999-00 | 166,199 | 25.0 | 153,192 | 23.1 | 13,007 | 2.0 | -67,956 | -10.2 |
| 2000-01 | 182,996 | 25.8 | 177,123 | 25.0 | 5,872 | 0.8 | -72,808 | -10.3 |
| 2001-02 | 187,588 | 24.7 | 188,655 | 24.8 | -1,067 | -0.1 | -78,642 | -10.4 |
| 2002-03 | 204,613 | 25.4 | 197,243 | 24.5 | 7,370 | 0.9 | -84,314 | -10.5 |
| 2003-04 | 217,775 | 25.2 | 209,785 | 24.3 | 7,990 | 0.9 | -73,845 | -8.5 |
| 2004-05 | 235,984 | 25.5 | 222,407 | 24.0 | 13,577 | 1.5 | -59,941 | -6.5 |
| 2005-06 | 255,943 | 25.6 | 240,136 | 24.0 | 15,756 | 1.6 | -63,129 | -6.3 |
| 2006-07 | 272,637 | 25.0 | 253,321 | 23.2 | 17,182 | 1.6 | -39,668 | -3.6 |
| 2007-08 | 294,917 | 25.0 | 271,843 | 23.0 | 19,704 | 1.7 | -17,765 | -1.5 |
| 2008-09 | 292,600 | 23.2 | 316,046 | 25.1 | -27,079 | -2.2 | -73,800 | -5.9 |
| 2009-10(e) | 285,201 | 22.0 | 339,478 | 26.2 | -57,079 | -4.4 | -118,509 | -9.2 |
| 2010-11(e) | 314,417 | 22.4 | 352,253 | 25.1 | -40,756 | -2.9 | -160,624 | -11.4 |
| 2011-12(e) | 348,834 | 23.5 | 358,987 | 24.2 | -13,045 | -0.9 | -174,312 | -11.7 |
| 2012-13(p) | 378,014 | 24.1 | 374,074 | 23.8 | 1,016 | 0.1 | -173,767 | -11.1 |
| 2013-14(p) | 398,983 | 24.1 | 390,529 | 23.6 | 5,432 | 0.3 | -168,480 | -10.2 |

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

(e) Estimates.

(p) Projections.

na Data not available.