

**The Federal Treasurer Hon Wayne Swan delivered the 2009/10 Federal Budget on Tuesday 12 May 2009. An overview of the key points from the Budget is provided below.**

## **General**

- The Budget focuses on medium term economic recovery with a primary funding allocation to infrastructure.
- The global economic downturn will impact significantly on jobs, with unemployment reaching 8.25 per cent in 2009-10, 8.5 per cent in 2010-11 and 7.5 per cent for 2011-12.
- The Government has been forced to revise its previous 2008-09 Budget surplus of \$21.7 billion to a \$32.9 billion deficit increasing to a \$53.1 billion deficit in 2009-10 to a peak of \$56 billion deficit in 2010-11 (worth 4.6% of GDP).
- The budget is not forecast to return to a surplus until 2015-16 following real GDP growth forecast fall in 2009-10 of 0.5 per cent, followed by growth of 2.25 per cent in 2010-11 and 4.5 per cent in 2011-12.
- The global recession has stripped around \$210 billion from expected tax receipts.
- Inflation forecasted to be 1.75% for 2009-10.
- There is a commitment to election income tax cut promises which will see overall taxation revenue forecasts to drop from \$286 billion in 2007-08 to \$276 billion in 2008-09 to \$286 billion in 2009-10. These cuts include:
  - From 1 July 2009, the 30% threshold will be raised to \$35,001 and the 40 per cent tax rate will be reduced to 38 per cent; and
  - From 1 July 2010, 30 per cent threshold will be raised to \$37,001 and the 38 per cent rate will be reduced to 37 per cent.
- The Department of Agriculture, Forestry and Fisheries (DAFF) has received funding cuts of \$900 million, however a number of factors must be considered when reviewing this decision:
  - The Treasury Department will now account for drought at an estimated \$524 million;
  - The Dairy Adjustment Levy has been abolished (\$233 million);
  - The MDB grants for irrigators program ceases 30 June (75 million reduction); and
  - The Tasmanian Community Forest Agreement Industry Development Program concludes 30 June (funding value unknown).

The Government has removed \$12 million of departmental funding for DAFF. This equates to approximately 312 fewer staff within the Department.

## **Key areas**

### **Infrastructure**

The \$22 billion Nation Building Infrastructure centrepiece includes:

- \$3.4 billion for roads in 2009-10 and \$28 billion over six years, which for NSW includes:
  - Hunter Expressway in NSW linking the F3 with the New England Highway (\$1.5 billion from the Building Australia Fund). Construction will start in 2010 and will be completed by 2013;
  - Pacific Highway - Kempsey Bypass in NSW (\$618 million from the Building Australia Fund). Construction is expected start in 2010 and will be completed by 2014; and
  - Network 1 (N1), which will stretch from Melbourne to Cairns via the Hume, Pacific and Bruce Highways.
- Other NSW projects funded under the existing Nation Building Program:

- Banora Point upgrade on the Pacific Highway in NSW (\$210 million);
  - Tarcutta Bypass on the Hume Highway in NSW (\$225 million);
  - \$119.5 million to eliminate 439 dangerous black spots on local roads;
  - \$100 million to continue the installation of boom gates and other safety measures at 292 high risk level crossings; and
  - \$20 million to build new truck rest areas and upgrade existing truck rest areas.
- \$4.6 billion for metro rail;
  - \$389 million for ports and freight infrastructure in the Northern Territory and Western Australia only;
  - \$4.5 billion for the Clean Energy Initiative (includes \$1 billion of existing funding);
  - \$2.6 billion in projects focused on universities and research from the Education Investment Fund;
  - \$3.2 billion in projects focused on hospitals and health infrastructure from the Health and Hospitals Fund;
  - \$800 million over 2008-10 for the Community Infrastructure Program to build and renew critical local infrastructure such as community centres, town halls, parks and playgrounds, pools and sports facilities (delivered through Local Governments).

#### **Small Business and General Business Tax Break**

- The Government will increase the February 2009 Tax Break announcement from 30 per cent to 50 per cent to small businesses that acquire an eligible asset between 13 December 2008 and 31 December 2009 and install it ready for use by 31 December 2010.
- The expanded Tax Break will be available to small businesses with a turnover of less than \$2 million. Small businesses need to invest a minimum of \$1,000 per asset in order to qualify for the Tax Break. Under enhancements to the Tax Break announced in March 2009, small businesses can also amalgamate their expenditure on batches and sets of assets in order to meet this threshold.
- All other businesses can continue to access the Tax Break at 30% for eligible assets contracted for prior to 30 June 2009 and 10% for eligible assets that they commit to investing in between 1 July 2009 and 31 December 2009.

#### Other tax announcements

- Hobby farms – A new test for taxpayers with an adjusted income above \$250,000 will restrict the ability of those taxpayers to claim losses for non-commercial activities that are more likely to be in the nature of lifestyle choices of hobbies. The new tax measure will start in July this year and is expected to save more than \$700 million over the next four years:
  - The existing rules will continue to apply to taxpayers with an adjusted taxable income of \$250,000 or less.

#### **Water**

- The Government has agreed to provide \$300 million over four years for the Southern Murray-Darling Basin for “grouped” applications (i.e. projects that seek to amalgamate on farm projects):
  - The \$300 million comes from the \$5.8 billion Sustainable Rural Water Use and Infrastructure program, a key plank of the Government’s 10-year, \$12.9 billion Water for the Future plan. Funding starts in 2009-10 and continues until 2013;
  - The new program will be modelled on the arrangements trialled through the On-Farm Irrigation Efficiency (Pilot Projects) program; and
  - The program will be available to irrigators within the Lachlan and the southern-connected system within the Basin. The southern connected Murray system includes the following river

catchments: NSW Murray, Vic Murray, Murrumbidgee, Kiewa, Ovens, Goulburn, Campaspe, Loddon, Avoca, and the Lower-Darling (south of Menindee Lakes).

### **Drought Assistance**

- Exceptional Circumstances (EC) assistance and other payments for farmers and farm families including EC Relief Payments, the EC Interest Rate Subsidy and Interim Income Support will continue unchanged worth \$429.5 million.
- Allocation of \$715.3 million in the 2009-10 Budget to continue support for drought-affected farmers, farm families, small businesses and rural communities.
- 12-month extension of EC assistance for small businesses and the continuation of the \$20,000 salary and wages exemption for EC Relief Payments and the \$750,000 off-farm asset exemption for the EC Interest Rate Subsidy.
- Other drought assistance measures extended to 30 June 2010 include:
  - Rural Support Services – mobile drought buses, Rural Service Officers and enhanced Centrelink outreach services to drought affected communities in the Murray-Darling Basin;
  - Mental Health Support for Drought-Affected Communities – providing \$5.2 million in 2009-10 to enable the continuation of community outreach and crisis counselling for individuals, families and communities who are in distress due to drought;
  - Drought Assistance for Schools – Up to \$10,000 is available each year for rural and remote schools located in towns with populations of less than 100,000 in EC declared areas. Funding consists of a base entitlement of \$1,000 for each school plus a per capita allowance of \$100 for every enrolled full-time-equivalent student. Schools do not need to apply for funding as eligibility is automatic in EC-declared areas. All schools remain eligible for the duration of an EC declaration with funding provided as a single annual payment. The funding is delivered to schools under cooperative arrangements with state, territory and non-government education authorities. Schools are able to spend their funding on items and activities which directly benefit students. Funding is not available for capital purposes, staff salaries, utilities costs, purchase of equipment, stationery and other day-to-day consumables or school maintenance costs;
  - Family Support Drought Response Teams Initiative – provides whole-of-family relationship services for farm families in rural areas;
  - Re-establishment Assistance – an exit grant of up to \$150,000 for farmers who have decided to leave the land; and
  - Professional Advice and Planning Grants – up to \$5,500 to give eligible farm enterprises access to professional business and financial advice and planning assistance.
- The Declared Drought Area Incentive is designed to encourage primary producers who hold an EC certificate to continue to offer skills development and employment opportunities to people living in a drought declared area. Eligible employers can apply for a \$1,500 Declared Drought Area commencement incentive and a \$1,500 completion incentive for Australian Apprentices (apprentices and trainees) who meet the eligibility criteria. This is in addition to other incentives available to employers who take on an Australian Apprentice.
- Extension of the Transitional Income Support program by 12 months to 30 June 2010.
- Small Block Irrigator Exit Package (Murray-Darling Basin) has been expanded to increase the maximum size of farms that are eligible from 15 to 40 hectares:
  - Taxable grants for the removal of irrigation plantings and infrastructure will increase from \$10,000 up to \$20,000.
- Bureau of Meteorology receives \$16 million over four years following a review of the agency's functions and finances:

- The Government will also provide \$30.5 million over five years (including \$5.1 million in 2013-14) to roll out advanced weather forecasting and warning technology throughout Australia. The system is currently in place in Victoria. The national roll-out will enable more efficient and enhanced weather service delivery, including seven day forecasts for 650 locations and increased accuracy and responsiveness to the public and emergency services organisations during emergency events such as bushfires; and
- The Government will also provide \$48 million over seven years for the Bureau of Meteorology to install and maintain four new weather radars nationally including one in Wollongong to address priority radar coverage gaps.

### **Innovation**

- Funding to Land and Water Australia (LWA) will cease in 2009-10. Priority research activities currently being undertaken by LWA will transfer to other agencies.
- Rural Industries Research and Development Corporation has had its budget reduced by \$3 million.
- Department of Agriculture, Forestry and Fisheries (DAFF) funding reductions of \$3.4 million.
- Government replaces the existing Research and Development Tax Concessions with a new Research and Development Tax Credit with effect from 1 July 2010:
  - Consists of a 40% non-refundable tax credit and a 45% refundable tax credit for firms with turnover of \$20 million or less (not subject to a expenditure cap); and
  - Definition of R&D will be tightened.
- With industry matching, more than \$450 million will be committed to support research projects across the nation's rural research and development corporations.

### **Australia's Farming Future**

- Australia's Farming Future is the Government's climate change initiative for primary industries. It will provide around \$130 million from 2008-09 to 2011-12 towards research, development, training, and adjustment advice.
- \$46.2 million for the Climate Change Research Program for primary producers to prepare for climate change, including soil carbon, livestock emissions and nitrous oxide.
- FarmReady - The Government has allocated \$26.5 million between 2008-09 and 2011-12 to boost training opportunities for primary producers with annual reimbursement grants of up to \$1,500 for farmers and industry grants of up to \$80,000.

### **Trade and Quarantine**

- \$14.9 million over three years for clean energy trade and investment in areas such as renewable energy, green buildings, energy efficiency and sustainable water technologies.
- An additional \$50 million for the Export Market Development Grants scheme.
- \$156 million to ensure biosecurity measures continue at airports, seaports and mail centres.
- Federal Government agreed in principle with all 84 recommendations from the Beale Review however negotiations with the states and territories, budget considerations, development of biosecurity legislation and ongoing discussions with stakeholders will continue throughout 2009 and into 2010.
- \$1.5 million over two years to help ensure fair access to port terminals for wheat exporters. The funding is part of the previous commitment of \$9.4 million for a transitional assistance program, to help producers adjust after major economic reforms to the bulk wheat export marketing system:
  - Under the legislation, accredited exporters who are also port terminal operators must have undertakings to provide fair and reasonable access to other accredited exporters. These undertakings must be in place with the Australian Competition and Consumer Commission

(ACCC) by 1 October 2009. The Government will provide the \$1.5 million to the ACCC to assist with its work.

### **Australian Bureau of Statistics**

- Additional funding of \$60 million over four years to maintain the statistical capacity of the ABS.

### **Environment**

- Government delaying implementation of Carbon Pollution Reduction Scheme by one year to 1 July 2011.
- \$2.75 billion Climate Change Action Fund to provide structural adjustment assistance for workers, communities and regions where a clear, identifiable and significant impact arises, or is highly likely to arise, as a direct result of the CPRS.
- \$16.1 million over four years to the development of the National Carbon Accounting Toolbox to assist in the development of carbon accounting rules for land use management.
- \$200 million over three years for grants to local municipalities to assist planning for a future with less water.

### **Telecommunications**

- The Government has announced an \$80 million Rural and Regional National Broadband Network Initiative to build on the National Broadband Network by supporting initiatives which improve service delivery and promote broadband uptake in regional, rural and remote communities.
- The Government's initial \$46 million for the *Digital Regions Initiative*, committed earlier this year in response to the Regional Telecommunications Review, has been augmented by an additional \$14 million over four years to accelerate the benefits to regional communities of access to high-speed broadband.
- The Government will provide \$11.4 million over four years, commencing in 2009-10, to continue and enhance the subsidies available under the Satellite Phone Subsidy Scheme for Australians living and working in areas without terrestrial coverage. The enhancements to the Scheme include:
  - an increase in the subsidy for applicants in areas without access to terrestrial mobile phone coverage from 60 per cent to 85 per cent, to a maximum of \$1,000 per handset;
  - the ability for applicants in areas without access to terrestrial mobile phone coverage to receive additional subsidies to replace handsets that were previously purchased under the scheme two or more years ago; and
  - the ability for health and emergency services organisations to access more than two handsets based on demonstrated need.

### **Education**

- Assistance to Isolated Children continued – provides help to families with children who cannot go to an appropriate State school because of geographical isolation.
- \$550 million through the Improving Teacher Quality Partnership. This will help attract and retain quality teachers and leaders in schools. Of this funding, \$50 million will be directed to professional development and to support principals to better manage their schools and improve student results.

### **Relaxing the youth allowance education thresholds**

- The Government will provide \$559.9 million over four years to relax the parental income test to improve student access to the Youth Allowance. This measure will help better target student income support to students from low socio-economic backgrounds and other disadvantaged groups.
- The Parental Income Test threshold applying under Youth Allowance (currently \$32,800) will be increased to align with the income test threshold applying to the maximum rate of Family Tax Benefit

(FTB) Part A (currently \$42,559). The threshold will be linked to the FTB index (the Consumer Price Index) to ensure consistency is maintained over time. The Youth Allowance per child taper rate will be replaced with a 20% family taper rate.

- All changes will take effect from 1 January 2010.

### **Health**

- Continuation of Existing Rural and Remote Mental Health Services measure provides additional funding of \$6.7 million over four years to maintain the provision of mental health services in rural and remote areas that have very limited or no access to mental health services.
- Rural GPs existing incentives will be better targeted and the geographic classification systems used to underpin these programs will be updated.
- Funding of \$134.4 million over four years will encourage more doctors to remain in and relocate to rural and remote areas. Changes to the geographic classification system will result in more than 2,400 doctors and about 500 communities becoming eligible for support for the first time. Relocation incentive grants, available for 260 doctors to relocate to isolated areas, of \$47,000/yr.
- Return of service obligations on bonded and overseas trained doctors who work in regional and remote areas will be amended. In addition, the rate of reimbursement of debt under the HECS Reimbursement Scheme will be adjusted according to remoteness. This component will provide greater incentives for doctors to work in regional and remote areas at a cost of \$47.5 million over four years including \$3.9 million in capital funding for Medicare Australia.
- Government will provide \$22.6 million over four years, including \$7.2 million in capital funding for Medicare Australia, to increase locum relief to doctors in regional and remote areas to allow them to undertake professional development opportunities and take holidays. The existing Training for Rural and Remote General Practitioners Program will be extended to doctors working in urban areas in order to better equip them to undertake a rural locum placement.
- Funding of \$11 million over four years to pilot mobile dental service delivery in rural and regional areas where access to dental services is poor.

### **Food security**

- The Government will invest \$464.2 million over 4 years to support increases in food production globally and strengthen the ability of selected countries in the Asia-Pacific region and Africa to address food insecurity. Targeting the major causes of food insecurity including:
  - lifting agricultural productivity;
  - improving rural livelihoods; and
  - building community resilience.

### **Other social services**

- A pension increase of \$32.49 per week for singles and \$10.14 per week combined for couples on the full rate.
- Extending the First Home Owners Boost for an extra 6 months at current levels (\$21,000 for newly built homes and \$14,000 established homes) up until 30 September 2009, then decreasing to \$14,000 for newly built homes and \$10,500 for established homes up until 31 December 2009.
- \$731 million over five years for Paid Parental Leave Scheme which will enable eligible parents taxable payments at the Federal Minimum wage for up to 18 weeks.